PERPETUAL PREMIUM TREASURY FUND

Annual Financial Report
30 June 2014

ARSN 110 147 763

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Perpetual

Perpetual Premium Treasury Fund

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Directors' report

The directors of Perpetual Investment Management Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Perpetual Premium Treasury Fund, present their report together with the annual financial report of Perpetual Premium Treasury Fund ("the Scheme") for the year ended 30 June 2014 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of Perpetual Premium Treasury 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:

G Foster (appointed 25 January 2013, Alternate for G Larkins)
M Gordon (appointed 28 March 2013)
J Hawkins (appointed 6 July 2012)
G Larkins (appointed 7 January 2013)
P Lynch (appointed 6 July 2012, Alternate for J Hawkins)
P Statham (appointed 9 September 2013, Alternate for M Gordon)

Principal activities

The principal activity of the Scheme is to provide unitholders with regular income by investing in deposits, money market and fixed income securities.

The Scheme did not have any employees during the year.

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

Review and results of operations

During the year, the Scheme continued to invest in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	2014	2013
Operating profit before finance costs attributable to unitholders ($'000)	**6,330**	8,196
Distribution paid and payable ($'000)	**4,397**	4,364
Distribution (cents per unit)	**2.86**	3.57

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 6 to the annual financial report.

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

Directors' report (continued)

Significant changes in state of affairs

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

Likely developments and expected results of operations

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

Environmental regulation

The operations of the Scheme 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 Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its related parties out of Scheme property during the year are disclosed in note 10 of the annual financial report.

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

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 10 of the annual financial report.

Indemnification and insurance of officers and auditors

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

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in Class Order 98/100 (as amended) issued by 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.

Directors' report (continued)

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.

Director

Sydney
10 September 2014

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 2014 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

KPMG

Michael O Connell
Partner

Sydney

10 September 2014

Statement of comprehensive income

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Investment income			
Distribution income		**289**	891
Interest income	3	**4,992**	4,223
Net gains on financial instruments held at fair value through profit or loss	4	**1,420**	3,340
Net foreign exchange (losses)/gains		**(13)**	9
Total net investment income		**6,688**	8,463
Expenses			
Responsible Entity's fees	10	**358**	267
Total operating expenses		**358**	267
Operating profit		**6,330**	8,196
Finance costs attributable to unitholders			
Distributions to unitholders	5	**4,397**	4,364
Interest expense		**-**	2
Change in net assets attributable to unitholders (total comprehensive income)	6	**1,933**	3,830

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

Balance sheet

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Assets			
Cash and cash equivalents	13(b)	**1,174**	1,530
Financial assets held at fair value through profit or loss	7	**166,758**	112,639
Loans and receivables	9	**348**	46
Total assets		**168,280**	114,215
Liabilities			
Financial liabilities held at fair value through profit or loss	8	**-**	370
Distributions payable to unitholders of the Scheme	5	**1,677**	684
Due to brokers - payable for securities purchased		**1,003**	-
Sundry creditors and accruals		**74**	23
Total liabilities (excluding net assets attributable to unitholders)		**2,754**	1,077
Net assets attributable to unitholders - liability	6	**165,526**	113,138

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

Statement of changes in equity

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

Cash flow statement

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Cash flows from operating activities			
Distributions received		**236**	1,251
Interest received		**4,979**	4,224
Other income received		**24**	19
Responsible Entity's fees paid		**(374)**	(289)
Net cash inflow from operating activities	13(a)	**4,865**	5,205
Cash flows from investing activities			
Proceeds from sale of investments		**269,148**	163,752
Payments for purchase of investments		**(321,218)**	(122,664)
Net cash (outflow)/inflow from investing activities		**(52,070)**	41,088
Cash flows from financing activities			
Proceeds from applications by unitholders		**139,453**	61,482
Payments for redemptions by unitholders		**(92,436)**	(107,159)
Interest expense paid		**-**	(2)
Distributions paid		**(159)**	(212)
Net cash inflow/(outflow) from financing activities		**46,858**	(45,891)
Net (decrease)/increase in cash and cash equivalents		**(347)**	402
Cash and cash equivalents at the beginning of the financial year		**1,530**	1,119
Effects of foreign currency exchange rate changes on cash and cash equivalents		**(9)**	9
Cash and cash equivalents at the end of the financial year	13(b)	**1,174**	1,530

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

1 General Information

This annual financial report covers Perpetual Premium Treasury Fund ('the Scheme") as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001.* 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 annual financial report was authorised for issue by the directors of the Responsible Entity on 10 September 2014. The directors of the Responsible Entity have the power to amend and reissue the annual financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this annual financial report 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 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 annual financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The annual financial report is presented in Australian dollars, which is the Scheme's functional currency.

