Perpetual Exact Market Cash Fund

Annual Financial Report
30 June 2011

Perpetual Investment
Management Limited
ABN 18 000 866 535
AFSL 234426
ARSN 110 147 389

Perpetual Exact Market Cash Fund

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Consolidated Annual Financial Report - 30 June 2011

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Contents

Directors' report

The directors of Perpetual Investment Management Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Perpetual Exact Market Cash Fund, present their report together with the consolidated annual financial report of Perpetual Exact Market Cash Fund ("the Scheme") and its controlled entities (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 Exact Market Cash 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

Investment exposure for the Scheme is achieved by investing in Perpetual Cash Alpha Pool Fund and Perpetual Premium Treasury Fund. The Scheme and Consolidated Entity aim to provide investors with regular income through active management of cash, fixed income and debt-like hybrid securities. The Scheme delivers benchmark return to investors through a swap agreement and while exact benchmarking applies, no management cost will be charged.

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:

	Scheme	
Return (non-annualised)	**2011**	2010
Capital growth (%)	**1.94**	2.80
Distribution of income (%)	**3.05**	1.09
Total return (%)	**4.99**	3.89

Directors' report (continued)

	Scheme	
Unit prices (ex-distribution as at 30 June)	**2011**	2010
Entry price ($)	**1.020**	1.001
Exit price ($)	**1.020**	1.001

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 net market value. For example, quoted investments are valued on a last sale basis on the relevant trading day (which includes provision for disposal costs) 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	**380,069**
Difference between net market value (for unit pricing) and fair value (for financial reporting) of securities	**-**
Net assets under AIFRS	380,069

Interests in the Consolidated Entity

The movement in units on issue in the Consolidated Entity during the year is disclosed in note 7 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.

Directors' report (continued)

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.

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 11 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 11 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
14 September 2011

KPMG

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

14 September 2011

Consolidated statement of comprehensive income

	Notes	Consolidated 30 June 2011 $'000	Consolidated 30 June 2010 $'000	Scheme 30 June 2011 $'000	Scheme 30 June 2010 $'000
Investment income					
Distribution income		**11,544**	12,866	**26,952**	36,087
Interest income	3	**16,328**	22,200	**2**	2
Net gains on financial instruments held at fair value through profit or loss	4	**12,879**	28,670	**11,201**	23,449
Net foreign exchange gain		**4**	2	**-**	-
Other operating income		**6**	141	**-**	-
Total net investment income		**40,761**	63,879	**38,155**	59,538
Expenses					
Responsible entity's fees	11	**559**	157	**-**	-
Swap expenses - Related Party		**12,887**	27,309	**12,887**	27,309
Other expenses	5	**9**	4	**-**	-
Total operating expenses		**13,455**	27,470	**12,887**	27,309
Operating profit		**27,306**	36,409	**25,268**	32,229
Finance costs attributable to unitholders					
Distributions paid and payable to unitholders of the Scheme	6	**13,701**	8,420	**13,701**	8,420
Distributions paid and payable to external unitholders of the subsidiaries	6	**344**	2,731	**-**	-
Change in net assets attributable to external unitholders of the subsidiaries		**1,347**	480	**-**	-
Change in net assets attributable to unitholders	7	**11,914**	24,778	**11,567**	23,809
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**11,914**	24,778	**11,567**	23,809

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

Consolidated balance sheet

		Consolidated		Scheme	
	Notes	**30 June 2011 $'000**	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Assets					
Cash and cash equivalents		**4,390**	2,178	**53**	50
Financial assets held at fair value through profit or loss	8	**382,040**	761,138	**377,542**	686,736
Loans and receivables	10	**3,247**	5,643	**6,227**	11,432
Total assets		**389,677**	768,959	**383,822**	698,218
Liabilities					
Financial liabilities held at fair value through profit or loss	9	**42**	487	**-**	-
Distributions payable to unitholders of the Scheme	6	**3,045**	2,782	**3,045**	2,782
Distributions payable to external unitholders of the subsidiaries	6	**118**	1,159	**-**	-
Sundry creditors and accruals		**818**	1,029	**708**	1,014
Net assets attributable to external unitholders of the subsidiaries		**6,794**	70,636	**-**	-
Total liabilities (excluding net assets attributable to unitholders of the Scheme)		**10,817**	76,093	**3,753**	3,796
Net assets attributable to unitholders of the Scheme - liability	7	**378,860**	692,866	**380,069**	694,422

