

Credit Suisse Principal Protected Yield Fund ARSN 124 906 814
Financial report for the period from
11 July 2007 to 30 June 2008



Credit Suisse Principal Protected Yield Fund

ARSN 124 906 814

Financial report

For the period from 10 July 2007 to 30 June 2008

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This financial report covers Credit Suisse Principal Protected Yield Fund as an individual entity.

The Responsible Entity of Credit Suisse Principal Protected Yield Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is;

Level 2, 575 Bourke Street,
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Credit Suisse Principal Protected Yield Fund, present their report together with the financial report of Credit Suisse Principal Protected Yield Fund ("the Fund") for the period from 10 July 2007 to 30 June 2008.

Principal activities

The Fund's investment strategy is to invest in a Total Return Swap in accordance with the provisions of the Fund's Constitution.

The Fund does not have any employees.

There were no significant changes in the nature of the Fund's activities during the period.

The various service providers for the Fund are detailed in the table below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Credit Suisse International
Custodian and Administrator	JP Morgan Chase Bank, N.A.
Statutory Auditor	Deloitte Touche Tohmatsu

Directors

The following persons held office as directors of Equity Trustees Limited during the period or since the end of the period and up to the date of this report:

J A (Tony) Killen	Chairman (Appointed 30 August 2007)
Peter J Williams	Managing Director
David F Groves	
John R McConnell	
Barry J Jackson	
Alice J M Williams	(Appointed 5 September 2007)
Philip G Molyneux AM	(Resigned as Director and Chairman 30 August 2007)
The Hon Jeffrey G Kennett AC	(Appointed 1 September 2008)

Review and results of operations

The Fund was constituted on 12 April 2007 and commenced operation on 10 July 2007. Consequently, the reporting period is from 10 July 2007 to 30 June 2008. Relief has been granted by ASIC to synchronise the reporting period of the Fund to that of the Responsible Entity's other Funds.

During the period, the Fund invested in accordance with target asset allocations as set out in the current Product Disclosure Statement and in accordance with the provisions of the Fund's Constitution.

Results

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

	For the period from 10 July 2007 to 30 June 2008 S'000
Operating loss before finance costs attributable to unitholders	<u>(788)</u>
Distributions paid	<u>277</u>
Distribution (cents per unit)	<u>2.06</u>

The capital loss of the Fund for the period ended 30 June 2008 was 7.96% resulting in a decrease in unit price from \$1.00 to \$0.9204 for the period ended 30 June 2008.

Directors' report (continued)

Indirect cost ratio (ICR)

The ICR of the Fund for the period ended 30 June 2008 is 0.338%. The ICR calculation includes fees charged to the Fund during the financial period, including those charged by the Responsible Entity, for providing responsible services to the Fund, plus investment management fees, custodial fees and administration costs.

Expenses excluded from ICR calculation are those that would have ordinarily been incurred by a direct investor in the underlying assets of the Fund, such as brokerage, transaction costs and government taxes.

The average unitholders' funds used to calculate the ICR is the average net assets of the Fund, which is calculated on a daily basis.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial period under review.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either Equity Trustees Limited as the Responsible Entity or the auditors of the Fund. In accordance with the Fund's Constitution, the Responsible Entity is entitled to be indemnified from out of the assets of the Fund against losses incurred while properly acting as the Responsible Entity of the Fund. The auditors of the Fund are not entitled to be indemnified from the assets of the Fund.

Fees paid and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 12 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity and its associates as at the end of the period are also disclosed in Note 12 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 5 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the balance sheet and derived using the basis set out in Note 2 of the financial statements.

Directors' unitholdings

As at 30 June 2008, no directors of the Responsible Entity held units in the Fund.

Environmental regulation

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

Directors' report (continued)

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

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



Peter J Williams
Managing Director
Melbourne

23 September 2008

The Directors
Equity Trustees Limited
Level 2
575 Bourke Street
MELBOURNE VIC 3000

Dear Directors,

AUDITOR'S INDEPENDENCE DECLARATION – CREDIT SUISSE PRINCIPAL PROTECTED YIELD FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Equity Trustees Limited, the Responsible Entity of Credit Suisse Principal Protected Yield Fund.