Compliance with International Financial Reporting Standards

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

Use of estimates and judgement

The preparation of an 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.

2 Summary of significant accounting policies (continued)

(b) Change in accounting policy

The Scheme has adopted the following standards and amendments for the 30 June 2014 reporting period:

(i) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective for accounting periods beginning on or after 1 January 2013)

AASB 13 improves the consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. If a financial asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

On adoption of the standard, the Scheme changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs used for the calculation of unit prices for applications and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry. In the prior year, the Scheme utilised bid and ask prices for its listed financial assets and liabilities respectively. The change in valuation inputs is considered to be a change in accounting policy in accordance with AASB 108.

As the standard is required to be adopted prospectively, adjustments to the fair values of financial instruments have been recognised at the beginning of the current period presented. The impact of this adjustment on the net gains/(losses) on financial instruments held at fair value through profit or loss was $4,889.

(ii) AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for accounting periods beginning on or after 1 January 2013)

AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities* requires additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Scheme's financial position or performance.

(iii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities*, AASB 127 (revised 2011) *Separate Financial Statements* and AASB 128 (revised 2011) *Investments in Associates and Joint Ventures* (effective for accounting periods beginning on or after 1 January 2013)

The Scheme has early adopted AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities* (effective for accounting periods beginning on or after 1 January 2014) which makes amendments to AASB 10, AASB 12 and AASB 127 (the "Amendments").

AASB 10 *Consolidated financial statements* and Amendments to AASB 10:

The objective of AASB 10 is to establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The amendments to AASB 10 define an investment entity and introduce an exemption from the consolidation requirements for investment entities. The adoption of these standards has had no impact on the Scheme.

2 Summary of significant accounting policies (continued)

(b) Change in accounting policy (continued)

Investment entity

The Scheme has multiple unrelated unitholders and holds multiple investments directly or indirectly. Ownership interests in the interfunding investments are in the form of units which are classified as debt in accordance with AASB 132 and which are exposed to variable returns from changes in the fair value of the Scheme's net assets. The Scheme has been deemed to meet the definition of an investment entity per AASB 10 as the following conditions exist:

(a) The Scheme has obtained funds for the purpose of providing unitholders with investment management services;

(b) The Scheme's business purpose, which is communicated directly to unitholders, is investing solely for returns from capital appreciation and investment income; and

(c) The performance of investments made through the Scheme are measured and evaluated on a fair value basis.

The Scheme meets the typical characteristics of an investment entity.

AASB 12 *Disclosure of interests in other entities* and Amendments to AASB 12:

The standard requires entities to disclose significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Entities will also be required to provide more disclosures around certain 'structured entities'. The amendments also introduce new disclosure requirements related to investment entities. Adoption of the standard has impacted certain disclosures in the Scheme's annual financial report, but has had no impact to the Scheme's financial position or results of operations.

AASB 127 (revised 2011) *Separate financial statements* and Amendments to AASB 127:

The objective of the standard is to prescribe the accounting and disclosure requirements when an entity prepares separate financial statements. The amendments require an investment entity as defined in AASB 10 to present separate financial statements as its only financial statements in the case where it measures all of its subsidiaries at fair value through profit or loss and to disclose that fact. The adoption of this standard has had no impact on the Scheme.

AASB 11 *Joint arrangements* and AASB 128 (revised 2011) *Investments in Associates and Joint Ventures* and related amendments have also been adopted, however, these standards have had no impact on the Scheme.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2013 that would be expected to have a material impact on the Scheme.

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 the 30 June 2014 reporting period and have not been early adopted by the Scheme. The assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

AASB 9 *Financial Instruments (2009 or 2010 version)*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*, AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* and AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is available for early adoption.

Management does not expect this to have a significant impact on the recognition and measurement of the Scheme's financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Scheme does not apply hedge accounting.

The Scheme has not yet decided when to adopt AASB 9.

(d) Financial instruments

(i) Classification

The Scheme'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 foreign exchange contracts, options and interest rate swaps are included under this classification. The Scheme 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 that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted trusts and commercial papers.