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 30 June 2011 $'000	Consolidated 30 June 2010 $'000	Scheme 30 June 2011 $'000	Scheme 30 June 2010 $'000
Cash flows from operating activities					
Distributions received		**13,955**	8,109	**32,157**	40,319
Interest received		**16,328**	22,200	**2**	2
Other income received		**3**	156	**-**	-
Responsible Entity's fees paid		**(532)**	(144)	**-**	-
Swap expenses - Related Party paid		**(13,193)**	(28,768)	**(13,193)**	(28,768)
Other expenses paid		**(9)**	(4)	**-**	-
Net cash inflow from operating activities	13(a)	**16,552**	1,549	**18,966**	11,553
Cash flows from investing activities					
Proceeds from sale of investments		**740,331**	895,014	**424,102**	670,746
Payments for purchase of investments		**(348,795)**	(515,866)	**(103,707)**	(243,999)
Net cash inflow from investing activities		**391,536**	379,148	**320,395**	426,747
Cash flows from financing activities					
Proceeds from applications by unitholders		**47,528**	194,709	**47,528**	194,709
Payments for redemptions by unitholders		**(384,421)**	(629,590)	**(384,421)**	(629,590)
Distributions paid to unitholders of the Scheme		**(2,465)**	(3,418)	**(2,465)**	(3,418)
Distributions paid to external unitholders of the subsidiaries		**(1,385)**	(1,743)	**-**	-
Net (payments)/receipts from external unitholders of the subsidiaries		**(65,133)**	57,863	**-**	-
Net cash outflow from financing activities		**(405,876)**	(382,179)	**(339,358)**	(438,299)
Net increase/(decrease) in cash and cash equivalents		**2,212**	(1,482)	**3**	1
Cash and cash equivalents at the beginning of the financial year		**2,178**	3,640	**50**	49
Effects of foreign currency exchange rate changes on cash and cash equivalents		**-**	20	**-**	-
Cash and cash equivalents at the end of the financial year	13(b)	**4,390**	2,178	**53**	50

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 Exact Market Cash Fund ("the Scheme") as an individual entity and the Consolidated Entity consisting of Perpetual Exact Market Cash Fund and its subsidiaries. The Scheme was constituted on 16 July 2004. The Scheme will terminate on 14 July 2084 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 14 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 judgement

The preparation of a consolidated annual financial report requires management to make judgements, 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 judgements 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, securitise, 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.

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

(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.

- 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.

2 Summary of significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Measurement (continued)

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.

(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.

2 Summary of significant accounting policies (continued)

(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.

The swap payment is accrued daily and settled monthly between the Scheme and Perpetual Australia Pty Limited (PAPL), the swap's counterparty. When the Scheme outperforms its benchmark, it will pay the out performance return to PAPL; alternatively, if the Scheme underperforms its benchmark, it will receive payments from PAPL to bring its return up to the benchmark.

(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.

(n) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the consolidated statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

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	**136**	125	**2**	2
Money market securities and floating rate notes	**3,329**	5,763	**-**	-
Mortgage-backed securities	**12,030**	15,298	**-**	-
Fixed interest securities	**36**	130	**-**	-
Collateralised debt obligations	**8**	11	**-**	-
Derivatives	**789**	873	**-**	-
Total	**16,328**	22,200	**2**	2

4 Net gains 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 gains/(losses) on financial instruments held for trading	**3**	(4,360)	**(222)**	(2,545)
Net unrealised gains on financial instruments designated as at fair value through profit or loss	**11,378**	30,201	**4,681**	29,976
Net realised gains on financial instruments held for trading	**3,059**	3,853	**-**	-
Net realised (losses)/gains on financial instruments designated as at fair value through profit or loss	**(1,561)**	(1,024)	**6,742**	(3,982)
Net gains on financial instruments held at fair value through profit or loss	**12,879**	28,670	**11,201**	23,449

Gains and losses presented above excludes interest income, dividend income, dividend expense on securities sold short and interest expense.