As lead audit partner for the audit of the financial statements of Credit Suisse Principal Protected Yield Fund for the period ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil A. Brown
Partner
Chartered Accountants
Melbourne, 23 September 2008

Credit Suisse Principal Protected Yield Fund
Income statement
For the period from 10 July 2007 to 30 June 2008

	Notes	For the period from 10 July 2007 to 30 June 2008 \$'000
Investment income		
Net losses on financial instruments held for trading at fair value through profit or loss	4	(1,024)
Other investment income		<u>302</u>
Total net investment loss		<u>(722)</u>
Expenses		
Manager's fees *	12	32
Other operating expenses		<u>34</u>
Total operating expenses		<u>66</u>
Operating loss		<u>(788)</u>
Finance costs attributable to unitholders from operations		
Distributions to unitholders	6	(277)
Decrease in net assets attributable to unitholders	5	<u>1,065</u>
Profit/(loss) for the period		<u><u>-</u></u>

The above income statement should be read in conjunction with the accompanying notes.

*The Responsible Entity, Custody and Administration fees are included in the Managers fee and are borne outside the Fund by the Investment Manager.

Credit Suisse Principal Protected Yield Fund
Balance sheet
As at 30 June 2008

	Notes	As at 30 June 2008 \$'000
Assets		
Cash and cash equivalents	8	<u>13,379</u>
Total assets		<u>13,379</u>
Liabilities		
Payables	10	42
Financial liabilities held for trading at fair value through profit or loss	9	<u>1,024</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>1,066</u>
Net assets attributable to unitholders - liability	5	<u>12,313</u>
Net assets		<u><u>-</u></u>

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

Credit Suisse Principal Protected Yield Fund
Statement of changes in equity
For the period from 10 July 2007 to 30 June 2008

	For the period from 10 July 2007 to 30 June 2008 \$'000
Total equity at the beginning of the financial period	-
Profit/(loss) for the period	-
Net income/(expense) recognised directly in equity	-
Total recognised income and expense for the financial period	<u>-</u>
Transactions with equity holders in their capacity as equity holders	<u>-</u>
Total equity at the end of the financial period	<u><u>-</u></u>

Under Australian International Financial Reporting Standards ("AIFRS"), net assets attributable to unitholders is classified as a liability rather than equity. As a result there was no equity at the start or end of the period.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Credit Suisse Principal Protected Yield Fund
Cash flow statement
For the period from 10 July 2007 to 30 June 2008

	Notes	For the period from 10 July 2007 to 30 June 2008 \$'000
Cash flows from operating activities		
Other income received		302
Payment of other expenses		<u>(24)</u>
Net cash inflow from operating activities	13(a)	<u>278</u>
Cash flows from financing activities		
Proceeds from applications by unitholders		13,468
Payments for redemption by unitholders		(90)
Distributions paid		<u>(277)</u>
Net cash inflow from financing activities		<u>13,101</u>
Cash and cash equivalents at the end of the period		<u>13,379</u>
Non-cash financing activities	13(b)	<u>-</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

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1 General information

This financial report covers Credit Suisse Principal Protected Yield Fund ("the Fund") as an individual entity. The Fund was constituted on 12 April 2007 and commenced operation on 10 July 2007. Consequently, the reporting period is from 10 July 2007 to 30 June 2008. Relief has been granted by ASIC to synchronise the reporting period of the Fund to that of the Responsible Entity's other Funds. The Fund will terminate five years from the initial issue date unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Equity Trustees Limited ("the Responsible Entity") (ABN 46 004 031 298) (AFSL 240975). The Responsible Entity's registered office is Level 2, 575 Bourke Street, Melbourne, VIC 3000.

The Fund mainly invests in money market securities and derivatives in accordance with the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors of the Responsible Entity on 23 September 2008. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Compliance with International Financial Reporting Standards (IFRS)

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

The financial report is presented in Australian currency.

(b) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss which is comprised of:

- Financial instruments held for trading

These include derivative financial instruments including futures, forward contracts, options and interest rate swaps. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Fund does not designate any derivatives as hedges in a hedging relationship.

Receivables/payables comprise amounts due to or from the Fund.

(ii) Recognition

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.

