



# Perpetual Cash Management Fund



**Annual Financial Report  
30 June 2011**

Perpetual Investment  
Management Limited  
ABN 18 000 866 535  
AFSL 234426  
ARSN 093 211 093

# **Perpetual Cash Management Fund**

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## **Consolidated Annual Financial Report - 30 June 2011**

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## Consolidated Annual Financial Report - 30 June 2011

### Contents

	Page
Directors' report	2
Lead auditor's independence declaration	5
Consolidated statement of comprehensive income	6
Consolidated balance sheet	7
Consolidated statement of changes in equity	8
Consolidated cash flow statement	9
Notes to the consolidated financial statements	10
Directors' declaration	39
Independent auditor's report to the unitholders	40

## Directors' report

The directors of Perpetual Investment Management Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Perpetual Cash Management Fund, present their report together with the consolidated annual financial report of Perpetual Cash Management Fund ("the Scheme") and its controlled entity (collectively, "the Consolidated Entity") for the year ended 30 June 2011.

For purposes of this consolidated annual financial report, the Scheme and Consolidated Entity are referred to as "Consolidated Entity" in the succeeding paragraphs.

### Responsible Entity

The Responsible Entity of Perpetual Cash Management Fund is Perpetual Investment Management Limited (ABN 18 000 866 535). The Responsible Entity's registered office and principal place of business is Level 12, 123 Pitt Street, Sydney, NSW, 2000.

### Directors

The following persons held office as directors of Perpetual Investment Management Limited during the year or since the end of the year and up to the date of this report:

R Burrows (appointed 2 April 2008)  
A Dodwell (appointed 25 August 2008, Alternate for I Holyman)  
C Doyle (appointed 24 September 2009)  
G Foster (appointed 3 February 2010, Alternate for R Burrows)  
J Hawkins (appointed 3 February 2010, resigned 27 July 2010, Alternate for M Pancino)  
J Hawkins (appointed 11 August 2010, resigned 25 February 2011, Alternate for M Miller)  
I Holyman (appointed 4 April 2005)  
M Miller (appointed 24 September 2009, resigned 11 August 2010, Alternate for C Doyle)  
M Miller (appointed 11 August 2010, resigned 25 February 2011)  
M Pancino (appointed 2 February 2010, resigned 27 July 2010)  
R Brandweiner (appointed 15 March 2011)

### Principal activities

The principal activity of the Consolidated Entity is to provide investors with capital stability, regular income and easy access to funds by investing in deposits, money market and fixed income securities.

The Consolidated Entity did not have any employees during the year.

There were no significant changes in the nature of the Consolidated Entity's activities during the year.

### Review and results of operations

During the year, the Consolidated Entity continued to invest in accordance with target asset allocations as set out in the governing documents and in accordance with the provisions of the Constitutions.

The table below demonstrates the performance of the Scheme as represented by the total return, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income:

	<b>Scheme</b>	
<b>Return (non-annualised)</b>	<b>2011</b>	<b>2010</b>
Capital growth (%)	-	-
Distribution of income (%)	<u>3.92</u>	<u>2.81</u>
Total return (%)	<u>3.92</u>	<u>2.81</u>

**Directors' report (continued)**

**Review and results of operations (continued)**

	Scheme	
Unit prices (ex-distribution as at 30 June)	2011	2010
Entry price (\$)	1.000	1.000
Exit price (\$)	1.000	1.000

The above returns have been calculated using exit prices (as at 30 June) after taking into account all ongoing fees, and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation.

**Impact of Australian equivalents to International Financial Reporting Standards ("AIFRS") on unit pricing**

For the purpose of determining unit prices for applications and redemptions, investment positions are valued at cost of acquisition, in accordance with the Scheme's Constitution and governing documents of the Scheme.

Investments are required to be valued at fair value for financial reporting in accordance with AIFRS. For example, long quoted investment positions are valued at the closing bid prices on the relevant trading day (excluding provision for disposal costs).

The key differences between net assets for unit pricing purposes and net assets as reported in the financial statements under AIFRS have been outlined below:

	Scheme 30 June 2011 \$'000
Net assets for unit pricing purposes	845,660
Difference between cost of acquisition (for unit pricing) and fair value (for financial reporting) of securities	3
<b>Net assets under AIFRS</b>	<b>845,663</b>

**Interests in the Consolidated Entity**

The movement in units on issue in the Consolidated Entity during the year is disclosed in note 6 of the consolidated annual financial report.

The value of the Consolidated Entity's assets and liabilities is disclosed on the consolidated balance sheet and derived using the basis set out in note 2 of the consolidated annual financial report.

**Significant changes in state of affairs**

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

**Likely developments and expected results of operations**

The Consolidated Entity will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents and in accordance with the provisions of the Constitutions.

**Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (i) the operations of the Consolidated Entity in future financial years;
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Consolidated Entity in future financial years.

## Directors' report (continued)

### Environmental regulation

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

### Fees paid to and interests held in the Consolidated Entity by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its related parties out of Consolidated Entity property during the year are disclosed in note 9 of the consolidated annual financial report.

No fees were paid out of Consolidated Entity property to the directors of the Responsible Entity during the year.

The number of interests in the Consolidated Entity held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 9 of the consolidated annual financial report.

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Consolidated Entity in regards to insurance cover provided to either the officers of Perpetual Investment Management Limited or the auditors of the Consolidated Entity. So long as the officers of Perpetual Investment Management Limited act in accordance with the Constitutions and the law, the officers remain indemnified out of the assets of the Consolidated Entity against losses incurred while acting on behalf of the Consolidated Entity. The auditors of the Consolidated Entity are in no way indemnified out of the assets of the Consolidated Entity.

### Rounding of amounts to the nearest thousand dollars

The Consolidated Entity is an entity of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and 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.

### Lead auditor's independence declaration

A copy of the Lead 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.



R Burrows  
Director

Sydney  
21 September 2011




*Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001*

To: the directors of Perpetual Investment Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
KPMG

  
Robert Warren  
Partner

Sydney

21 September 2011

**Consolidated statement of comprehensive income**

	Notes	Consolidated		Scheme	
		30 June	30 June	30 June	30 June
		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>					
Distribution income		-	-	48,073	-
Interest income	3	76,371	80,230	12,540	80,230
Net losses on financial instruments held at fair value through profit or loss	4	(388)	(4,931)	(4,669)	(4,931)
Other operating income		38	118	38	118
<b>Total net investment income</b>		<b>76,021</b>	<b>75,417</b>	<b>55,982</b>	<b>75,417</b>
<b>Expenses</b>					
Responsible Entity's fees	9	11,865	20,893	11,865	20,893
<b>Total operating expenses</b>		<b>11,865</b>	<b>20,893</b>	<b>11,865</b>	<b>20,893</b>
<b>Operating profit</b>		<b>64,156</b>	<b>54,524</b>	<b>44,117</b>	<b>54,524</b>
<b>Finance costs attributable to unitholders</b>					
Distributions paid and payable to unitholders of the Scheme	5	43,451	54,474	43,451	54,474
Distributions paid and payable to external unitholders of the subsidiary	5	20,368	-	-	-
Change in net assets attributable to external unitholders of the subsidiary		(373)	-	-	-
<b>Change in net assets attributable to unitholders</b>	6	<b>710</b>	<b>50</b>	<b>666</b>	<b>50</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>710</b>	<b>50</b>	<b>666</b>	<b>50</b>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

### Consolidated balance sheet

	Notes	Consolidated		Scheme	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Assets</b>					
Cash and cash equivalents		238,669	98,282	13,002	98,282
Financial assets held at fair value through profit or loss	7	1,130,259	1,559,240	840,731	1,559,240
Loans and receivables	8	1,572	543	12,713	543
<b>Total assets</b>		<u>1,370,500</u>	<u>1,658,065</u>	<u>866,446</u>	<u>1,658,065</u>
<b>Liabilities</b>					
Distributions payable to unitholders of the Scheme	5	9,923	14,080	9,923	14,080
Distributions payable to external unitholders of the subsidiary	5	5,504	-	-	-
Sundry creditors and accruals		10,901	1,524	10,860	1,524
Net assets attributable to external unitholders of the subsidiary		<u>498,465</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities (excluding net assets attributable to unitholders of the Scheme)</b>		<u>524,793</u>	<u>15,604</u>	<u>20,783</u>	<u>15,604</u>
<b>Net assets attributable to unitholders of the Scheme - liability</b>	6	<u>845,707</u>	<u>1,642,461</u>	<u>845,663</u>	<u>1,642,461</u>

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

**Consolidated statement of changes in equity**

The Consolidated Entity's net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Consolidated Entity has no equity and no items of changes in equity have been presented for the current or comparative period.