5 Other expenses

	Consolidated		Scheme	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Transaction costs	**2**	2	**-**	-
Sundry expenses	**7**	2	**-**	-
Total	**9**	4	**-**	-

6 Distributions to unitholders

The distributions for the year were as follows:

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Distributions		
Distributions paid to unitholders of the Scheme - September	**966**	2,010
Distributions paid to unitholders of the Scheme - December	**6,073**	3,628
Distributions paid to unitholders of the Scheme - March	**3,617**	-
Distributions payable to unitholders of the Scheme - June	**3,045**	2,782
Distributions paid to the external unitholders of the Subsidiaries - September	**3**	98
Distributions paid to the external unitholders of the Subsidiaries - December	**124**	910
Distributions paid to the external unitholders of the Subsidiaries - March	**99**	564
Distributions payable to the external unitholders of the Subsidiaries - June	**118**	1,159
Total distributions	**14,045**	11,151

6 Distributions to unitholders (continued)

	Scheme	
	30 June 2011 $'000	30 June 2010 $'000
Distributions paid to unitholders of the Scheme - September	**966**	2,010
Distributions paid to unitholders of the Scheme - December	**6,073**	3,628
Distributions paid to unitholders of the Scheme - March	**3,617**	-
Distributions payable to unitholders of the Scheme - June	**3,045**	2,782
Total distributions	**13,701**	8,420

7 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 Units '000	30 June 2010 Units '000	**30 June 2011 $'000**	30 June 2010 $'000
Net assets attributable to unitholders				
Opening balance	**694,015**	1,119,086	**692,866**	1,086,737
Applications	**46,849**	197,066	**47,528**	194,709
Redemptions	**(379,098)**	(638,773)	**(384,421)**	(629,590)
Units issued upon reinvestment of distributions	**10,862**	16,636	**10,973**	16,232
Change in net assets attributable to unitholders	**-**	-	**11,914**	24,778
Closing balance	**372,628**	694,015	**378,860**	692,866

	Scheme			
	30 June 2011 Units '000	30 June 2010 Units '000	**30 June 2011 $'000**	30 June 2010 $'000
Net assets attributable to unitholders				
Opening balance	**694,015**	1,119,086	**694,422**	1,089,262
Applications	**46,849**	197,066	**47,528**	194,709
Redemptions	**(379,098)**	(638,773)	**(384,421)**	(629,590)
Units issued upon reinvestment of distributions	**10,862**	16,636	**10,973**	16,232
Change in net assets attributable to unitholders	**-**	-	**11,567**	23,809
Closing balance	**372,628**	694,015	**380,069**	694,422

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.

Scheme

(a) Unrealised capital gains

At the reporting date, the Scheme had unrealised net capital gains of $10,222,756 (2010: $5,541,475), which if realised, and after offsetting any realised capital losses, would be assessable and distributed to unitholders.

(b) Realised capital losses

At the reporting date, the Scheme had realised capital losses of $32,887,956 (2010: $39,629,657) available to offset against future assessable capital gains.