  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 Scheme's documented investment strategy. The Scheme'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.

(ii) Recognition/derecognition

The Scheme 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 has expired or the Scheme has transferred substantially all risks and rewards of ownership.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement

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

At initial recognition, the Scheme measures a financial instrument at its fair value. Transaction costs of financial assets and liabilities held at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and financial liabilities is the last traded price.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Scheme uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 reporting date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the 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 profit or loss.

Other financial assets and liabilities

Management considers that the carrying amount of cash and cash equivalents, other receivables and amounts due from brokers approximate fair value.

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 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)

(e) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are classified as financial liabilities. The units can be put back to the Scheme 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 Scheme.

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments 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 balance sheet.

(g) Investment income

Interest income is recognised in the 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(d).

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 Scheme 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.

(h) Expenses

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

Interest expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(i) Income tax

Under current legislation, the Scheme is not subject to income tax as unitholders are presently entitled to the income of the Scheme, provided the taxable income of the Scheme is fully distributed either by way of cash or reinvestment.

Realised net capital losses cannot be distributed to unitholders but are carried forward by the Scheme 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)

(j) Distributions

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

(k) Changes 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 statement of comprehensive income.

(l) Goods and Services Tax (GST)

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

(m) 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 net foreign exchange gains/(losses) in the 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 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

	30 June 2014 $'000	30 June 2013 $'000
Cash and cash equivalents	**40**	46
Money market securities	**-**	17
Floating rate notes	**2,475**	632
Mortgage-backed securities	**2,274**	3,322
Fixed interest securities	**102**	35
Derivatives	**101**	171
Total	**4,992**	4,223

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

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

	30 June 2014 $'000	30 June 2013 $'000
Net unrealised gains/(losses) on financial instruments held for trading	**413**	(572)
Net unrealised gains on financial instruments designated at fair value through profit or loss	**1,441**	1,896
Net realised losses on financial instruments held for trading	**(365)**	(13)
Net realised (losses)/gains on financial instruments designated at fair value	**(69)**	2,029
Net gains on financial instruments held at fair value through profit or loss	**1,420**	3,340

5 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2014 $'000	**30 June 2014 CPU**	30 June 2013 $'000	30 June 2013 CPU
Distributions				
Distributions paid - September	**409**	**0.38**	1,871	1.41
Distributions paid - December	**1,438**	**0.85**	958	0.73
Distributions paid - March	**873**	**0.54**	851	0.79
Distributions payable - June	**1,677**	**1.09**	684	0.64
Total distributions	**4,397**		4,364	

6 Net assets attributable to unitholders

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

	30 June 2014 Units '000	30 June 2013 Units '000	**30 June 2014 $'000**	30 June 2013 $'000
Net assets attributable to unitholders				
Opening balance	**106,036**	145,367	**113,138**	150,909
Applications	**129,647**	57,919	**139,687**	61,472
Redemptions	**(85,587)**	(101,104)	**(92,477)**	(107,114)
Units issued upon reinvestment of distributions	**3,018**	3,854	**3,245**	4,041
Change in net assets attributable to unitholders	**-**	-	**1,933**	3,830
Closing balance	**153,114**	106,036	**165,526**	113,138

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 $234,220 (2013: $nil) and redemptions include redemptions payable is $41,647 (2013: $nil). The applications receivable and redemptions payable have been included in the loans and receivables, and sundry creditors and accruals, respectively.

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and daily redemptions at the discretion of unitholders.

Applications and redemptions are reviewed relative to the liquidity of the Scheme's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Scheme's Constitution, the Responsible Entity has the discretion to reject an application and to defer or adjust a redemption if the exercise of such discretion is in the best interests of unitholders.

7 Financial assets held at fair value through profit or loss

	Fair value 30 June 2014 $'000	Fair value 30 June 2013 $'000
Held for trading		
Swaps	**38**	-
	38	-
Designated at fair value through profit or loss		
Fixed interest securities	**532**	1,558
Floating rate notes	**74,790**	23,195
Mortgage-backed securities	**79,293**	84,217
Unlisted unit trusts	**12,105**	3,669
	166,720	112,639
Total financial assets held at fair value through profit or loss	**166,758**	112,639

8 Financial liabilities held at fair value through profit or loss

	Fair value 30 June 2014 $'000	Fair value 30 June 2013 $'000
Held for trading		
Swaps	**-**	370
Total financial liabilities held at fair value through profit or loss	**-**	370