(iii) Measurement

(a) Financial assets and liabilities held for trading

Financial assets and liabilities that are held for trading are measured through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

- Fair value in an inactive or unquoted market

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Monte Carlo option valuation model.

(b) Receivables

Receivables are measured initially at fair value and amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. For example, when there has been a significant or prolonged decline in the fair value below cost.

If any such indication of impairment exists, an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance sheet date if unitholders exercised their right to put the units back to the Fund.

(d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term high liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Investment income

Interest income and expenses are recognised in the income statement for all debt instruments using the effective interest method.

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount calculated on an effective interest rate basis.

(f) Expenses

All expense are recognised in the income statement on an accruals basis.

2 Summary of significant accounting policies (continued)

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

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

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

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

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

(h) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders by cash or reinvestment. The distributions are recognised in the income statement as financing costs attributable to unitholders.

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

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments held at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(j) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the balance sheet date. Trades are recorded in trade date and normally settled within three business days.

(k) Receivables

Receivables may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

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

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

(m) Applications and redemptions

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

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees, have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees, custodial fees and other expenses have been recognised in the income statement net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

2 Summary of significant accounting policies (continued)

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set below:

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

From 1 July 2006, the Fund elected to early adopt the following accounting standard:

- AASB8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue (effective for reporting periods beginning on or after 1 January 2009)

The early adoption of the above standard has not impacted the reported financial position, financial performance and cashflow of the Fund but has resulted in the Fund not being required to present a segment report.

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

AASB 101 (Revised) is applicable for annual reporting periods 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 but will not affect any of the amounts recognised in the financial statements. If the Fund makes a prior period adjustment or re-classifies items in the financial statement, it will need to disclose a third balance sheet (statement of financial position), this one being at the beginning of the comparative period.

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

Revised AASB 132 is applicable for annual 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.

(q) Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, unless otherwise stated.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks; market risk (including valuation risk and foreign exchange risk), leverage risk credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund Constitution, the offer document and the investment guidelines of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The investments of the Fund are managed by a specialist investment manager, Credit Suisse Sydney branch ("CS Sydney" or "the Investment Manager"), under an Investment Services Agreement ("ISA") that contains the investment strategy of the Fund.

The Fund's principal instruments comprise a Total Return Swap (as detailed in Note 11. Derivative financial instruments). The main purpose of this financial instrument is to produce income returns, leveraged exposure to the underlying pool of funds with the 100% principal protection at maturity.

The Fund is exposed to the following risks arising from the financial instruments it holds.

3 Financial risk management (continued)

(a) Market risk

Market risk is the risk that the value of the Fund will fluctuate as a result in changes in the value of the assets held by the international bond funds to which the returns under the Total Return Swap relate. The Total Return Swap provide the fund with access to the returns from a portfolio of international bond funds that are held outside the fund by Credit Suisse International ("CSi").

(i) Valuation risk

Where there is no liquid market for investments of the Fund, those investments may be valued by reference to market prices for other assets considered to be appropriate. These prices may not accurately reflect the value at which the investments can be realised.

The table below summarises the impact of an increase/decrease of the Fund's net assets attributable to unitholders at 30 June 2008. The analysis is based on the assumptions that the index increased/decreased by 10% with all other variables held constant and that the fair value of the Fund's portfolio of equity securities and derivatives moved according to the historical correlation with the index. The impact mainly arises from the reasonably possible change in the fair value of listed equities, unlisted unit trusts and equity derivatives.

(ii) Interest rate risk

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values.

30 June 2008	Floating interest rate \$'000	Fixed interest rate \$'000	Non interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	13,379	-	-	13,379
Total assets	<u>13,379</u>	<u>-</u>	<u>-</u>	<u>13,379</u>
Financial liabilities				
Payables	-	-	42	42
Financial liabilities held for trading at fair value through profit or loss	-	-	1,024	1,024
Total liabilities (excluding net assets attributable to unitholders)	<u>-</u>	<u>-</u>	<u>1,066</u>	<u>1,066</u>
Net exposure	<u>13,379</u>	<u>-</u>	<u>(1,066)</u>	<u>12,313</u>

An analysis of financial liabilities by maturities is provided in paragraph (d) on page 16.