8 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
Held for trading				
Cross currency swaps	**129**	624	**-**	-
Futures	**35**	-	**-**	-
Total return swaps	**485**	707	**485**	707
	649	1,331	**485**	707

	Consolidated		Scheme	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Designated at fair value through profit or loss				
Fixed interest securities	**-**	2,524	**-**	-
Money market securities and floating rate notes	**29,447**	99,751	**-**	-
Mortgage-backed securities	**199,314**	307,097	**-**	-
Unlisted unit trusts	**152,630**	350,435	**377,057**	686,029
	381,391	759,807	**377,057**	686,029
Total financial assets held at fair value through profit or loss	**382,040**	761,138	**377,542**	686,736

9 Financial liabilities 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
Held for trading				
Cross currency swaps	**42**	484	**-**	-
Futures	**-**	3	**-**	-
Total financial liabilities held at fair value through profit or loss	**42**	487	**-**	-

10 Loans and receivables

	Consolidated		Scheme	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Distributions receivable	**3,220**	5,631	**6,227**	11,432
Interest receivable	**9**	9	**-**	-
Applications receivable	**12**	-	**-**	-
Other receivables	**6**	3	**-**	-
Total loans and receivables	**3,247**	5,643	**6,227**	11,432

11 Related party transactions

Responsible Entity

The Responsible Entity of Perpetual Exact Market Cash 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.

11 Related party transactions (continued)

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.

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 nil% p.a. for Perpetual Exact Market Cash Fund, nil% p.a. for Perpetual Cash Alpha Pool Fund and 0.226% p.a. for Perpetual Premium Treasury Fund of the net asset value (after taking account of GST and reduced input tax credits) and is disclosed in the consolidated statement of comprehensive income.

The Scheme guarantees investors an exact return matched by the UBS Australian Bank Bill rate via the use of a total return swap with Perpetual Australia Pty Limited (PAPL). This swap can be terminated by Perpetual Investment Management Limited (PIML).

National Australia Bank currently provides a guarantee of up to $20 million that can be called upon by PIML as the Responsible Entity of the Scheme in the event that PAPL is unable to meet its obligations under the swap agreement.

The amount payable by/receivable to the Scheme under this swap is calculated daily and settled monthly. This is disclosed in the Swap expenses - Related Party/Swap Income - Related Party line items within the statement of comprehensive income and the sundry creditors and accruals/other receivables line items within the balance sheet. The fair value of the total return swap at balance date was determined as $485,068 (2010: $707,307).

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable/receivable 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 $
Excess over benchmark return paid directly to the Related Party	**12,887,195**	27,308,951	**12,887,195**	27,308,951
Responsible Entity's fees paid and payable directly by the Consolidated Entity	**559,373**	156,885	**-**	-
Responsible Entity's fee rebate received and receivable directly by the Consolidated Entity	**5,649**	92,120	**-**	-
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	**750,106**	1,029,438	**708,168**	1,013,944
Rebates receivable from the Responsible Entity as at reporting date (included in other receivables)	**-**	1,457	**-**	-

11 Related party transactions (continued)

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
Managed Investment Schemes					
Perpetual Balanced Growth Fund No.2	24,118	6.5	745	8,844	821
Perpetual WealthFocus Investment Advantage					
- Perpetual Balanced Growth Option	1,790	0.5	57	489	64
- Perpetual Conservative Growth Option	1,598	0.4	472	245	53
Perpetual Wholesale Conservative Growth Fund	32,923	8.8	947	4,745	1,080
Perpetual Wholesale Diversified Growth Fund	5,879	1.6	1,540	493	181
Superannuation funds					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	1,567	0.4	55	1,080	58
- Perpetual Balanced Growth Super Option	1,479	0.4	1,756	2,566	72
- Perpetual Conservative Growth Pension Option	5,430	1.5	447	589	174
- Perpetual Conservative Growth Super Option	3,814	1.0	806	1,540	125
Perpetual's Select Superannuation Fund					
-Perpetual's Select Super Capital Guarantee Pension Option	2,238	0.6	73	414	70
-Perpetual's Select Super Capital Guarantee Super Option	49,042	13.2	5,754	7,702	1,477