**Consolidated cash flow statement**

	Notes	Consolidated		Scheme	
		30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Cash flows from operating activities</b>					
Distributions received		-	-	35,523	-
Interest received		75,330	80,143	12,859	80,143
Other income received		120	227	120	227
Responsible Entity's fees paid		(12,536)	(21,643)	(12,536)	(21,643)
<b>Net cash inflow from operating activities</b>	11(a)	<b>62,914</b>	<b>58,727</b>	<b>35,966</b>	<b>58,727</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of investments		9,987,106	12,926,996	3,964,111	12,926,996
Payments for purchase of investments		(9,558,513)	(11,993,445)	(3,250,271)	(11,993,445)
<b>Net cash inflow from investing activities</b>		<b>428,593</b>	<b>933,551</b>	<b>713,840</b>	<b>933,551</b>
<b>Cash flows from financing activities</b>					
Proceeds from applications by unitholders		3,327,916	5,362,130	3,327,916	5,362,130
Payments for redemptions by unitholders		(4,142,093)	(6,315,975)	(4,142,093)	(6,315,975)
Distributions paid to unitholders of the Scheme		(20,909)	(14,392)	(20,909)	(14,392)
Distributions paid to external unitholders of the subsidiary		(14,864)	-	-	-
Net receipts from external unitholders of the subsidiary		498,830	-	-	-
<b>Net cash outflow from financing activities</b>		<b>(351,120)</b>	<b>(968,237)</b>	<b>(835,086)</b>	<b>(968,237)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>140,387</b>	<b>24,041</b>	<b>(85,280)</b>	<b>24,041</b>
Cash and cash equivalents at the beginning of the financial year		98,282	74,241	98,282	74,241
<b>Cash and cash equivalents at the end of the financial year</b>	11(b)	<b>238,669</b>	<b>98,282</b>	<b>13,002</b>	<b>98,282</b>

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

## 1 General information

This consolidated annual financial report includes separate financial statements for Perpetual Cash Management Fund ("the Scheme") as an individual entity and the Consolidated Entity consisting of Perpetual Cash Management Fund and its subsidiary. The Scheme was constituted on 21 October 1992. The Scheme will terminate on 20 October 2072 unless terminated earlier in accordance with the provisions of the Scheme's Constitution (as amended). The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is Perpetual Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 12, 123 Pitt Street, Sydney, NSW, 2000.

The consolidated annual financial report was authorised for issue by the directors of the Responsible Entity on 21 September 2011. The directors of the Responsible Entity have the power to amend and reissue the consolidated annual 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 to all years presented, unless otherwise stated in the following text.

### (a) Principles of preparation

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

The consolidated annual financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The consolidated annual financial report is presented in Australian dollars, which is the Consolidated Entity's functional currency.

#### *Compliance with International Financial Reporting Standards*

The consolidated annual financial report of the Consolidated Entity also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### *Use of estimates and judgment*

The preparation of a consolidated annual financial report requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (b) Change in accounting policy

The Consolidated Entity has adopted the following standards and amendments mandatory for the annual reporting period beginning on or after 1 January 2010:

*AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139] (effective from accounting periods beginning on or after 1 July 2010)*

In May 2009 the AASB issued a number of improvements to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Consolidated Entity has applied the revised standards from 1 July 2010. There are no adjustments as a result of applying the revised rules.

## 2 Summary of significant accounting policies (continued)

### (c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The assessment of the impact of these new standards (to the extent relevant to the Consolidated Entity) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from accounting periods beginning on or after 1 January 2015)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

The Consolidated Entity has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Consolidated Entity's annual financial report.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective from accounting periods beginning on or after 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Consolidated Entity will apply the amended standard from accounting periods beginning on 1 July 2011. It is not expected that the change will have a material impact on the Consolidated Entity's annual financial report.

(iii) AASB 13 *Fair Value Measurement (effective from accounting periods beginning on or after 30 June 2014)*

AASB 13 *Fair Value Measurement* includes a definition of fair value and provides guidance on fair value measurement. AASB 13 will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. This standard is applied prospectively. The Consolidated Entity has not yet determined the potential effect of the standard.

(iv) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective from accounting periods beginning on or after 1 July 2011)*

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures on Transfers of Financial Assets* which amends AASB 1 *First-time Adoption of Australian Accounting* and AASB 7 *Financial Instruments: Disclosures* to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Consolidated Entity's disclosures. The Consolidated Entity intends to apply the amendment from 1 July 2011.

(v) *Amendments to AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from accounting periods beginning on or after 1 July 2010 / 1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Consolidated Entity does not expect that any adjustments will be necessary as a result of applying the revised rules.

### (d) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Scheme. Control exists when the Scheme has the power, directly or indirectly, to govern the financial and operating policies of another scheme so as to obtain benefits from its activities. This will generally be where the Scheme holds greater than 50% of the units in another scheme. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases.

#### (ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

## 2 Summary of significant accounting policies (continued)

### (e) Financial instruments

#### (i) Classification

The Consolidated Entity's investments are classified at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. All derivatives in a net receivable or payable position are shown gross and reported as either derivative financial assets or derivative financial liabilities. The Consolidated Entity does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. They include for example, investments in exchange traded debt and equity instruments, unlisted trusts and commercial paper.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Consolidated Entity's documented investment strategy. The Consolidated Entity's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

Loans and receivables comprise amounts due to the Consolidated Entity and applications receivable.

Other financial liabilities include distributions payable to unitholders of the Scheme, distributions payable to external unitholders of the subsidiary, sundry creditors and accruals, net assets attributable to external unitholders of the subsidiary and redemptions payable.

#### (ii) Recognition/derecognition

The Consolidated Entity 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.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Consolidated Entity has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

##### *Financial assets and liabilities held at fair value through profit or loss*

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

## 2 Summary of significant accounting policies (continued)

### (e) Financial instruments (continued)

#### (iii) Measurement (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 financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance sheet date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Consolidated Entity 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 Black-Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts.

#### *Loans and receivables*

Loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortised cost 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.

If evidence of impairment exists, an impairment loss is recognised in the consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

For the purpose of AASB 7, management considers that the carrying amount of cash and cash equivalents, other receivables, amounts due from brokers and other financial liabilities approximate fair value.

#### *Other financial liabilities*

Other financial liabilities are initially measured at fair value and subsequently at amortised cost.

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 2 Summary of significant accounting policies (continued)

### (f) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities as a result of the requirement to make mandatory distributions. The units can be put back to the Consolidated Entity at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption price) at the balance sheet date if unitholders exercised their right to redeem units in the Consolidated Entity.

### (g) Cash and cash equivalents

For consolidated cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability on the consolidated balance sheet.

### (h) Investment income

Interest income is recognised in the consolidated statement of comprehensive income for all interest bearing financial instruments using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(e).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Consolidated Entity estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis as the Consolidated Entity is presently entitled to the distributable income of its investee trusts.

Other income is brought to account on an accruals basis.

Realised gains or losses are calculated as the difference between proceeds received from the sale of investments during the year (net of transaction costs) and their respective original costs. Unrealised gains or losses include all unrealised gains or losses recognised during the year on investments held at year end, adjusted for the reversal of previously recognised unrealised gains or losses on investments sold.