The table below summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant. The impact mainly arises from floating interest rate assets.

(b) Summary sensitivity analysis

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

	Impact on operating profit and net assets attributable to unitholders			
	Price risk		Interest rate risk	
	+10%	-10%	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000
30 June 2008	(102)	102	134	(134)

3 Financial risk management (continued)

(c) Counterparty or Credit risk

Counterparty or credit risk is the risk that a party to a transaction may default on its financial or contractual obligations either in whole or in part, under a contract. The Fund has entered into a Total Return Swap with CSi and has placed the total funds raised on deposit with CS Sydney. It is therefore exposed to the counterparty risk of CSi and CS Sydney. CSi's obligation under the Total Return Swap and CS Sydney's obligations under the Deposit are unsecured contractual obligations. In particular the Fund relies on CSi and CS Sydney to meet their payment and other obligations under the Total Return Swap and Deposit, respectively.

As at the date of this report, CSi has been rated "AA-" with a 'negative outlook' by Standard & Poor's (Australia) Pty Limited (ASCN 007 321 852). This rating is subject to change. Further information about CSi and its current credit rating can be found at the internet site www.credit-suisse.com.

(d) Liquidity risk

Liquidity risk is the risk that the Fund will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial instruments. The markets for the Fund's investments may have limited liquidity and in some cases investments may not be readily realisable. This may result in delays in realising investments and may adversely affect the prices at which investments can be realised.

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

	Less than 1 month	1-6 months	6-12 months	1-2 years	More than 2 years
At 30 June 2008	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities held for trading at fair value through profit or loss					
Net settled derivatives	-	-	-	-	(13,468)
Payables	42	-	-	-	-
Net assets attributable to unitholders	12,313	-	-	-	-
Total financial liabilities	<u>12,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,468)</u>

(e) Fair value estimation

Details on how the fair value of financial instruments is determined are disclosed in Note 2(b)(iii).

(f) Net fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the balance sheet are carried at fair value.

4 Net losses on financial instruments held for trading at fair value through profit or loss

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

	For the period from 10 July 2007 to 30 June 2008 \$'000
Financial liabilities	
Net unrealised loss on financial liabilities held for trading at fair value through profit or loss	<u>(1,024)</u>
Total net losses on financial instruments held for trading at fair value through profit or loss	<u>(1,024)</u>

5 Net assets attributable to unitholders

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

	As at 30 June 2008	
	No.'000	\$'000
Net assets attributable to unitholders - liability		
Opening balance	-	-
Applications	13,468	13,468
Redemptions	(90)	(90)
Transfer to the income statement	-	(1,065)
Closing balance	<u>13,378</u>	<u>12,313</u>

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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.

	30 June 2008 \$'000
Liquid assets of the Fund	13,379
Net assets attributable to unitholders	12,313
Ratio of liquid assets to net assets attributable to unitholders	<u>109%</u>

6 Distributions to unitholders

The distributions were paid and payable as follows;

	For the period from 10 July 2007 to 30 June 2008	
	\$'000	CPU
Distribution paid – 31 December 2007	<u>277</u>	<u>2.06</u>
	<u>277</u>	<u>2.06</u>

7 Auditor's remuneration

During the period, the following fees were paid or payable by the Responsible Entity for services provided by the auditor of the Fund:

	Period from 10 July 2007 to 30 June 2008 \$
(a) Audit services	
<i>Audit services</i>	
Deloitte Touche Tohmatsu	
Audit and review of financial reports	28,500
Other audit work under the <i>Corporations Act 2001</i>	<u>3,500</u>
Total remuneration for audit services	<u>32,000</u>
(b) Non-audit services	
<i>Taxation services</i>	
Deloitte Touche Tohmatsu	
Tax compliance services	2,500
Other	<u>4,000</u>
Total remuneration for non-audit services	<u>6,500</u>

Audit fees are paid by the Investment Manager directly from management fees received. Accordingly, no audit fees were incurred by the Fund during the period to 30 June 08. The auditor of the Fund is Deloitte Touche Tohmatsu.