9 Loans and receivables

	30 June 2014 $'000	30 June 2013 $'000
Distributions receivable	**92**	39
Interest receivable	**15**	2
Other receivables	**7**	5
Applications receivable	**234**	-
Total loans and receivables	**348**	46

10 Related party transactions

Responsible Entity

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

The Scheme does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Scheme 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 at anytime during the financial year or since the end of the year and up to the date of this report as follows:

G Foster (appointed 25 January 2013, Alternate for G Larkins)
M Gordon (appointed 28 March 2013)
J Hawkins (appointed 6 July 2012)
G Larkins (appointed 7 January 2013)
P Lynch (appointed 6 July 2012, Alternate for J Hawkins)
P Statham (appointed 9 September 2013, Alternate for M Gordon)

(b) Other key management personnel

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

Key management personnel unitholdings

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

At 30 June 2014, no key management personnel held units in the Scheme (2013: nil).

Key management personnel loan disclosures

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

Other transactions within the Scheme

Apart from those details disclosed in this note, no key management personnel have entered into any transactions with the Scheme during the financial year and there were no material balances involving key management personnel's interests outstanding at year end.

Responsible Entity's fees and other transactions

The Responsible Entity’s fees are calculated in accordance with the Scheme's Constitution (as amended). The Responsible Entity’s fee is 0.226% p.a. of the net asset value of the Scheme and is disclosed in the statement of comprehensive income.

10 Related party transactions (continued)

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 Scheme and the Responsible Entity were as follows:

	30 June 2014 $	30 June 2013 $
Responsible Entity's fees paid and payable directly by the Scheme	**358,428**	266,930
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	**33,134**	22,659

Related party unitholdings

Perpetual Investment Management Limited, its related parties and other schemes managed by Perpetual Investment Management Limited, held units in the Scheme as follows:

30 June 2014

Managed Investment Schemes	**Number of units held '000**	**Interest held (%)**	**Number of units acquired '000**	**Number of units disposed '000**	**Distributions paid/payable by the Scheme $'000**
Perpetual Exact Market Cash Fund	**151,732**	**99.1**	**131,791**	**79,534**	**4,265**

30 June 2013

Managed Investment Schemes	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme $'000
Perpetual Exact Market Cash Fund	99,475	93.8	55,211	94,459	4,136

10 Related party transactions (continued)

Investments

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

30 June 2014

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 by the Scheme $'000**
Perpetual Institutional Cash Management Trust	**12,105**	**12,105**	**1.1**	**176,436**	**168,000**	**289**

30 June 2013

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 by the Scheme $'000
Perpetual High Grade Treasury Fund	-	-	-	981	30,813	674
Perpetual Institutional Cash Management Trust	3,669	3,669	0.4	91,137	89,400	217

11 Involvement with unconsolidated structured entities

The following structured entities are recorded at fair value within financial assets held at fair value through profit or loss.

	Fair value as at 30 June 2014 $'000	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2014 $'000
Type of structured entities			
Unlisted unit trusts	12,105	7.3	12,105
Total	12,105	7.3	12,105

The fair value of the exposure will change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed of.

The unconsolidated structured entities are managed in accordance with the investment strategy with the respective investment managers. The investment decisions are based on the analysis conducted by the investment managers. The return of the unconsolidated structured entities is exposed to the variability of the performance of the investment strategies. The investment managers receive a management fee for undertaking the management of these investments.

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 Scheme:

	30 June 2014 $	30 June 2013 $
Audit and audit related services		
KPMG		
Total remuneration for audit and audit related services	**16,601**	16,208

13 Reconciliation of operating profit to net cash inflow from operating activities

	30 June 2014 $'000	30 June 2013 $'000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**6,330**	8,196
(Increase)/decrease in distributions receivable	**(53)**	360
(Increase)/decrease in interest receivable	**(13)**	1
Increase in other receivables	**(2)**	(1)
Increase/(decrease) in sundry creditors and accruals	**10**	(2)
Net gains on financial instruments held at fair value through profit or loss	**(1,420)**	(3,340)
Net foreign exchange losses/(gains)	**13**	(9)
Net cash inflow from operating activities	**4,865**	5,205

(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	**1,174**	1,530
Total cash and cash equivalents	**1,174**	1,530

14 Financial risk management

The Scheme's investing activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

A risk management framework has been established by the Responsible Entity of the Scheme to define the obligations and regulatory requirements for the Scheme and minimise the risks in investment activities. This framework incorporates a regular assessment process to ensure procedures and controls adequately manage investment activities.