11 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
Managed Investment Schemes					
Perpetual Balanced Growth Fund No.2	24,118	6.5	745	8,844	821
Perpetual WealthFocus Investment Advantage					
- Perpetual Balanced Growth Option	1,790	0.5	57	489	64
- Perpetual Conservative Growth Option	1,598	0.4	472	245	53
Perpetual Wholesale Conservative Growth Fund	32,923	8.8	947	4,745	1,080
Perpetual Wholesale Diversified Growth Fund	5,879	1.6	1,540	493	181
Superannuation funds					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	1,567	0.4	55	1,080	58
- Perpetual Balanced Growth Super Option	1,479	0.4	1,756	2,566	72
- Perpetual Conservative Growth Pension Option	5,430	1.5	447	589	174
- Perpetual Conservative Growth Super Option	3,814	1.0	806	1,540	125
Perpetual's Select Superannuation Fund					
-Perpetual's Select Super Capital Guarantee Pension Option	2,238	0.6	73	414	70
-Perpetual's Select Super Capital Guarantee Super Option	49,042	13.2	5,754	7,702	1,477

11 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
Managed Investment Schemes					
Perpetual Balanced Growth Fund No.2	32,217	4.6	15,658	8,609	317
Perpetual QI Market Neutral Fund	-	-	641	43,528	-
Perpetual WealthFocus Investment Advantage					
- Perpetual Balanced Growth Option	2,222	0.3	1,038	-	17
- Perpetual Conservative Growth Option	1,371	0.2	1,225	1,002	17
Perpetual Wholesale Conservative Growth Fund	36,721	5.3	10,680	3,066	340
Perpetual Wholesale Diversified Growth Fund	4,832	0.7	898	1,122	46
Superannuation funds					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	2,592	0.4	2,944	1,319	17
- Perpetual Balanced Growth Super Option	2,289	0.3	1,067	2,115	31
- Perpetual Conservative Growth Pension Option	5,572	0.8	599	-	55
- Perpetual Conservative Growth Super Option	4,548	0.7	490	359	45
Perpetual's Select Superannuation Fund					
-Perpetual's Select Super Capital Guarantee Pension Option	2,579	0.4	78	825	29
-Perpetual's Select Super Capital Guarantee Super Option	50,990	7.3	5,555	9,642	550

11 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
Managed Investment Schemes					
Perpetual Balanced Growth Fund No.2	32,217	4.6	15,658	8,609	317
Perpetual QI Market Neutral Fund	-	-	641	43,528	-
Perpetual WealthFocus Investment Advantage					
- Perpetual Balanced Growth Option	2,222	0.3	1,038	-	17
- Perpetual Conservative Growth Option	1,371	0.2	1,225	1,002	17
Perpetual Wholesale Conservative Growth Fund	36,721	5.3	10,680	3,066	340
Perpetual Wholesale Diversified Growth Fund	4,832	0.7	898	1,122	46
Superannuation funds					
Perpetual WealthFocus Super Plan					
- Perpetual Balanced Growth Pension Option	2,592	0.4	2,944	1,319	17
- Perpetual Balanced Growth Super Option	2,289	0.3	1,067	2,115	31
- Perpetual Conservative Growth Pension Option	5,572	0.8	599	-	55
- Perpetual Conservative Growth Super Option	4,548	0.7	490	359	45
Perpetual's Select Superannuation Fund					
-Perpetual's Select Super Capital Guarantee Pension Option	2,579	0.4	78	825	29
-Perpetual's Select Super Capital Guarantee Super Option	50,990	7.3	5,555	9,642	550

11 Related party transactions (continued)

Investments

The Consolidated Entity held investments in the following schemes which are also managed by Perpetual Investment Management Limited or its related parties:

30 June 2011 — **Consolidated**

Managed Investment Schemes	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
Perpetual Cash Management Fund	-	-	-	116,565	182,456	244
Perpetual High Grade Treasury Fund	122,646	125,585	22.1	11,575	165,123	9,664
Perpetual Institutional Cash Management Trust	19,497	19,497	1.5	204,997	185,500	1,109
Perpetual Structured Income Fund	9,105	7,548	29.3	475	-	527

30 June 2011 — **Scheme**

Managed Investment Schemes	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
Perpetual Cash Alpha Pool Fund	50,170	49,843	100.0	3,769	27,137	24,088
Perpetual Premium Treasury Fund	318,913	327,214	98.0	97,665	386,923	2,864