8 Cash and cash equivalents

	As at 30 June 2008 \$'000
Cash	<u>13,379</u>
	<u>13,379</u>

Cash is held by Credit Suisse Sydney under the Total Return Swap and are non interest bearing. Revenue is received in the form of income via the Total Return Swap.

9 Financial liabilities held for trading at fair value through profit or loss

	As at 30 June 2008 Fair value \$'000
Held for trading	
Total Return Swap	<u>(1,024)</u>
Total financial liabilities held for trading at fair value through profit or loss	<u>(1,024)</u>

An overview of the risk exposures relating to financial liabilities held for trading at fair value through profit or loss is included in Note 3.

10 Payables

	As at 30 June 2008 S'000
Management fees payable	32
Other payables	10
	42

11 Derivative financial instruments

In the normal course of business, the Fund enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds a Total Return Swap which provides leveraged exposure to the underlying pool of funds. The Total Return Swap is an agreement between the Responsible Entity, on behalf of the Fund, and CSi under which each party agrees to make certain payments to the other.

There are no other derivatives that are held by the Fund at the reporting date.

The Fund's derivative financial instrument at the reporting date is detailed as follows:

	As at 30 June 2008 Contract/ notional S'000
Buy	
Total Return Swap	13,468

An overview of the risk exposures relating to derivative is included in Note 3.

12 Related party transactions

Responsible Entity

The Responsible Entity of Credit Suisse Principal Protected Yield Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to CSI, to act as Investment Manager for the Fund. The ultimate holding company of the Investment Manager is Credit Suisse Group. The contract is on normal commercial terms and conditions.

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Equity Trustees Limited during the period or since the end of the period and up to the date of this report:

J A (Tony) Killen	Chairman (Appointed 30 August 2007)
Peter J Williams	Managing Director
David F Groves	
John R McConnell	
Barry J Jackson	
Alice J M Williams	(Appointed 5 September 2007)
Philip G Molyneux AM	(Resigned as Director and Chairman 30 August 2007)
The Hon Jeffrey G Kennett AC	(Appointed 1 September 2008)

(b) Other key management personnel

Other key management personnel with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period, were Mr Harvey Kalman, Mr Philip Maddox and Mr Terry Ryan, being executives of the Responsible Entity.

Key management personnel unitholdings

At 30 June 2008 no key management personnel held units in the Fund.

Key management personnel compensation

Key management personnel are paid by Equity Trustees Limited. Payments made from the Fund to Equity Trustees Limited do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund and there were no material contracts involving director's interests subsisting at period end.

12 Related party transactions (continued)

Responsible Entity's/manager's fees and other transactions

Under the terms of the Fund's Constitution and the current Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive fees monthly of up to 0.338% per annum in total of the aggregate portfolio value of the Fund.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Fund and the Responsible Entity and Investment Manager were as follows:

	For the period from 10 July 2007 to 30 June 2008 \$
Aggregate amounts payable to the Investment Manager at the reporting date	32,365

No amounts were paid by the Fund directly to the key management personnel of Equity Trustees Limited.

Related party schemes' unitholdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited), did not hold units in the Fund.

Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the period.

13 Reconciliation of loss to net cash inflow from operating activities

	For the period from 10 July 2007 to 30 June 2008 \$'000
(a) Reconciliation of loss to net cash inflow from operating activities	
Net operating loss	(788)
Net losses on financial instruments held for trading at fair value through profit or loss	1,024
Net change in payables	42
Net cash inflow from operating activities	278
(b) Non cash financing activities	-

14 Events occurring after the 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 2008 or on the results and cash flows of the Fund for the period ended on that date.

15 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity :

- (a) the financial statements and notes set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2008 and of its performance, for the financial period ended on that date.
- (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.



Peter J Williams
Managing Director

Melbourne

23 September 2008

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CREDIT SUISSE PRINCIPAL PROTECTED YIELD FUND

We have audited the accompanying financial report of Credit Suisse Principal Protected Yield Fund ("the Fund"), which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the Fund as set out on pages 6 to 22.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, Equity Trustees Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Credit Suisse Principal Protected Yield 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 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*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).



DELOITTE TOUCHE TOHMATSU



Neil A Brown

Partner

Chartered Accountants

Melbourne, 23 September 2008