The investment activities of the Scheme are managed in accordance with the investment strategy specifically tailored for the Scheme’s objectives. The strategy is approved by the Board of Directors of the Responsible Entity, and must comply with any authorised investments and management restrictions specified in the Scheme's Constitution. The Scheme is permitted to use derivative products. The use of derivatives is considered to be part of the investment management process and is not managed in isolation.

This note presents information about the Scheme’s exposure to each of the above risks. The Scheme uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, currency risk and price risk and ratings analysis for credit risk.

14 Financial risk management (continued)

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The potential market risks are currency risk, interest rate risk and price risk.

The Scheme may use derivative instruments to manage these risks. However, the use of derivatives is limited to the investment strategy and restrictions specified in the Scheme's governing documents.

The Scheme held foreign exchange swaps as at 30 June 2014 (30 June 2013: the Scheme held foreign exchange swaps).

(i) Currency risk

A Scheme that invests in financial instruments denominated in currencies other than the Australian dollar is exposed to currency risk. Currency risk arises as the income and value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Scheme may enter into derivative contracts to protect the valuation of financial assets and liabilities against variations in the exchange rates. However, for accounting purposes, the Scheme does not designate any derivatives as hedges, and hence these derivative financial instruments are classified as at fair value through profit or loss.

As of the balance sheet date, the Scheme does not have significant exposure to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Scheme is exposed to cash flow interest rate risk on financial instruments with floating interest rates. Financial instruments with fixed interest rates expose the Scheme to fair value interest rate risk.

The Scheme 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 debt securities.

The following tables summarise the Scheme's exposure to interest rate risk:

	Floating interest rate $'000	Fixed interest rate $'000	Non interest bearing $'000	Total $'000
30 June 2014				
Financial Assets				
Cash and cash equivalents	**1,174**	**-**	**-**	**1,174**
Fixed interest securities	**-**	**532**	**-**	**532**
Mortgage-backed securities	**79,293**	**-**	**-**	**79,293**
Floating rate notes	**74,790**	**-**	**-**	**74,790**
Derivatives	**-**	**-**	**38**	**38**

14 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Floating interest rate $'000	Fixed interest rate $'000	Non interest bearing $'000	Total $'000
30 June 2013				
Financial Assets				
Cash and cash equivalents	1,530	-	-	1,530
Fixed interest securities	-	1,558	-	1,558
Mortgage-backed securities	84,217	-	-	84,217
Floating rate notes	23,195	-	-	23,195
Financial Liabilities				
Derivatives	-	-	370	370

Sensitivity analysis

The sensitivity analysis estimates the sensitivity of the Scheme's operating profit and net assets attributable to unitholders to interest rate risk. The sensitivity rate is based on management's best estimate of a reasonably possible movement in the interest rates, having regard to historical levels of changes in interest rates.

An increase of 1% in interest rates applicable at reporting date would have increased the Scheme's operating profit/(loss) and net assets attributable to unitholders by $1,397,652 (2013: $1,004,982). 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) Price risk

The Scheme is exposed to market price risk. The risk arises from investments held by the Scheme for which prices in the future are uncertain (other than arising from currency risk or interest rate risk).

The Scheme's asset managers aim to manage the impact of market 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

The sensitivity analysis estimates the sensitivity of the Scheme's operating profit and net assets attributable to unitholders to market price risk. The sensitivity rate is based on management's best estimate of a reasonably possible movement in the market price, having regard to historical correlation of the Scheme's investments with the relevant benchmark and market volatility.

An increase of 15% at the reporting date of the market prices would have increased the Scheme's operating profit/(loss) and net assets attributable to unitholders by $1,815,764 (2013: $550,279). 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.

14 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The Scheme is exposed to credit risk on debt securities, derivative financial instruments, cash and cash equivalents and other receivables.

(i) Debt securities

Debt securities are predominantly rated by Standard & Poor's or an equivalent rating agency. The Scheme's exposure in each grade is monitored on a regular basis.

Investment management processes include the consideration of counterparty risk. The asset managers may refer to the credit ratings issued by Standard & Poor's or an equivalent rating agency to assess the credit worthiness of counterparties. The asset managers consider (among other things) branding, stability and security marketability of counterparties and consistently monitor exposure through electronic systems.