### (i) Expenses

All expenses, including Responsible Entity's fees, are recognised in the consolidated statement of comprehensive income on an accruals basis.

### (j) Income tax

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

Realised net capital losses cannot be distributed to unitholders but are carried forward by the Consolidated Entity to be offset against any realised capital gains in future years.

The benefits of franking credits and foreign tax credits are passed on to unitholders, providing certain conditions are met.

## 2 Summary of significant accounting policies (continued)

### (k) Distributions

In accordance with Constitutions, the Consolidated Entity distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the consolidated statement of comprehensive income as finance costs attributable to unitholders.

### (l) Change in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the consolidated statement of comprehensive income.

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

The GST incurred on the costs of various services provided to the Consolidated Entity by third parties such as Responsible Entity's fees, has been passed onto the Consolidated Entity. The Consolidated Entity qualifies for Reduced Input Tax Credits (RITC) at a rate of 75% hence Responsible Entity's fees and other expenses have been recognised in the consolidated statement of comprehensive income 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 consolidated balance sheet. Cash flows relating to GST are included in the consolidated cash flow statement on a gross basis.

## 3 Interest income

	Consolidated		Scheme	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Cash and cash equivalents	12,055	3,035	661	3,035
Money market securities and floating rate notes	62,387	76,971	11,879	76,971
Mortgage-backed securities	163	-	-	-
Fixed interest securities	1,766	224	-	224
<b>Total</b>	<b>76,371</b>	<b>80,230</b>	<b>12,540</b>	<b>80,230</b>

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

	Consolidated		Scheme	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Net unrealised losses on financial instruments designated at fair value through profit or loss	(1,203)	(4,931)	(4,669)	(4,931)
Net realised gains on financial instruments designated at fair value through profit or loss	815	-	-	-
<b>Net losses on financial instruments held at fair value through profit or loss</b>	<b>(388)</b>	<b>(4,931)</b>	<b>(4,669)</b>	<b>(4,931)</b>

Gains and losses presented above excludes interest income and distribution income.

## 5 Distributions to unitholders

The distributions for the year were as follows:

	Consolidated	
	30 June 2011	30 June 2010
	\$'000	\$'000
<b>Distributions</b>		
Distributions paid to the unitholders of the Scheme - September	15,107	13,012
Distributions paid to the unitholders of the Scheme - December	9,209	13,433
Distributions paid to the unitholders of the Scheme - March	9,185	13,901
Distributions paid to the unitholders of the Scheme - June	27	48
Distributions payable to the unitholders of the Scheme - June	9,923	14,080
Distributions paid to the external unitholders of the Subsidiary - September	2,869	-
Distributions paid to the external unitholders of the Subsidiary - December	6,412	-
Distributions paid to the external unitholders of the Subsidiary - March	5,583	-
Distributions payable to the external unitholders of the Subsidiary - June	5,504	-
<b>Total distributions</b>	<b>63,819</b>	<b>54,474</b>

	Scheme	
	30 June 2011	30 June 2010
	\$'000	\$'000
<b>Distributions</b>		
Distributions paid to the unitholders of the Scheme - September	15,107	13,012
Distributions paid to the unitholders of the Scheme - December	9,209	13,433
Distributions paid to the unitholders of the Scheme - March	9,185	13,901
Distributions paid to the unitholders of the Scheme - June	27	48
Distributions payable to the unitholders of the Scheme - June	9,923	14,080
<b>Total distributions</b>	<b>43,451</b>	<b>54,474</b>

## 6 Net assets attributable to unitholders

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

	Consolidated			
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	Units '000	Units '000	\$'000	\$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	1,643,124	2,557,481	1,642,461	2,556,768
Applications	3,327,937	5,362,130	3,327,937	5,362,130
Redemptions	(4,152,100)	(6,315,975)	(4,152,100)	(6,315,975)
Units issued upon reinvestment of distributions	26,699	39,488	26,699	39,488
Change in net assets attributable to unitholders	-	-	710	50
<b>Closing balance</b>	<b>845,660</b>	<b>1,643,124</b>	<b>845,707</b>	<b>1,642,461</b>

## 6 Net assets attributable to unitholders (continued)

	Scheme			
	30 June 2011 Units '000	30 June 2010 Units '000	30 June 2011 \$'000	30 June 2010 \$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	1,643,124	2,557,481	1,642,461	2,556,768
Applications	3,327,937	5,362,130	3,327,937	5,362,130
Redemptions	(4,152,100)	(6,315,975)	(4,152,100)	(6,315,975)
Units issued upon reinvestment of distributions	26,699	39,488	26,699	39,488
Change in net assets attributable to unitholders	-	-	666	50
<b>Closing balance</b>	<b>845,660</b>	<b>1,643,124</b>	<b>845,663</b>	<b>1,642,461</b>

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

At the reporting date, applications include applications receivable of \$21,200 (2010: \$nil) and redemptions include redemptions payable of \$10,006,693 (2010: \$nil). The applications receivable and redemptions payable have been included in the loans and receivables, and sundry creditors and accruals, respectively.

## 7 Financial assets held at fair value through profit or loss

	Consolidated		Scheme	
	Fair value 30 June 2011 \$'000	Fair value 30 June 2010 \$'000	Fair value 30 June 2011 \$'000	Fair value 30 June 2010 \$'000
<b>Designated at fair value through profit or loss</b>				
Fixed interest securities	35,503	-	-	-
Money market securities and floating rate notes	1,089,249	1,559,240	-	1,559,240
Mortgage-backed securities	5,507	-	-	-
Unlisted unit trusts	-	-	840,731	-
<b>Total financial assets held at fair value through profit or loss</b>	<b>1,130,259</b>	<b>1,559,240</b>	<b>840,731</b>	<b>1,559,240</b>

## 8 Loans and receivables

	Consolidated		Scheme	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Distributions receivable	-	-	12,550	-
Interest receivable	1,376	335	16	335
Applications receivable	70	-	21	-
Other receivables	126	208	126	208
<b>Total loans and receivables</b>	<b>1,572</b>	<b>543</b>	<b>12,713</b>	<b>543</b>

## 9 Related party transactions

### Responsible Entity

The Responsible Entity of Perpetual Cash Management Fund is Perpetual Investment Management Limited (ABN 18 000 866 535), a wholly owned subsidiary of Perpetual Limited (ACN 000 431 827).

The Consolidated Entity does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Consolidated Entity and this is considered the key management personnel.

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of Perpetual Investment Management Limited during the year or since the end of the year and up to the date of this report:

R Burrows (appointed 2 April 2008)

A Dodwell (appointed 25 August 2008, Alternate for I Holyman)

C Doyle (appointed 24 September 2009)

G Foster (appointed 3 February 2010, Alternate for R Burrows)

J Hawkins (appointed 3 February 2010, resigned 27 July 2010, Alternate for M Pancino)

J Hawkins (appointed 11 August 2010, resigned 25 February 2011, Alternate for M Miller)

I Holyman (appointed 4 April 2005)

M Miller (appointed 24 September 2009, resigned 11 August 2010, Alternate for C Doyle)

M Miller (appointed 11 August 2010, resigned 25 February 2011)

M Pancino (appointed 2 February 2010, resigned 27 July 2010)

R Brandweiner (appointed 15 March 2011)

#### (b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly during or since the end of the financial year.

### Key management personnel unitholdings

From time to time directors of the Consolidated Entity, or their director related entities, may invest in or withdraw from the Consolidated Entity. These investments or withdrawals are on the same terms and conditions as those entered into by other Consolidated Entity investors.

At 30 June 2011 no key management personnel held units in the Consolidated Entity (2010: nil).

### Key management personnel loan disclosures

The Consolidated Entity 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 Consolidated Entity

Apart from those details disclosed in this note, no key management personnel have entered into a contract with the Consolidated Entity since the end of the previous financial year and there were no contracts involving directors' interests subsisting at year end.

