

PERPETUAL WEALTHFOCUS INVESTMENT ADVANTAGE

Annual Financial Report
30 June 2014

ARSN 091 142 460

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Perpetual 

Perpetual WealthFocus Investment Advantage Fund

ARSN 091 142 460

Annual Financial Report - 30 June 2014

Perpetual WealthFocus Investment Advantage Fund

ARSN 091 142 460

Annual Financial Report - 30 June 2014

Contents	Page
Directors' report	2
Lead auditor's independence declaration	5
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Cash flow statement	9
Notes to the financial statements	10
Directors' declaration	53
Independent auditor's report to the unitholders	54

Directors' report

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

Responsible Entity

The Responsible Entity of Perpetual WealthFocus Investment Advantage 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 a comprehensive range of highly rated investments, enabling unitholders to design an investment portfolio that suits their income and growth requirements.

The objectives and investment strategy of the Investment Options are disclosed in the 'Perpetual WealthFocus Investment Advantage' Product Disclosure Statement.

On 15 May 2013 the Responsible Entity resolved to terminate the Perpetual Property Income Asset Group Investment Option. The investment option was terminated on 26 July 2013.

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)	<u>455,933</u>	<u>543,603</u>
Distribution paid and payable (\$'000)	<u>438,770</u>	<u>145,195</u>

Directors' report (continued)

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 5 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.

Significant changes in state of affairs

On 15 May 2013 the Responsible Entity resolved to terminate the Perpetual Property Income Asset Group investment option. The investment option was terminated on 26 July 2013.

In the opinion of the directors, there were no other 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

The Board of the Responsible Entity approved the termination of Perpetual Global Resources investment option on 2 July 2014 and the termination processes commenced thereafter.

On 1 August 2014 van Eyk Research Pty Ltd, the Investment Manager of the van Eyk Blueprint Balanced Fund, van Eyk Blueprint Capital Stable Fund and van Eyk Blueprint High Growth Fund ("the funds") announced the suspension of applications and withdrawals from the funds as a result of the illiquidity of the underlying investments. In response, van Eyk Blueprint Balanced investment option, van Eyk Blueprint Capital Stable investment option and van Eyk Blueprint High Growth investment option have also been suspended.

Subsequently, on 15 August 2014, Macquarie Investment Management Limited, the Responsible Entity of the funds commenced termination of the funds. The first instalment of the termination proceeds is expected in September 2014.

No other 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 9 of the annual financial report.

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

Directors' report (continued)

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates (continued)

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 9 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.

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
18 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

18 September 2014

Perpetual WealthFocus Investment Advantage Fund
Statement of comprehensive income
For the year ended 30 June 2014

Statement of comprehensive income

		30 June 2014 \$'000	30 June 2013 \$'000
	Notes		
Investment income			
Dividend/distribution income		199,605	129,139
Interest income		461	579
Net gains on financial instruments held at fair value through profit or loss	3	296,900	449,846
Net foreign exchange (losses)/gains		(69)	18
Other operating income		951	156
Total net investment income		<u>497,848</u>	<u>579,738</u>
Expenses			
Responsible Entity's fees	9	39,603	34,311
Other expenses		2,312	1,824
Total operating expenses		<u>41,915</u>	<u>36,135</u>
Operating profit		<u>455,933</u>	<u>543,603</u>
Finance costs attributable to unitholders			
Distributions to unitholders	4	438,770	145,195
Interest expense		8	3
Change in net assets attributable to unitholders (total comprehensive income)	5	<u>17,155</u>	<u>398,405</u>