An analysis of debt by rating is set out the tables below:

30 June 2014	**AAA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**NON-RATED**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Interest bearing securities					
Floating rate notes	**44,179**	**25,186**	**5,425**	**-**	**74,790**
Mortgaged-backed securities	**69,954**	**-**	**-**	**9,339**	**79,293**
Fixed interest securities	**-**	**-**	**532**	**-**	**532**
	114,133	**25,186**	**5,957**	**9,339**	**154,615**

30 June 2013	AAA+ to AA-	A+ to A-	BBB+ to BBB-	NON-RATED	Total
	$'000	$'000	$'000	$'000	$'000
Interest bearing securities					
Floating rate notes	10,075	10,468	2,652	-	23,195
Mortgaged-backed securities	84,217	-	-	-	84,217
Fixed interest securities	1,558	-	-	-	1,558
	95,850	10,468	2,652	-	108,970

(ii) Derivative financial instruments

The use of derivatives is limited to the investment strategy specifically tailored for the Scheme. Asset managers are only permitted to use derivative financial instruments that are noted on the Approved Derivatives List ("ADL"). The ADL is maintained by the Derivative Governance Committee ("DGC"). The DGC is a committee designed to assist in overseeing the management of derivative use.

14 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Derivative financial instruments (continued)

The counterparty risk arising from entering into derivative contracts is minimised by predominantly using exchange traded derivatives (except for currency hedging, contracts for differences, and occasionally, other approved over the counter instruments). The exchange traded derivatives are only executed and cleared through approved members of the exchanges. The counterparty risk arising from over the counter derivative contracts is minimised by considering the credit worthiness of all counterparties and by entering into appropriate agreements with approved counterparties.

(iii) 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 & Poor's or equivalent rating agency).

(c) Liquidity risk

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

The Scheme is exposed to daily cash redemptions of redeemable units.

The Scheme's investments are considered to be readily realisable. The Scheme primarily holds investments in an active market which can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

The Scheme’s investments in unlisted unit trusts expose the Scheme to the risk that the Responsible Entity or the manager of those trusts may be unwilling or unable to fulfill the redemption requests within the timeframe requested by the Scheme. However, these investments are considered readily realisable unless the unlisted unit trusts are declared illiquid.

The following tables show the contractual maturities of financial liabilities, including interest payments where applicable:

30 June 2014	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	1,677	1,677	-	1,677
Due to brokers - payable for securities purchased	1,003	1,003	-	1,003
Sundry creditors and accruals	74	74	-	74
Net assets attributable to unitholders of the Scheme	165,526	165,526	165,526	-
Total	168,280	168,280	165,526	2,754

14 Financial risk management (continued)

(c) Liquidity risk (continued)

30 June 2013	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	684	684	-	684
Sundry creditors and accruals	23	23	-	23
Net assets attributable to unitholders of the Scheme	113,138	113,138	113,138	-
Total	113,845	113,845	113,138	707

Derivative financial liabilities				
Swaps	370	-	-	-
Outflow	-	5,144	-	5,144
Inflow	-	(4,774)	-	(4,774)
Total	370	370	-	370

(d) Fair value measurement

The Scheme discloses fair value measurements by level of the following fair value hierarchy:

- 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).

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and equity securities) is based on last traded prices at the end of the reporting period without any deduction for estimated future selling costs. For the majority of financial assets and liabilities, information provided by the quoted market independent pricing services is relied upon for valuation. Prior to 1 July 2013, the price used for financial assets was the current bid price and the quoted market price for financial liabilities was the current asking price. The Scheme adopted AASB 13 from 1 July 2013 and changed its fair value inputs to utilise last traded prices for both financial assets and financial liabilities.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

14 Financial risk management (continued)

(d) Fair value measurement (continued)

(ii) 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 by using valuation techniques. The Scheme uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques used for non-standardised financial instruments, such as options, swaps and other over-the-counter derivatives, include the use of comparable arm's length 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 is commonly used by market participants which maximises the use of market inputs and relies as little as possible on entity-specific inputs.