## 9 Related party transactions (continued)

### Responsible Entity's fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Constitutions (as amended). The Responsible Entity's fee is 1.050% p.a. for Perpetual Cash Management Fund and nil% p.a. for Perpetual Institutional Cash Management Trust calculated on capital sums invested by the Consolidated Entity (after taking account of GST and reduced input tax credits) and is disclosed in the consolidated statement of comprehensive income.

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

	Consolidated		Scheme	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	\$	\$	\$	\$
Responsible Entity's fees paid and payable directly by the Consolidated Entity	11,864,853	20,892,969	11,864,853	20,892,969
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	853,401	1,524,450	853,401	1,524,450

### Related party unitholdings

Parties related to the Consolidated Entity (including Perpetual Investment Management Limited, its related parties and other schemes managed by Perpetual Investment Management Limited), held units in the Consolidated Entity as follows:

30 June 2011	Consolidated				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Companies</b>					
Perpetual Investment Management Limited	5,009	0.6	2,009	2,000	194
Perpetual Superannuation Ltd	7,334	0.9	129	-	283
Perpetual Trust Services Limited	500	0.1	-	-	19
Perpetual Trustee Company (Canberra) Ltd	500	0.1	-	-	19
Perpetual Trustee Company Limited	2,000	0.2	2,000	-	72
Perpetual Trustees Australia Limited	69,957	8.3	100,000	75,000	2,412
Perpetual Trustees Consolidated Limited	800	0.1	800	-	10
Perpetual Trustees WA Limited	500	0.1	-	-	19

## 9 Related party transactions (continued)

30 June 2011

	Consolidated				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Managed investment schemes</b>					
Perpetual Active Fixed Interest Fund	6,303	0.5	234,620	237,043	222
Perpetual Australian Share Fund	8,021	0.9	355,716	363,400	1,719
Perpetual Balanced Growth Fund No. 2	17,953	1.3	239,684	236,900	754
Perpetual Cash Alpha Pool Fund	3,857	0.3	26,506	25,546	200
Perpetual Cash Fund	6,546	0.5	11,607	11,913	304
Perpetual Charitable and Community Investor Fund	590	0.1	11,380	18,080	489
Perpetual Charitable Endowment Fund	256	-	4,963	4,707	8
Perpetual Credit Income Fund	22,287	1.7	129,303	119,379	789
Perpetual Diversified Income Fund	23,256	1.7	229,756	206,500	550
Perpetual Diversified Real Return Fund	9,624	0.7	35,324	25,700	346
Perpetual Growth Opportunities Fund <sup>1</sup>	129	-	268	395	7
Perpetual High Grade Treasury Fund <sup>2</sup>	99,467	7.4	490,853	440,848	2,864
Perpetual Industrial Share Fund	7,020	0.8	1,008,170	1,092,154	2,418
Perpetual Liquidity Pool Fund	47,637	3.5	170,585	274,100	4,725
Perpetual Mortgage Pool Fund	52,455	3.9	207,734	193,500	1,734
Perpetual Premium Treasury Fund <sup>3</sup>	15,640	1.2	295,056	342,410	1,152
Perpetual Pure Value Share Fund	31,874	2.4	113,374	81,500	809
Perpetual Select Balanced Fund	377	-	143	602	23
Perpetual Select Conservative Fund	623	0.1	111	188	27
Perpetual Select Diversified Fund	956	0.1	354	64	33
Perpetual Select Geared High Growth Fund	128	-	6	-	5
Perpetual Select Growth Fund	650	0.1	70	62	25
Perpetual Split Growth Fund	-	-	3	166	2
Perpetual Structured Income Fund	8,834	0.7	13,582	7,987	279
Perpetual WealthFocus Investment Advantage					
- Perpetual Australian Share Option	43	-	81,587	82,205	157
- Perpetual Balanced Growth Option	1,066	0.1	18,579	18,735	46
- Perpetual Cash Option	10,133	0.8	19,260	21,242	493
- Perpetual Conservative Growth Option	57	-	1,262	1,748	12
- Perpetual Industrial Share Option	59	-	123,456	141,311	367
Perpetual Wholesale Concentrated Equity Fund	26,655	2.0	338,059	360,111	2,358
Perpetual Wholesale Conservative Growth Fund	2,592	0.2	41,491	43,066	176
Perpetual Wholesale Diversified Growth Fund	3,861	0.3	17,399	16,166	172
Perpetual Wholesale Split Growth Fund	160	-	239	304	10
Perpetual's Term Fund	1,422	0.1	12,674	13,052	127
Perpetual's Wholesale Smaller Companies Share Fund	12,161	1.4	307,263	315,300	670
Private Investor Mortgage Fund	37,294	2.8	47,443	34,400	1,539

<sup>1</sup> Scheme formerly known as "Perpetual Growth Alternatives Fund"

<sup>2</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund"

<sup>3</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund (AA)"

## 9 Related party transactions (continued)

30 June 2011

	Consolidated				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Superannuation funds</b>					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	1,286	0.1	18,115	17,978	54
- Perpetual Balanced Growth Super Option	3,720	0.3	36,397	37,077	142
- Perpetual Cash Pension Option	63,185	4.7	117,434	122,978	3,045
- Perpetual Cash Super Option	94,620	11.2	72,672	76,762	3,615
- Perpetual Challenger Howard Mortgage					
Super Option	1	-	1	1	-
- Perpetual Conservative Growth Pension					
Option	936	0.1	6,460	6,723	47
- Perpetual Conservative Growth Super Option	34	-	5,951	6,826	23
- Perpetual International Share Super Option	20	-	25	30	1
- Perpetual Property Income Super Option	107	-	112	110	5
- Perpetual Split Growth Super Option	120	-	170	50	6
Perpetual's Select Superannuation Fund					
- Balanced Pension Option	1,654	0.2	2,537	1,104	45
- Balanced Super Option	3,534	0.4	4,303	1,336	96
- Cash Pension Option	26,556	3.1	31,936	28,320	1,020
- Cash Super Option	32,895	3.9	67,967	91,171	1,640
- Conservative Pension Option	2,239	0.3	1,198	997	83
- Conservative Super Option	1,917	0.2	556	538	73
- Diversified Pension Option	125	-	125	-	-
- Diversified Super Option	868	0.1	891	23	-
- Growth Pension Option	408	-	331	329	17
- Growth Super Option	3,002	0.4	2,473	997	92
- High Growth Pension Option	64	-	37	55	3
- High Growth Super Option	115	-	121	143	5