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

Perpetual WealthFocus Investment Advantage Fund
Balance sheet
As at 30 June 2014

Balance sheet

	Notes	30 June 2014 \$'000	30 June 2013 \$'000
Assets			
Cash and cash equivalents	12(b)	19,481	17,967
Financial assets held at fair value through profit or loss	6	2,787,380	2,567,921
Due from brokers - receivable for securities sold		22,402	11,014
Loans and receivables	8	<u>146,248</u>	<u>68,429</u>
Total assets		<u>2,975,511</u>	<u>2,665,331</u>
Liabilities			
Financial liabilities held at fair value through profit or loss	7	-	105
Distributions payable to unitholders of the Scheme	4	392,213	103,073
Due to brokers - payable for securities purchased		13,168	4,559
Sundry creditors and accruals		<u>11,194</u>	<u>7,011</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>416,575</u>	<u>114,748</u>
Net assets attributable to unitholders - liability	5	<u>2,558,936</u>	<u>2,550,583</u>

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.

Perpetual WealthFocus Investment Advantage Fund
Cash flow statement
For the year ended 30 June 2014

Cash flow statement

	30 June 2014 Notes \$'000	30 June 2013 \$'000
Cash flows from operating activities		
Dividends/distributions received	128,024	106,156
Interest received	465	591
Other income received	4,015	2,499
Responsible Entity's fees paid	(41,925)	(36,430)
Other expenses paid	(2,537)	(2,006)
Net cash inflow from operating activities	12(a) <u>88,042</u>	<u>70,810</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,405,943	1,201,160
Payments for purchase of investments	(1,331,455)	(1,050,928)
Net cash inflow from investing activities	<u>74,488</u>	<u>150,232</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	386,944	360,462
Payments for redemptions by unitholders	(527,291)	(569,601)
Interest expense paid	(8)	(3)
Distributions paid	(20,661)	(12,702)
Net cash outflow from financing activities	<u>(161,016)</u>	<u>(221,844)</u>
Net increase/(decrease) in cash and cash equivalents	1,514	(802)
Cash and cash equivalents at the beginning of the financial year	<u>17,967</u>	<u>18,769</u>
Cash and cash equivalents at the end of the financial year	12(b) <u>19,481</u>	<u>17,967</u>

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

1 General Information

This annual financial report covers Perpetual WealthFocus Investment Advantage 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 May 1995. The Scheme will terminate on 15 May 2075 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 18 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.

The Scheme has early adopted the investment entity exemption in AASB 2013-5. As a result of the amendments to AASB 10, contained within AASB 2013-5, consolidated financial statements are no longer required to be prepared as the Scheme meets the definition of an investment entity. An investment entity is required to account for investments in its subsidiaries at fair value through profit or loss. The figures presented in this report for both current and comparative reporting periods are for the Scheme as a stand-alone entity.

The application of this exemption also requires the Scheme to adopt amendments to AASB 11, AASB 12 and AASB 127. The adoption of these amendments has had no material impact on the Scheme as at 30 June 2014.

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.

2 Summary of significant accounting policies (continued)

(a) Principles of preparation (continued)

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 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 \$2,175,035.

(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").

2 Summary of significant accounting policies (continued)

(b) Change in accounting policy (continued)

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.

On adoption, the Scheme has determined that it meets the definition of an investment entity. As a result, the Scheme has changed its accounting policy with respect to its investment in its subsidiaries. Subsidiaries, which were previously consolidated, are now accounted for at fair value through profit or loss. This change in accounting policy has been applied retrospectively in accordance with the transition provisions of AASB 10 and the Amendments to AASB 10. The transition provisions require retrospective application in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

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. As a result of the adoption of AASB 127, consolidated financial statements are no longer required to be prepared.

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.

2 Summary of significant accounting policies (continued)

(b) Change in accounting policy (continued)

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.

(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, foreign exchange forward 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.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(ii) Recognition/derecognition (continued)

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.

(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.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(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.

(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.

Dividend income is recognised on the ex-dividend date.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis.

Other income is brought to account on an accruals 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.

2 Summary of significant accounting policies (continued)

(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.