30 June 2010 — Consolidated

Managed Investment Schemes	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
Perpetual Cash Management Fund	65,891	65,891	4.0	362,280	453,200	2,904
Perpetual High Grade Treasury Fund	276,194	277,611	41.4	20,298	25,616	9,827
Perpetual Structured Income Fund	8,630	6,933	29.3	185	1,738	135

30 June 2010 — Scheme

Managed Investment Schemes	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
Perpetual Cash Alpha Pool Fund	73,538	71,641	100.0	6,159	74,735	4,818
Perpetual Premium Treasury Fund	608,171	614,388	89.7	236,585	594,081	31,269

12 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 $
Audit and audit related services				
KPMG				
Total remuneration for audit and audit related services	**43,331**	36,740	**12,675**	13,638

13 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
(a) Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit	**27,306**	36,409	25,268	32,229
Decrease/(increase) in distributions receivable	**2,411**	(4,757)	5,205	4,232
Increase in interest receivable	**(3)**	-	-	-
Decrease in other receivables	**-**	15	-	-
Decrease in sundry creditors and accruals	**(279)**	(1,446)	(306)	(1,459)
Net gains on financial instruments held at fair value through profit or loss	**(12,879)**	(28,670)	(11,201)	(23,449)
Net foreign exchange gains	**(4)**	(2)	-	-
Net cash inflow from operating activities	**16,552**	1,549	**18,966**	11,553
(b) Components of cash and cash equivalents				
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	**4,381**	2,067	53	50
Future deposits	**9**	111	-	-
Total cash and cash equivalents	**4,390**	2,178	**53**	50

14 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.

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

14 Financial risk management (continued)

(a) Overview (continued)

- 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.

(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. At 30 June 2011 the Consolidated Entity used cross currency swaps, total return swaps and futures to manage this risk (30 June 2010: the Consolidated Entity used cross currency swaps, total return swaps and futures).

(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.

Changes in the fair value of forward exchange contracts and realised foreign exchange gains or losses are recognised in the consolidated statement of comprehensive income.

(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.

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.

14 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

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**
30 June 2011					
Financial Assets					
Cash and cash equivalents	**4,390**	**-**	**-**	**-**	**4,390**
Money market securities and floating rate notes	**-**	**10,040**	**19,407**	**-**	**29,447**
Mortgage-backed securities	**-**	**177,003**	**22,311**	**-**	**199,314**
Derivatives	**-**	**45**	**119**	**-**	**164**
Financial Liabilities					
Derivatives	**-**	**-**	**42**	**-**	**42**

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	2,178	-	-	-	2,178
Fixed interest securities	-	-	-	2,524	2,524
Money market securities and floating rate notes	-	38,062	61,689	-	99,751
Mortgage-backed securities	-	251,301	55,796	-	307,097
Derivatives	-	707	624	-	1,331
Financial Liabilities					
Derivatives	-	237	250	-	487

Sensitivity analysis

Consolidated Entity

An increase of 1% in interest rates applicable at reporting date would have increased profit from operating activities by $2,077,017 (2010: $3,545,956). 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.

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.

14 Financial risk management (continued)

(b) Market risk (continued)

(iii) Other market price risk (continued)

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 $22,894,584 (2010: $52,565,237). 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 $56,558,497 (2010: $102,904,332). 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.

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).