## 9 Related party transactions (continued)

30 June 2011

	Scheme				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Companies</b>					
Perpetual Investment Management Limited	5,009	0.6	2,009	2,000	194
Perpetual Superannuation Ltd	7,334	0.9	129	-	283
Perpetual Trust Services Limited	500	0.1	-	-	19
Perpetual Trustee Company (Canberra) Ltd	500	0.1	-	-	19
Perpetual Trustee Company Limited	2,000	0.2	2,000	-	72
Perpetual Trustees Australia Limited	69,957	8.3	100,000	75,000	2,412
Perpetual Trustees Consolidated Limited	800	0.1	800	-	10
Perpetual Trustees WA Limited	500	0.1	-	-	19
<b>Managed investment schemes</b>					
Perpetual Active Fixed Interest Fund	-	-	83,797	92,523	61
Perpetual Australian Share Fund	8,020	0.9	355,715	363,400	1,719
Perpetual Balanced Growth Fund No. 2	-	-	80,131	95,300	124
Perpetual Cash Alpha Pool Fund	-	-	11,749	14,646	20
Perpetual Cash Fund	-	-	1,327	8,179	61
Perpetual Charitable and Community Investor Fund	590	0.1	11,380	18,080	489
Perpetual Charitable Endowment Fund	256	-	4,963	4,707	8
Perpetual Credit Income Fund	-	-	24,716	37,079	112
Perpetual Growth Opportunities Fund <sup>1</sup>	-	-	4	260	2
Perpetual High Grade Treasury Fund <sup>2</sup>	-	-	85,986	135,448	558
Perpetual Industrial Share Fund	7,020	0.8	1,008,170	1,092,154	2,418
Perpetual Premium Treasury Fund <sup>3</sup>	-	-	104,816	167,810	224
Perpetual Select Balanced Fund	377	-	143	602	23
Perpetual Select Conservative Fund	623	0.1	111	188	27
Perpetual Select Diversified Fund	956	0.1	354	64	33
Perpetual Select Geared High Growth Fund	128	-	6	-	5
Perpetual Select Growth Fund	650	0.1	70	62	25
Perpetual Split Growth Fund	-	-	3	166	2
Perpetual Structured Income Fund	-	-	748	3,987	28
Perpetual WealthFocus Investment Advantage					
- Perpetual Australian Share Option	43	-	81,587	82,205	157
- Perpetual Balanced Growth Option	-	-	5,613	6,835	6
- Perpetual Cash Option	-	-	2,804	14,919	108
- Perpetual Conservative Growth Option	-	-	305	848	3
- Perpetual Industrial Share Option	59	-	123,456	141,311	367
Perpetual Wholesale Concentrated Equity Fund	-	-	77,804	126,511	514
Perpetual Wholesale Conservative Growth Fund	-	-	10,999	15,166	38
Perpetual Wholesale Diversified Growth Fund	-	-	4,138	6,766	22
Perpetual Wholesale Split Growth Fund	-	-	4	229	2
Perpetual's Term Fund	-	-	2,952	4,752	35
Perpetual's Wholesale Smaller Companies Share Fund	12,161	1.4	307,263	315,300	670

<sup>1</sup> Scheme formerly known as "Perpetual Growth Alternatives Fund"

<sup>2</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund"

<sup>3</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund (AA)"

## 9 Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2011

	Scheme				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Superannuation funds</b>					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	-	-	5,418	6,567	8
- Perpetual Balanced Growth Super Option	-	-	9,059	13,459	23
- Perpetual Cash Pension Option	-	-	15,447	84,176	656
- Perpetual Cash Super Option	94,620	11.2	72,672	76,762	3,615
- Perpetual Challenger Howard Mortgage Super Option	-	-	-	1	-
- Perpetual Conservative Growth Pension Option	-	-	1,417	2,616	10
- Perpetual Conservative Growth Super Option	-	-	2,213	3,122	6
- Perpetual International Share Super Option	-	-	-	25	-
- Perpetual Property Income Super Option	-	-	2	107	1
Perpetual's Select Superannuation Fund					
- Balanced Pension Option	1,654	0.2	2,537	1,104	45
- Balanced Super Option	3,534	0.4	4,303	1,336	96
- Cash Pension Option	26,556	3.1	31,936	28,320	1,020
- Cash Super Option	32,895	3.9	67,967	91,171	1,640
- Conservative Pension Option	2,239	0.3	1,198	997	83
- Conservative Super Option	1,917	0.2	556	538	73
- Diversified Pension Option	125	-	125	-	-
- Diversified Super Option	868	0.1	891	23	-
- Growth Pension Option	408	-	331	329	17
- Growth Super Option	3,002	0.4	2,473	997	92
- High Growth Pension Option	64	-	37	55	3
- High Growth Super Option	115	-	121	143	5

## 9 Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2010	Consolidated				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Companies</b>					
Perpetual Investment Management Limited	5,000	0.3	-	-	140
Perpetual Superannuation Ltd	7,205	0.4	169	-	200
Perpetual Trust Services Limited	500	-	-	-	14
Perpetual Trustee Company (Canberra) Ltd	500	-	500	-	1
Perpetual Trustees Australia Limited	44,957	2.7	146,500	117,000	1,346
Perpetual Trustees WA Limited	500	-	-	-	14
<b>Managed investment schemes</b>					
Perpetual Active Fixed Interest Fund	8,726	0.5	211,814	206,189	143
Perpetual Australian Share Fund	15,705	1.0	351,597	364,100	852
Perpetual Balanced Growth Fund No. 2	15,169	0.9	132,138	151,300	507
Perpetual Cash Alpha Pool Fund	2,897	0.2	59,358	62,600	239
Perpetual Cash Fund	6,852	0.4	9,563	8,891	175
Perpetual Charitable and Community Investor Fund	7,290	0.4	5,532	13,798	210
Perpetual Credit Income Fund	12,363	0.8	125,432	132,080	205
Perpetual Growth Opportunities Fund <sup>1</sup>	256	-	6	-	7
Perpetual High Grade Treasury Fund <sup>2</sup>	49,462	3.0	487,489	514,700	1,705
Perpetual Industrial Share Fund	91,004	5.5	1,413,171	1,406,300	3,096
Perpetual Liquidity Pool Fund	-	-	114,326	195,408	1,035
Perpetual Mortgage Pool Fund	-	-	60,693	125,693	562
Perpetual Premium Treasury Fund <sup>3</sup>	62,994	3.8	302,922	390,600	2,665
Perpetual Select Balanced Fund	836	0.1	2,790	2,511	41
Perpetual Select Conservative Fund	700	-	331	192	17
Perpetual Select Diversified Fund	666	-	554	810	22
Perpetual Select Geared High Growth Fund	122	-	242	120	3
Perpetual Select Growth Fund	642	-	715	246	13
Perpetual Select Socially Responsible Balanced Fund	-	-	5,932	5,939	1
Perpetual Split Growth Fund	163	-	5	100	5
Perpetual Structured Income Fund	3,239	0.2	8,057	5,900	60
Perpetual WealthFocus Investment Advantage					
- Perpetual Australian Share Option	661	-	46,427	46,601	24
- Perpetual Balanced Growth Option	1,222	0.1	9,852	11,600	48
- Perpetual Cash Option	12,115	0.7	11,021	10,196	315
- Perpetual Conservative Growth Option	543	-	716	1,400	13
- Perpetual Industrial Share Option	17,914	1.1	198,702	191,700	416
- Perpetual Smaller Companies Option	-	-	69,079	78,410	141
Perpetual Wholesale Concentrated Equity Fund	48,707	3.0	311,780	277,900	839
Perpetual Wholesale Conservative Growth Fund	4,167	0.3	45,686	47,600	225
Perpetual Wholesale Diversified Growth Fund	2,628	0.2	9,045	8,200	55
Perpetual Wholesale Split Growth Fund	225	-	5	-	6
Perpetual's Term Fund	1,800	-	9,787	16,500	138
Perpetual's Wholesale Smaller Companies Share Fund	20,198	1.2	159,924	144,500	389

<sup>1</sup> Scheme formerly known as "Perpetual Growth Alternatives Fund"

<sup>2</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund"

<sup>3</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund (AA)"

## 9 Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2010

	Number of units held '000	Interest held (%)	Consolidated		
			Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
Superannuation funds					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	1,149	0.1	14,146	15,100	56
- Perpetual Balanced Growth Super Option	4,400	0.3	24,275	24,500	111
- Perpetual Cash Pension Option	68,729	4.2	51,622	55,280	2,258
- Perpetual Cash Super Option	98,710	6.0	85,973	97,149	3,243
- Perpetual Challenger Howard Mortgage Super Option	1	-	1	-	1
- Perpetual Conservative Growth Pension Option					
- Perpetual Conservative Growth Super Option	1,199	0.1	3,912	3,200	20
- Perpetual International Share Super Option	909	0.1	6,114	6,000	21
- Perpetual International Share Super Option	25	-	1	-	1
- Perpetual Mortgage Super Option	-	-	43	1,751	58
- Perpetual Property Income Super Option	105	-	3	-	3
Perpetual's Select Superannuation Fund					
- Balanced Pension Option	221	-	2,503	3,829	56
- Balanced Super Option	567	-	2,744	2,664	30
- Cash Pension Option	22,940	1.4	22,565	25,278	552
- Cash Super Option	56,099	3.4	96,282	86,364	1,351
- Conservative Pension Option	2,038	0.1	1,336	938	58
- Conservative Super Option	1,899	0.1	516	583	55
- Growth Pension Option	406	-	1,376	1,473	26
- Growth Super Option	1,526	0.1	1,532	514	32
- High Growth Pension Option	82	-	32	76	3
- High Growth Super Option	137	-	117	79	3