(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 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	105	(207)
Net unrealised gains on financial instruments designated at fair value through profit or loss	17,696	351,497
Net realised losses on financial instruments held for trading	(146)	(309)
Net realised gains on financial instruments designated at fair value through profit or loss	<u>279,245</u>	<u>98,865</u>
Net gains on financial instruments held at fair value through profit or loss	<u>296,900</u>	<u>449,846</u>

4 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
Distributions paid - July	605	102
Distributions paid - August	91	100
Distributions paid - September	6,431	5,507
Distributions paid - October	95	123
Distributions paid - November	97	114
Distributions paid - December	30,131	26,905
Distributions paid - January	101	126
Distributions paid - February	98	63
Distributions paid - March	8,712	6,902
Distributions paid - April	86	86
Distributions paid - May	110	93
Distributions paid - June	-	2,001
Distributions payable - June	<u>392,213</u>	<u>103,073</u>
Total Distributions	<u>438,770</u>	<u>145,195</u>

5 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	1,446,998	1,524,775	2,550,583	2,298,434
Applications	429,704	249,324	393,127	359,902
Redemptions	(488,896)	(367,697)	(530,898)	(569,010)
Units issued upon reinvestment of distributions	64,618	40,596	128,969	62,852
Change in net assets attributable to unitholders	-	-	17,155	398,405
Closing balance	1,452,424	1,446,998	2,558,936	2,550,583

Investors investing in the Scheme receive one unit in the Scheme, their chosen allocation between investment options determines the make up of this unit. "Notional" units are allocated to each investment option in order to determine the value of each investor's portfolio.

"Notional" unit prices at an investment option level are calculated by:

- establishing the net asset value of the investment option
- dividing the net asset value of the investment option by the number of "notional" units in that investment option in order to determine the net asset value of each "notional unit" within that investment option.

The units on issue disclosed above represent the aggregate "notional" units on issue at 30 June for each investment option. Each "notional" unit per investment option is of the same class and therefore carries equal rights.

At the reporting date, applications include applications receivable of \$9,748,701 (2013: \$3,565,938) and redemptions include redemptions payable is \$7,510,158 (2013: \$3,903,379). 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.

6 Financial assets held at fair value through profit or loss

	Fair value 30 June 2014 \$'000	Fair value 30 June 2013 \$'000
Designated at fair value through profit or loss		
Listed equities	1,034,215	1,011,779
Listed unit trusts	58,073	23,211
Unlisted unit trusts	<u>1,695,092</u>	<u>1,532,931</u>
Total financial assets held at fair value through profit or loss	<u>2,787,380</u>	<u>2,567,921</u>

7 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		
Foreign exchange forward contracts	-	105
Total financial liabilities held at fair value through profit or loss	<u>-</u>	<u>105</u>

8 Loans and receivables

	30 June 2014 \$'000	30 June 2013 \$'000
Dividends/distributions receivable	135,680	64,099
Interest receivable	35	39
Applications receivable	9,749	3,566
Other receivables	<u>784</u>	<u>725</u>
Total loans and receivables	<u>146,248</u>	<u>68,429</u>

9 Related party transactions

Responsible Entity

The Responsible Entity of Perpetual WealthFocus Investment Advantage 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.

9 Related party transactions (continued)

Responsible entity's fees and other transactions

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 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	39,602,513	34,310,504
Responsible Entity's fee rebate received and receivable directly by the Scheme	12,328	13,982
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	3,683,419	3,107,484

The Responsible Entity's fees are calculated in accordance with the Scheme's Constitution (as amended). The Responsible Entity's fees comprise of the management fee and expense recoveries, which are calculated as a percentage of the net asset values of the options (except for Perpetual Geared Australian option and Perpetual SHARE-PLUS Long Short option which Responsible Entity's fees are calculated as a percentage of gross asset values).