14 Financial risk management (continued)

(c) Credit risk (continued)

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:

Consolidated

30 June 2011	**AAA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Interest bearing securities				
Money market securities and floating rate notes	**15,559**	**4,000**	**9,888**	**29,447**
Mortgage-backed securities	**197,575**	**1,739**	**-**	**199,314**
Derivatives	**122**	**-**	**-**	**122**
	213,256	**5,739**	**9,888**	**228,883**

Consolidated

30 June 2010	AAA+ to AA-	A+ to A-	BBB+ to BBB-	Total
	$'000	$'000	$'000	$'000
Interest bearing securities				
Fixed interest securities	-	2,524	-	2,524
Money market securities and floating rate notes	57,369	31,446	10,936	99,751
Mortgage-backed securities	304,893	2,180	24	307,097
Derivatives	137	-	-	137
	362,399	36,150	10,960	409,509

14 Financial risk management (continued)

(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 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
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	3,045	3,045	-	3,045
Distributions payable to external unitholders of the subsidiaries	118	118	-	118
Sundry creditors and accruals	818	818	-	818
Net assets attributable to unitholders of the Scheme	378,860	378,860	378,860	-
Net assets attributable to external unitholders of the subsidiaries	6,850	6,850	6,850	-
Total	389,691	389,691	385,710	3,981
Derivative financial liabilities				
Cross currency swaps	-	-	-	-
Outflow	3,425	3,425	-	3,425
Inflow	(3,383)	(3,383)	-	(3,383)
Total	42	42	-	42

14 Financial risk management (continued)

(d) Liquidity risk (continued)

Consolidated 30 June 2010	Carrying amount $'000	Contractual cash flow $'000	At call $'000	6 months or less $'000
Distributions payable to unitholders of the Scheme	2,782	2,782	-	2,782
Distributions payable to external unitholders of the subsidiaries	1,159	1,159	-	1,159
Sundry creditors and accruals	1,029	1,029	-	1,029
Net assets attributable to unitholders of the Scheme	692,866	692,866	692,866	-
Net assets attributable to external unitholders of the subsidiaries	70,636	70,636	70,636	-
Total	768,472	768,472	763,502	4,970
Derivative financial liabilities				
Futures contract	3	3	-	3
Cross currency swaps	-	-	-	-
Outflow	15,129	15,129	-	15,129
Inflow	(14,645)	(14,645)	-	(14,645)
Total	487	487	-	487

Scheme **30 June 2011**	**Carrying amount $'000**	**Contractual cash flow $'000**	**At call $'000**	**6 months or less $'000**
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	**3,045**	**3,045**	**-**	**3,045**
Sundry creditors and accruals	**708**	**708**	**-**	**708**
Net assets attributable to unitholders of the Scheme	**380,069**	**380,069**	**380,069**	**-**
Total	**383,822**	**383,822**	**380,069**	**3,753**
	383,822	**383,822**	**380,069**	**3,753**

Scheme 30 June 2010	Carrying amount $'000	Contractual cash flow $'000	At call $'000	6 months or less $'000
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	2,782	2,782	-	2,782
Sundry creditors and accruals	1,014	1,014	-	1,014
Net assets attributable to unitholders of the Scheme	694,422	694,422	694,422	-
Total	698,218	698,218	694,422	3,796

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.

14 Financial risk management (continued)

(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.

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**
Financial assets				
Financial assets held for trading:				
Cross currency swaps	-	129	-	129
Total return swaps	-	-	485	485
Futures	35	-	-	35
Financial assets designated at fair value through profit or loss:				
Money market securities and floating rate notes	-	29,447	-	29,447
Mortgage-backed securities	-	199,314	-	199,314
Unlisted unit trusts	19,497	133,133	-	152,630
Total	19,532	362,023	485	382,040
Financial liabilities				
Financial liabilities held for trading:				
Cross currency swaps	-	42	-	42
Total	-	42	-	42

14 Financial risk management (continued)

(e) Fair value hierarchy (continued)

Consolidated - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Cross currency swaps	-	624	-	624
Total return swaps	-	-	707	707
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	-	2,524	-	2,524
Money market securities and floating rate notes	2,495	97,256	-	99,751
Mortgage-backed securities	-	307,083	14	307,097
Unlisted unit trusts	65,891	284,544	-	350,435
Total	68,386	692,031	721	761,138
Financial liabilities				
Financial liabilities held for trading:				
Cross currency swaps	-	484	-	484
Futures	3	-	-	3
Total	3	484	-	487