## 9 Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2010

	Scheme				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
<b>Companies</b>					
Perpetual Investment Management Limited	5,000	0.3		-	140
Perpetual Superannuation Ltd	7,205	0.4	169	-	200
Perpetual Trust Services Limited	500	-	-	-	14
Perpetual Trustee Company (Canberra) Ltd	500	-	500	-	1
Perpetual Trustees Australia Limited	44,957	2.7	146,500	117,000	1,346
Perpetual Trustees WA Limited	500	-	-	-	14
<b>Managed investment schemes</b>					
Perpetual Active Fixed Interest Fund	8,726	0.5	211,814	206,189	143
Perpetual Australian Share Fund	15,705	1.0	351,597	364,100	852
Perpetual Balanced Growth Fund No. 2	15,169	0.9	132,138	151,300	507
Perpetual Cash Alpha Pool Fund	2,897	0.2	59,358	62,600	239
Perpetual Cash Fund	6,852	0.4	9,563	8,891	175
Perpetual Charitable and Community Investor Fund	7,290	0.4	5,532	13,798	210
Perpetual Credit Income Fund	12,363	0.8	125,432	132,080	205
Perpetual Growth Opportunities Fund <sup>1</sup>	256	-	6	-	7
Perpetual High Grade Treasury Fund <sup>2</sup>	49,462	3.0	487,489	514,700	1,705
Perpetual Industrial Share Fund	91,004	5.5	1,413,171	1,406,300	3,096
Perpetual Liquidity Pool Fund	-	-	114,326	195,408	1,035
Perpetual Mortgage Pool Fund	-	-	60,693	125,693	562
Perpetual Premium Treasury Fund <sup>3</sup>	62,994	3.8	302,922	390,600	2,665
Perpetual Select Balanced Fund	836	0.1	2,790	2,511	41
Perpetual Select Conservative Fund	700	-	331	192	17
Perpetual Select Diversified Fund	666	-	554	810	22
Perpetual Select Geared High Growth Fund	122	-	242	120	3
Perpetual Select Growth Fund	642	-	715	246	13
Perpetual Select Socially Responsible Balanced Fund	-	-	5,932	5,939	1
Perpetual Split Growth Fund	163	-	5	100	5
Perpetual Structured Income Fund	3,239	0.2	8,057	5,900	60
<b>Perpetual WealthFocus Investment Advantage</b>					
- Perpetual Australian Share Option	661	-	46,427	46,601	24
- Perpetual Balanced Growth Option	1,222	0.1	9,852	11,600	48
- Perpetual Cash Option	12,115	0.7	11,021	10,196	315
- Perpetual Conservative Growth Option	543	-	716	1,400	13
- Perpetual Industrial Share Option	17,914	1.1	198,702	191,700	416
- Perpetual Smaller Companies Option	-	-	69,079	78,410	141
Perpetual Wholesale Concentrated Equity Fund	48,707	3.0	311,780	277,900	839
Perpetual Wholesale Conservative Growth Fund	4,167	0.3	45,686	47,600	225
Perpetual Wholesale Diversified Growth Fund	2,628	0.2	9,045	8,200	55
Perpetual Wholesale Split Growth Fund	225	-	5	-	6
Perpetual's Term Fund	1,800	-	9,787	16,500	138
Perpetual's Wholesale Smaller Companies Share Fund	20,198	1.2	159,924	144,500	389

<sup>1</sup> Scheme formerly known as "Perpetual Growth Alternatives Fund"

<sup>2</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund"

<sup>3</sup> Scheme formerly known as "Perpetual's Credit Enhanced Cash Fund (AA)"

## 9 Related party transactions (continued)

### Related party unitholdings (continued)

30 June 2010	Scheme				
	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
Superannuation funds					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	1,149	0.1	14,146	15,100	56
- Perpetual Balanced Growth Super Option	4,400	0.3	24,275	24,500	111
- Perpetual Cash Pension Option	68,729	4.2	51,622	55,280	2,258
- Perpetual Cash Super Option	98,710	6.0	85,973	97,149	3,243
- Perpetual Challenger Howard Mortgage Super Option	1	-	1	-	1
- Perpetual Conservative Growth Pension Option	1,199	0.1	3,912	3,200	20
- Perpetual Conservative Growth Super Option	909	0.1	6,114	6,000	21
- Perpetual International Share Super Option	25	-	1	-	1
- Perpetual Mortgage Super Option	-	-	43	1,751	58
- Perpetual Property Income Super Option	105	-	3	-	3
Perpetual's Select Superannuation Fund					
- Balanced Pension Option	221	-	2,503	3,829	56
- Balanced Super Option	567	-	2,744	2,664	30
- Cash Pension Option	22,940	1.4	22,565	25,278	552
- Cash Super Option	56,099	3.4	96,282	86,364	1,351
- Conservative Pension Option	2,038	0.1	1,366	938	58
- Conservative Super Option	1,899	0.1	516	583	55
- Growth Pension Option	406	-	1,376	1,473	26
- Growth Super Option	1,526	0.1	1,532	514	32
- High Growth Pension Option	82	-	32	76	3
- High Growth Super Option	137	-	117	79	3

### Investments

The Scheme held investments in the following scheme which is also managed by Perpetual Investment Management Limited or its related parties:

30 June 2011	Scheme					
	Number of units held '000	Fair value of investment \$'000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions received/ receivable \$'000
<b>Managed investment scheme</b>						
Perpetual Institutional Cash Management Trust	840,731	840,731	62.8	3,028,944	2,188,213	48,073

## 10 Auditor's remuneration

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

	Consolidated		Scheme	
	30 June 2011 \$	30 June 2010 \$	30 June 2011 \$	30 June 2010 \$
<b>Auditor's and audit related services</b>				
<i>KPMG</i>				
<b>Total remuneration for audit and audit related services</b>	<b>38,724</b>	<b>21,162</b>	<b>19,362</b>	<b>21,162</b>

## 11 Reconciliation of operating profit to net cash inflow from operating activities

	Consolidated		Scheme	
	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>				
Operating profit	64,156	54,524	44,117	54,524
Increase in distributions receivable	-	-	(12,550)	-
(Increase)/decrease in interest receivable	(1,041)	(87)	319	(87)
Decrease/(increase) in other receivables	82	109	82	109
Decrease in sundry creditors and accruals	(671)	(750)	(671)	(750)
Net losses on financial instruments held at fair value through profit or loss	388	4,931	4,669	4,931
<b>Net cash inflow from operating activities</b>	<b>62,914</b>	<b>58,727</b>	<b>35,966</b>	<b>58,727</b>
<b>(b) Components of cash and cash equivalents</b>				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:				
Cash on hand	14,569	9,682	13,002	9,682
Deposit at call	224,100	7,600	-	7,600
Short term deposits	-	81,000	-	81,000
<b>Total cash and cash equivalents</b>	<b>238,669</b>	<b>98,282</b>	<b>13,002</b>	<b>98,282</b>

## 12 Financial risk management

### (a) Overview

The allocation of assets between the various types of financial instruments is determined by the Consolidated Entity's asset manager who manages the Consolidated Entity's assets to achieve the Consolidated Entity's investment objectives.

Divergence from target asset allocations and the composition of the assets is monitored by the Consolidated Entity's asset manager on at least a daily basis.

## 12 Financial risk management (continued)

### (a) Overview (continued)

Perpetual Investment Management Limited (PIML), as Responsible Entity of the Consolidated Entity, is aware of the risks associated with the business of investment management. A financial risk management framework has been established within PIML which incorporates a regular assessment process to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- integrated computer systems and processes with checks and balances;
- clear policies and procedures covering operations;
- post-trade investment compliance monitoring by outsourced arrangement;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities;
- a compliance function within PIML with a separate reporting line from the Asset Management team; and
- a half-yearly control self-assessment process.