For the year ended 30 June 2014, the options incurred the following Responsible Entity's fees which are expressed as a percentage of net asset values per annum except for Perpetual Geared Australian option and Perpetual SHARE-PLUS Long Short option which are expressed as a percentage of gross asset values per annum (after taking account of the Goods and Services Tax and Reduced Input Tax Credits):

Investment Option	Management Fees %	Expense Recoveries %
Perpetual Australian Share	1.95	0.03
Perpetual Balanced Growth	1.95	0.03
Perpetual Cash	1.05	0.03
Perpetual Concentrated Equity	1.95	0.03
Perpetual Conservative Growth	1.75	0.03
Perpetual Diversified Growth	1.85	0.03
Perpetual Diversified Income	1.65	0.03
Perpetual Ethical SRI	2.25	0.03
Perpetual Geared Australian	1.95	0.03
Perpetual Global Resources	2.25	0.03
Perpetual Industrial Share	1.95	0.03
Perpetual International Share	2.10	0.08
Perpetual Property Income (option has terminated on 26 July 2013)	1.95	0.03
Perpetual SHARE-PLUS Long-Short	1.95	0.03
Perpetual Smaller Companies	1.95	0.03
Perpetual Split Growth	2.10	0.03
Aberdeen Actively Hedged International Equities	2.15	0.03
Alphinity Australian Share	1.95	0.03
AMP Capital Global Equity Value	2.15	0.03
AMP Capital Global Property Securities	2.05	0.03
AMP Capital Sustainable Share	1.95	0.03
Arnhem Australian Equity	1.95	0.03
Aspect Diversified Futures	2.62	0.03
Ausbil Australian Active Equity	1.95	0.03
Ausbil Australian Emerging Leaders	2.10	0.03
Bentham Global Income	1.65	0.03

9 Related party transactions (continued)

Investment Option	Management Fees %	Expense Recoveries %
BlackRock Balanced	1.85	0.03
BlackRock Global Small Cap	2.20	0.03
BlackRock Monthly Income	1.65	0.03
BlackRock Scientific Australian Equity	1.95	0.03
BlackRock Scientific Diversified Growth	1.95	0.03
BlackRock Scientific Diversified Stable	1.75	0.03
BT Australian Share	1.95	0.03
BT International Share	2.15	0.03
BT Property Securities	1.85	0.03
Colonial First State Balanced	1.95	0.03
Colonial First State Equity Income	2.22	0.03
DWS Global Equity Thematic	2.15	0.03
Fidelity Australian Equities	1.95	0.03
Goldman Sachs Australian Infrastructure	2.05	0.03
Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged)	2.12	0.03
Ibbotson Australian Shares Active	1.95	0.03
Ibbotson Balanced Growth	1.85	0.03
Ibbotson Conservative Growth	1.75	0.03
Ibbotson Growth	1.95	0.03
Ibbotson International Shares Active (Unhedged)	2.15	0.03
Investors Mutual Australian Share	2.15	0.03
Investors Mutual Future Leaders	2.15	0.03
Lazard Global Listed Infrastructure	2.15	0.03
Macquarie Income Opportunities	1.40	0.03
Magellan Global	2.35	0.03
Maple-Brown Abbott Imputation	1.95	0.03
MFS Global Equity	2.00	0.03
OnePath Diversified Fixed Interest	1.60	0.03
OnePath Tax Effective Income	2.00	0.03
Perennial Value Shares	1.95	0.03
Platinum Asia	2.75	0.03
Platinum International	2.75	0.03
Premium China	3.00	0.03
RREEF Global Property Securities	2.10	0.03
Schroder Australian Equity	1.95	0.03
Schroder Balanced	1.95	0.03
Schroder Fixed Income	1.40	0.03
Schroder Global Emerging Markets	2.35	0.03
Solaris Core Australian Equity	1.95	0.03
T. Rowe Price Global Equity	2.15	0.03
Templeton Global Equity	2.15	0.03
UBS Defensive Investment	1.75	0.03
van Eyk Blueprint Balanced	1.95	0.03
van Eyk Blueprint Capital Stable	1.80	0.03
van Eyk Blueprint High Growth	2.00	0.03
Vanguard Australian Fixed Interest Index	1.30	0.03
Vanguard Australian Property Securities Index	1.45	0.03
Vanguard Australian Shares Index	1.40	0.03
Vanguard International Shares Index (Hedged)	1.58	0.03
Walter Scott Global Equity (Hedged)	2.20	0.03
Zurich Investments Global Thematic Share	2.10	0.03