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 end of the reporting period applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated by the asset managers, if possible, using applicable price/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 would be received or paid to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparty and the Scheme. The fair value of a forward contract is determined using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts as at the valuation date. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

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

The tables below set out the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2014 and 30 June 2013:

As at 30 June 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held for trading:				
Swaps	-	38	-	38
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	-	532	-	532
Floating rate notes	-	74,790	-	74,790
Mortgaged-backed securities	-	79,293	-	79,293
Unlisted unit trusts	12,105	-	-	12,105
Total	12,105	154,653	-	166,758

14 Financial risk management (continued)

(d) Fair value measurement (continued)

As at 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Fixed interest securities	-	1,558	-	1,558
Floating rate notes	-	23,195	-	23,195
Mortgaged-backed securities	-	84,217	-	84,217
Unlisted unit trusts	3,669	-	-	3,669
Total	3,669	108,970	-	112,639
Financial liabilities				
Financial liabilities held for trading:				
Swaps	-	370	-	370

Valuation techniques used to derive level 2 and level 3 fair values

Financial instruments classified within level 2 are traded in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs including certain market indices, interest rate, credit spreads and market yield. These investments include; investment-grade corporate bonds and certain non-US sovereign obligations, certain listed equities, certain unlisted unit trusts and over-the-counter derivatives. As level 2 investments include asset positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 include corporate debt securities, unlisted unit trusts with suspended applications and redemptions or significant investment into unquoted equity investments. The valuation technique may use significant unobservable inputs at the underlying asset level. However, the Scheme obtains fair value prices from the relevant fund managers without significant adjustments and does not calculate any unobservable inputs itself.

For the years ended 30 June 2014 and 30 June 2013, there have been no transfers between levels.

15 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the 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. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below.

	Effects of offsetting on the balance sheet			**Related amounts not offset**	
30 June 2014	**Gross amounts of financial assets $'000**	**Gross amounts set off in the balance sheet $'000**	**Net amount of financial assets presented in the balance sheet $'000**	**Amounts subject to master netting arrange-ments $'000**	**Net amounts $'000**
Financial assets					
Derivative financial instruments	**38**	**-**	**38**	**-**	**38**
Total	**38**	**-**	**38**	**-**	**38**

	Effects of offsetting on the balance sheet			Related amounts not offset	
30 June 2013	Gross amounts of financial assets $'000	Gross amounts set off in the balance sheet $'000	Net amount of financial assets presented in the balance sheet $'000	Amounts subject to master netting arrange-ments $'000	Net amounts $'000
Financial assets					
Derivative financial instruments	-	-	-	-	-
Total	-	-	-	-	-

15 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the balance sheet			Related amounts not offset	
30 June 2014	**Gross amounts of financial liabilities $'000**	**Gross amounts set off in the balance sheet $'000**	**Net amount of financial liabilities presented in the balance sheet $'000**	**Amounts subject to master netting arrange-ments $'000**	**Net amounts $'000**
Financial liabilities					
Derivative financial instruments	-	-	-	-	-
Total	-	-	-	-	-

	Effects of offsetting on the balance sheet			Related amounts not offset	
30 June 2013	Gross amounts of financial liabilities $'000	Gross amounts set off in the balance sheet $'000	Net amount of financial liabilities presented in the balance sheet $'000	Amounts subject to master netting arrange-ments $'000	Net amounts $'000
Financial liabilities					
Derivative financial instruments	370	-	370	-	370
Total	370	-	370	-	370

Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Scheme does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in the above table.

16 Derivative financial instruments

In the normal course of business the Scheme 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 foreign exchange forward contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme'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 Scheme 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 Scheme.

The Scheme held the following derivative instrument during the year:

Swaps

Cross currency swaps are valued at fair value which is based on the estimated amount the Scheme 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 Scheme’s interest rate and foreign currency exposure. However, hedge accounting has not been applied.

17 Events occurring after the reporting period

No significant events have occurred since the balance sheet date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2014 or on the results and cash flows of the Scheme 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 2014 and 30 June 2013.

Directors' declaration

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

(a) the annual financial statements and notes, set out on pages 6 to 34, 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 Scheme's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and

(c) the financial report also complies with International Financial Reporting Standards as discussed in note 2(a).

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

Director

Sydney
10 September 2014

KPMG

Independent auditor's report to the unitholders of Perpetual Premium Treasury Fund

Report on the financial report

We have audited the accompanying financial report of Perpetual Premium Treasury Fund (the Scheme), which comprises the balance sheet as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement 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.

Directors' responsibility for the financial report

The directors of Perpetual Investment Management Limited (the Responsible Entity) 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(a), 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 financial position and of its 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 Premium Treasury Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Scheme's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

KPMG

KPMG

Michael O Connell
Partner

Sydney

10 September 2014

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