The Consolidated Entity's investing activities expose it to the following risks from its use of financial instruments:

- market risk;
- credit risk; and
- liquidity risk.

The nature and extent of the financial instruments employed by the Consolidated Entity are discussed below. This note presents information about the Consolidated Entity's exposure to each of the above risks, the Consolidated Entity's objectives, policies and processes for measuring and managing risk.

The Board of Directors of PIML has overall responsibility for the establishment and oversight of the Consolidated Entity's financial risk management framework.

A risk management framework is in operation in PIML. Regular compliance and risk reporting forms an integral part of this framework. This facilitates a flow of information between the business and the PIML Board and its Committees. Any material matters identified are promptly investigated and reported.

The Board of Directors oversees how management monitors compliance with the Consolidated Entity's financial risk management policies and procedures. The Board of Directors ensures the continued adequacy of the financial risk management framework.

The use of derivatives is considered to be part of the investment and asset management processes and is not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- Hedging to protect an asset of the Consolidated Entity against a fluctuation in market value or to reduce volatility;
- As a substitute for physical securities until the physical position can be established;
- Adjusting asset exposures within the parameters set in the investment strategy;
- Adjusting the duration of fixed interest assets or the weighted average maturity of cash assets; and
- Creating a short exposure to a stock or market for a Consolidated Entity authorised to take net negative positions.

Derivatives are not used to gear (leverage) an asset unless explicitly allowed in accordance with the Consolidated Entity's governing documents. Gearing an asset would occur if the level of exposure to the markets exceeds the underlying value of the Consolidated Entity.

## 12 Financial risk management (continued)

### (b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Consolidated Entity's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Consolidated Entity is exposed to market risk influencing investment valuations. The Consolidated Entity may utilise derivatives to manage this risk. However, at 30 June 2011, derivatives were not used (30 June 2010: derivatives were not used).

#### (i) Currency risk

A Consolidated Entity that invests in international assets is exposed to currency risk. Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Asset Managers may enter into derivative contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each Scheme, and agreed acceptable level of currency risk of the Consolidated Entity.

The Consolidated Entity may enter into transactions denominated in currencies other than Australian dollars. The Consolidated Entity is therefore exposed to risks that the exchange rate of the Australian dollar relative to other foreign currencies may change and have an adverse effect on the Consolidated Entity's assets and liabilities denominated in currencies other than the Australian dollar.

Foreign currency positions are monitored on a daily basis.

In accordance with the governing documents, the Consolidated Entity can invest in international assets. As of the balance sheet date, the Consolidated Entity holds no significant investment in international assets.

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest income from cash holdings is received at variable interest rates.

The Consolidated Entity is exposed to interest rate risk on its cash and interest bearing investments. Risk management techniques are used in the selection of investments which include periodic stress testing for fixed interest securities. Securities/investments (including derivatives) are only purchased that meet investment criteria.

Daily monitoring of trade restrictions and derivatives exposure against limits is undertaken with any breaches of these limit restrictions reported.

Financial assets and liabilities are split by the earlier of contractual maturity or repricing.

The Consolidated Entity's exposure to interest rate risk is set out below:

Consolidated	Floating interest rate \$'000	within 1 month \$'000	more than 1 and less than 3 months \$'000	more than 3 and less than 12 months \$'000	Total \$'000
<b>30 June 2011</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	19,669	87,000	84,000	48,000	238,669
Fixed interest securities	-	-	9,721	25,782	35,503
Money market securities and floating rate notes	-	648,145	441,104	-	1,089,249
Mortgage-backed securities	-	5,507	-	-	5,507

## 12 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Interest rate risk (continued)

Consolidated	Floating interest rate \$'000	within 1 month \$'000	more than 1 and less than 3 months \$'000	more than 3 and less than 12 months \$'000	Total \$'000
30 June 2010					
Financial Assets					
Cash and cash equivalents	17,282	66,000	15,000	-	98,282
Money market securities and floating rate notes	-	769,745	779,440	10,055	1,559,240

Scheme	Floating interest rate \$'000	within 1 month \$'000	more than 1 and less than 3 months \$'000	more than 3 and less than 12 months \$'000	Total \$'000
30 June 2011					
Financial Assets					
Cash and cash equivalents	13,002	-	-	-	13,002

Scheme	Floating interest rate \$'000	within 1 month \$'000	more than 1 and less than 3 months \$'000	more than 3 and less than 12 months \$'000	Total \$'000
30 June 2010					
Financial Assets					
Cash and cash equivalents	17,282	66,000	15,000	-	98,282
Money market securities and floating rate notes	-	769,745	779,440	10,055	1,559,240

#### Sensitivity analysis

##### Consolidated Entity

An increase of 1% in interest rates applicable at reporting date would have increased profit from operating activities by \$541,711 (2010: \$1,898,310). This analysis assumes that all variables, in particular foreign currency rates, remain constant. A decrease of 1% would have the equal, but opposite effect to the amounts shown above on the basis that all other variables remain constant.

##### Scheme

An increase of 1% in interest rates applicable at reporting date would have increased profit from operating activities by \$130,006 (2010: \$1,898,310). This analysis assumes that all variables, in particular foreign currency rates, remain constant. A decrease of 1% would have the equal, but opposite effect to the amounts shown above on the basis that all other variables remain constant.

#### (iii) Other market price risk

Other market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

## 12 Financial risk management (continued)

### (b) Market risk (continued)

#### *(iii) Other market price risk (continued)*

As the majority of the Consolidated Entity's investments are carried at fair value with fair value changes recognised in the consolidated statement of comprehensive income, all changes in market conditions will directly affect net investment income.

Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these limit restrictions being reported.

The Consolidated Entity's specialist asset managers aim to manage the impact of price risk through the use of consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments. Investments (including derivatives) are only purchased that meet investment criteria. Risk can be reduced by diversifying investments across several asset managers, markets, regions and different asset classes.

#### **Sensitivity analysis**

##### **Consolidated Entity**

An increase of 15% at the reporting date of the market prices would have increased operating profit from operating activities by \$nil (2010: \$nil). This analysis assumes that all other variables remain constant.

A decrease of 15% would have the equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

##### **Scheme**

An increase of 15% at the reporting date of the market prices would have increased operating profit from operating activities by \$126,109,674 (2010: \$nil). This analysis assumes that all other variables remain constant.

A decrease of 15% would have the equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

### (c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Consolidated Entity. PIML has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

With respect to credit risk arising from the financial assets of the Consolidated Entity, other than derivatives, the Consolidated Entity'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 on the consolidated 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.

Investment management processes include the consideration of counterparty risk. Securities/investments (including derivatives) are only purchased that meet the investment criteria. The Asset Management team within PIML may refer to the quantified credit ratings issued by Standard and Poor's or equivalent rating agency to assess the credit worthiness of counterparties.

Consideration is given (among other things) to branding, stability and security marketability of counterparties and PIML consistently monitors exposure through electronic systems. PIML has broking agreements in place with a limited number of stockbrokers.

Trading in equity futures and options is restricted to trading on an exchange.

## 12 Financial risk management (continued)

### (c) Credit risk (continued)

#### *Cash and cash equivalents*

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

#### *Credit quality per class of debt instruments*

The credit quality of financial assets is managed by the Consolidated Entity using Standard and Poor's rating categories or equivalent, in accordance with the investment mandate of the Consolidated Entity. The Consolidated Entity's exposure in each grade is monitored on a daily basis. This review process allows PIML to assess the potential loss as a result of risks and take corrective action.

The concentration of interest-bearing securities are classified based on their rating.