9 Related party transactions (continued)

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

Company	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 Limited	852	0.1	80	40	49
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Perpetual Australian Share Pension Option	13,630	0.9	3,041	2,020	7,632
- Perpetual Australian Share Super Option	42,486	2.9	7,612	7,945	23,962
- Perpetual Concentrated Equity Pension Option	6,148	0.4	2,136	1,493	1,303
- Perpetual Concentrated Equity Super Option	11,515	0.8	3,775	3,825	2,489
- Perpetual Ethical SRI Pension Option	4,122	0.3	2,493	1,800	1,304
- Perpetual Ethical SRI Super Option	12,058	0.8	5,060	2,933	3,832
- Perpetual Geared Australian Pension Option	3,092	0.2	1,414	1,298	1,114
- Perpetual Geared Australian Super Option	31,873	2.2	8,968	7,681	11,543
- Perpetual Global Resources Pension Option	173	-	113	197	-
- Perpetual Global Resources Super Option	1,216	0.1	646	1,003	-
- Perpetual Industrial Share Pension Option	23,560	1.6	4,328	4,062	16,844
- Perpetual Industrial Share Super Option	88,766	6.1	11,278	13,713	63,517
- Perpetual Property Income Pension Option	-	-	-	1,045	138
- Perpetual Property Income Super Option	-	-	-	1,502	199
- Perpetual SHARE-PLUS Long-Short Pension Option	2,365	0.2	1,285	664	683
- Perpetual SHARE-PLUS Long-Short Super Option	7,928	0.5	5,820	2,991	2,301

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Perpetual Smaller Companies Share Pension Option	8,008	0.6	1,838	1,847	5,490
- Perpetual Smaller Companies Share Super Option	46,133	3.2	7,262	8,537	31,662
- Perpetual Split Growth Pension Option	404	-	284	534	49
- Perpetual Split Growth Super Option	6,291	0.4	1,346	696	770
- Aberdeen Actively Hedged International Equities Pension Option	985	0.1	114	343	69
- Aberdeen Actively Hedged International Equities Super Option	5,106	0.4	691	746	359
- Alphinity Australian Share Pension Option	248	-	32	69	21
- Alphinity Australian Share Super Option	361	-	56	87	29
- AMP Capital Global Equity Value Pension Option	747	0.1	134	300	65
- AMP Capital Global Equity Value Super Option	3,933	0.3	494	953	344
- AMP Capital Global Property Securities Pension Option	723	-	590	311	78
- AMP Capital Global Property Securities Super Option	1,068	0.1	567	363	117
- AMP Capital Sustainable Share Pension Option	150	-	11	40	13
- AMP Capital Sustainable Share Super Option	259	-	13	20	22
- Arnhem Australian Equity Pension Option	618	-	313	568	73
- Arnhem Australian Equity Super Option	1,732	0.1	755	504	205
- Aspect Diversified Futures Pension Option	496	-	543	47	-
- Aspect Diversified Futures Super Option	876	0.1	952	76	-