Scheme - as at 30 June 2011	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets held for trading:				
Total return swaps	**-**	**-**	**485**	**485**
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	**-**	**377,057**	**-**	**377,057**
Total	**-**	**377,057**	**485**	**377,542**

Scheme - as at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Total return swaps	-	-	707	707
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	686,029	-	686,029
Total	-	686,029	707	686,736

14 Financial risk management (continued)

(e) Fair value hierarchy (continued)

The following tables presents the movement in level 3 instruments for the years ended 30 June 2011 and 30 June 2010 by class of financial instrument:

Consolidated - as at 30 June 2011	**Mortgage-backed securities $'000**	**Total return swaps $'000**	**Total $'000**
Opening balance	**14**	**707**	**721**
Purchases	**-**	**-**	**-**
Sales	**(29)**	**-**	**(29)**
Gains/(losses) recognised in profit and loss	**15**	**(222)**	**(207)**
Closing balance	**-**	**485**	**485**
Total gains/(losses) for the year included in the consolidated statement of comprehensive income for financial assets and liabilities held at the end of the year	**15**	**(222)**	**(207)**

Consolidated - as at 30 June 2010	Mortgage-backed securities $'000	Total return swaps $'000	Total $'000
Opening balance	-	3,252	3,252
Purchases	478	-	478
Sales	(449)	-	(449)
Losses recognised in profit and loss	(15)	(2,545)	(2,560)
Closing balance	14	707	721
Total losses for the year included in the consolidated statement of comprehensive income for financial assets and liabilities held at the end of the year	(15)	(2,545)	(2,560)

14 Financial risk management (continued)

(e) Fair value hierarchy (continued)

Scheme - as at 30 June 2011	**Total return swaps $'000**	**Total $'000**
Opening balance	**707**	**707**
Losses recognised in profit and loss	**(222)**	**(222)**
Closing balance	**485**	**485**
Total losses for the year included in the consolidated statement of comprehensive income for financial assets and liabilities held at the end of the year	**(222)**	**(222)**

Scheme - as at 30 June 2010	Total return swaps $'000	Total $'000
Opening balance	3,252	3,252
Losses recognised in profit and loss	(2,545)	(2,545)
Closing balance	707	707
Total losses for the year included in the consolidated statement of comprehensive income for financial assets and liabilities held at the end of the year	(2,545)	(2,545)

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

15 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.

The Consolidated Entity held the following derivative instruments during the year:

15 Derivative financial instruments (continued)

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Swaps

Cross currency swaps are valued at fair value which is based on the estimated amount the Consolidated Entity would pay or receive to terminate the currency derivatives at the balance sheet date, taking into account current interest rates, foreign exchange rates, volatility and the current creditworthiness of the currency derivatives counterparties. Cross currency swaps are used to hedge the Consolidated Entity's interest rate and foreign currency exposure. However, hedge accounting has not been applied.

Total return swaps are valued at fair value in which payments made by the Consolidated Entity or the counterparty are based on the total return of a particular reference asset or assets (such as an equity or fixed income security, a combination of such securities, or an index). The value of the Consolidated Entity's swap positions would increase or decrease depending on the changes in value of the underlying rates, currency values, volatility or other indices or measures.

16 Investment in subsidiaries

	Ownership interest	
	30 June 2011 %	30 June 2010 %
Parent Entity		
Perpetual Exact Market Cash Fund	-	-
Subsidiaries		
Perpetual Cash Alpha Pool Fund	**100.0**	100.0
Perpetual Premium Treasury Fund	**98.0**	89.7

Each of the above subsidiaries is incorporated in Australia.

17 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.

18 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 Exact Market Cash 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
14 September 2011

KPMG

Independent auditor's report to the unitholders of Perpetual Exact Market Cash Fund

Report on the financial report

We have audited the accompanying financial report of Perpetual Exact Market Cash 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 18 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.

KPMG

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 Exact Market Cash 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.

KPMG

Robert Warren
Partner

Sydney

14 September 2011

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