The table below shows the credit quality by class for debt instruments (as reported by Standard and Poor's only):

#### Consolidated

30 June 2011	AAA+ to AA-	A+ to A-	Total
	\$'000	\$'000	\$'000
<b>Interest bearing securities</b>			
Fixed interest securities	35,503	-	35,503
Money market securities and floating rate notes	941,672	147,577	1,089,249
Mortgage-backed securities	5,507	-	5,507
	<u>982,682</u>	<u>147,577</u>	<u>1,130,259</u>

#### Consolidated

30 June 2010	AAA+ to AA-	A+ to A-	Total
	\$'000	\$'000	\$'000
<b>Interest bearing securities</b>			
Money market securities and floating rate notes	<u>1,405,972</u>	<u>153,268</u>	<u>1,559,240</u>
	<u>1,405,972</u>	<u>153,268</u>	<u>1,559,240</u>

#### Scheme

30 June 2010	AAA+ to AA-	A+ to A-	Total
	\$'000	\$'000	\$'000
<b>Interest bearing securities</b>			
Money market securities and floating rate notes	<u>1,405,972</u>	<u>153,268</u>	<u>1,559,240</u>
	<u>1,405,972</u>	<u>153,268</u>	<u>1,559,240</u>

### (d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due.

The Scheme's governing document provides for daily redemption of units and it is therefore exposed to liquidity risk of meeting unitholders' redemption at those times.

The Consolidated Entity's investments are considered to be readily realisable.

## 12 Financial risk management (continued)

### (d) Liquidity risk (continued)

The Consolidated Entity's financial instruments include unlisted investments which are not traded in an organised public market and which generally may be illiquid. As a result, the Consolidated Entity may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given to (among others):

- whether the purpose of the investment is consistent with the investment strategy of the Consolidated Entity;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity level for the Consolidated Entity.

The investment strategies define a range of liquidity levels for the Consolidated Entity. PIML has systems in place capable of monitoring and reporting on guidelines and limits.

The following table represents the contractual maturities of financial liabilities, including interest payments where applicable:

Consolidated 30 June 2011	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000
<b>Non-derivative financial liabilities</b>				
Distributions payable to unitholders of the Scheme	9,923	9,923	-	9,923
Distributions payable to external unitholders of the subsidiary	5,504	5,504	-	5,504
Sundry creditors and accruals	10,901	10,901	-	10,901
Net assets attributable to unitholders of the Scheme	845,707	845,707	845,707	-
Net assets attributable to unitholders of the subsidiary	498,465	498,465	498,465	-
<b>Total</b>	<b>1,370,500</b>	<b>1,370,500</b>	<b>1,344,172</b>	<b>26,328</b>

Consolidated 30 June 2010	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000
<b>Non-derivative financial liabilities</b>				
Distributions payable to unitholders of the Scheme	14,080	14,080	-	14,080
Sundry creditors and accruals	1,524	1,524	-	1,524
Net assets attributable to unitholders of the Scheme	1,642,461	1,642,461	1,642,461	-
<b>Total</b>	<b>1,658,065</b>	<b>1,658,065</b>	<b>1,642,461</b>	<b>15,604</b>

## 12 Financial risk management (continued)

### (d) Liquidity risk (continued)

Scheme	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000
<b>30 June 2011</b>				
<b>Non-derivative financial liabilities</b>				
Distributions payable to unitholders of the Scheme	9,923	9,923	-	9,923
Sundry creditors and accruals	10,860	10,860	-	10,860
Net assets attributable to unitholders of the Scheme	<u>845,663</u>	<u>845,663</u>	<u>845,663</u>	<u>-</u>
<b>Total</b>	<b><u>866,446</u></b>	<b><u>866,446</u></b>	<b><u>845,663</u></b>	<b><u>20,783</u></b>

Scheme	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000
<b>30 June 2010</b>				
<b>Non-derivative financial liabilities</b>				
Distributions payable to unitholders of the Scheme	14,080	14,080	-	14,080
Sundry creditors and accruals	1,524	1,524	-	1,524
Net assets attributable to unitholders of the Scheme	<u>1,642,461</u>	<u>1,642,461</u>	<u>1,642,461</u>	<u>-</u>
<b>Total</b>	<b><u>1,658,065</u></b>	<b><u>1,658,065</u></b>	<b><u>1,642,461</u></b>	<b><u>15,604</u></b>

Financial instruments at fair value through profit or loss where there are no contractual cash flows are disclosed based on the financial instruments' fair value at 30 June and their estimated maturity at this date.

### (e) Fair value hierarchy

The Consolidated Entity has adopted the amendments to AASB 7, effective 1 July 2009. This requires the Consolidated Entity to classify fair value measurements using a fair value hierarchy that reflects the significance of observable inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## 12 Financial risk management (continued)

### (e) Fair value hierarchy (continued)

The table below sets out the Consolidated Entity's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2011 and 30 June 2010:

Consolidated - as at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	-	35,503	-	35,503
Money market securities and floating rate notes	817,568	271,681	-	1,089,249
Mortgage-backed-securities	-	5,507	-	5,507
<b>Total</b>	<u>817,568</u>	<u>312,691</u>	<u>-</u>	<u>1,130,259</u>

Consolidated - as at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Money market securities and floating rate notes	1,150,559	408,681	-	1,559,240
<b>Total</b>	<u>1,150,559</u>	<u>408,681</u>	<u>-</u>	<u>1,559,240</u>

Scheme - as at 30 June 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	840,731	-	-	840,731
<b>Total</b>	<u>840,731</u>	<u>-</u>	<u>-</u>	<u>840,731</u>

Scheme - as at 30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Money market securities and floating rate notes	1,150,559	408,681	-	1,559,240
<b>Total</b>	<u>1,150,559</u>	<u>408,681</u>	<u>-</u>	<u>1,559,240</u>

For the years ended 30 June 2011 and 30 June 2010, there have been no transfers between levels.

### 13 Derivative financial instruments

In the normal course of business the Consolidated Entity enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the 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 many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Consolidated Entity'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 Consolidated Entity against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- 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 Consolidated Entity.

As at the reporting date, there were no derivative financial instruments held by the Consolidated Entity (2010: \$nil).

### 14 Investment in subsidiary

Ownership interest	
30 June 2011	30 June 2010
%	%

**Parent Entity**

Perpetual Cash Management fund

**Subsidiary**

Perpetual Institutional Cash Management Trust

**62.8**

-

The above subsidiary is incorporated in Australia.

### 15 Acquisition of subsidiary

On 12 July 2010, the Consolidated Entity acquired controlling interest of Perpetual Institutional Cash Management Trust. The interest held by the Scheme on 12 July 2010 was 53.7% of Perpetual Institutional Cash Management Trust.

## 15 Acquisition of subsidiary (continued)

### (a) Assets and liabilities acquired

The acquisition had the following effect on the Consolidated Entity's assets and liabilities as at 30 June 2011:

	Fair value \$'000
<i>Acquiree's net assets attributable to unitholders at acquisition date</i>	
Cash acquired	15,556
Investments	280,455
Interest and other receivables	32
Interest payable	(5)
<b>Net cash outflow</b>	<u>296,038</u>

### 16 Events occurring after the balance sheet date

No significant events have occurred since the balance sheet date which would impact on the financial position of the Consolidated Entity disclosed in the consolidated balance sheet as at 30 June 2011 or on the results and cash flows of the Consolidated Entity for the year ended on that date.

### 17 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2011 and 30 June 2010.

## Directors' declaration

In the opinion of the directors of Perpetual Investment Management Limited, the Responsible Entity of Perpetual Cash Management Fund:

- (a) the annual financial statements and notes, set out on pages 6 to 38, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable; and
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

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



R Burrows  
Director

Sydney  
21 September 2011



## **Independent auditor's report to the unitholders of Perpetual Cash Management Fund**

### **Report on the financial report**

We have audited the accompanying financial report of Perpetual Cash Management Fund (the Scheme), which comprises the balance sheets as at 30 June 2011, statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Scheme and the Group comprising the Scheme and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of Perpetual Investment Management Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Scheme's and the Group's financial positions and of their performance.



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

*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of Perpetual Cash Management Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Scheme's and the Group's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

Robert Warren  
*Partner*

Sydney

21 September 2011

Perpetual 