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Ausbil Australian Active Equity Pension Option	2,782	0.2	634	1,180	226
- Ausbil Australian Active Equity Super Option	7,931	0.5	1,395	1,267	629
- Ausbil Australian Emerging Leaders Pension Option	887	0.1	168	227	40
- Ausbil Australian Emerging Leaders Super Option	2,250	0.2	312	354	100
- Bentham Global Income Pension Option	1,888	0.1	1,017	489	148
- Bentham Global Income Super Option	2,957	0.2	1,732	576	230
- BlackRock Balanced Pension Option	12,692	0.9	3,469	4,183	1,127
- BlackRock Balanced Super Option	21,480	1.5	7,072	5,039	1,901
- BlackRock Global Small Cap Pension Option	382	-	538	382	181
- BlackRock Global Small Cap Super Option	1,729	0.1	678	339	818
- BlackRock Monthly Income Pension Option	679	-	180	67	45
- BlackRock Monthly Income Super Option	824	0.1	275	133	56
- BlackRock Scientific Australian Equity Pension Option	1,282	0.1	152	282	142
- BlackRock Scientific Australian Equity Super Option	2,345	0.2	375	488	260

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- BlackRock Scientific Diversified Growth Pension Option	5,143	0.4	429	990	289
- BlackRock Scientific Diversified Growth Super Option	11,459	0.8	1,562	2,329	642
- BlackRock Scientific Diversified Stable Pension Option	3,089	0.2	547	594	129
- BlackRock Scientific Diversified Stable Super Option	2,349	0.2	811	1,008	99
- BT Australian Share Pension Option	1,735	0.1	205	542	149
- BT Australian Share Super Option	4,440	0.3	892	621	363
- BT International Share Pension Option	473	-	400	246	37
- BT International Share Super Option	597	-	497	397	46
- BT Property Securities Pension Option	3,243	0.2	998	1,024	243
- BT Property Securities Super Option	6,880	0.5	1,699	1,496	517
- Colonial First State Balanced Pension Option	1,796	0.1	120	163	53
- Colonial First State Balanced Super Option	2,699	0.2	367	287	79
- Colonial First State Equity Income Share Pension Option	147	-	153	73	6
- Colonial First State Equity Income Share Super Option	411	-	90	117	21
- DWS Global Equity Thematic Pension Option	98	-	25	35	5
- DWS Global Equity Thematic Super Option	280	-	29	50	15
- Fidelity Australian Equities Pension Option	5,117	0.4	1,559	1,997	381
- Fidelity Australian Equities Super Option	9,910	0.7	2,617	2,079	730
- Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Pension Option	386	-	169	175	33
- Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Super Option	946	0.1	457	265	82

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Goldman Sachs Australian Infrastructure Pension Option	500	-	183	65	23
- Goldman Sachs Australian Infrastructure Super Option	609	-	322	106	26
- Ibbotson Australian Shares Active Pension Option	1,307	0.1	145	451	110
- Ibbotson Australian Shares Active Super Option	1,325	0.1	204	389	108
- Ibbotson Balanced Growth Pension Option	4,465	0.3	617	1,089	129
- Ibbotson Balanced Growth Super Option	7,233	0.5	1,112	1,376	207
- Ibbotson Conservative Growth Pension Option	2,220	0.2	302	711	66
- Ibbotson Conservative Growth Super Option	2,131	0.1	594	813	64
- Ibbotson Growth Pension Option	1,221	0.1	127	436	37
- Ibbotson Growth Super Option	8,875	0.6	1,140	1,318	262
- Ibbotson International Shares Active (Unhedged) Pension Option	591	-	48	231	80
- Ibbotson International Shares Active (Unhedged) Super Option	1,150	0.1	113	334	155
- Investors Mutual Australian Share Pension Option	6,563	0.5	851	1,439	834
- Investors Mutual Australian Share Super Option	6,916	0.5	1,101	1,160	875
- Investors Mutual Future Leaders Pension Option	388	-	80	76	49
- Investors Mutual Future Leaders Super Option	1,369	0.1	375	223	176
- Lazard Global Listed Infrastructure Pension Option	1,638	0.1	1,136	365	322
- Lazard Global Listed Infrastructure Super Option	3,008	0.2	1,662	440	592
- Macquarie Income Opportunities Pension Option	9,509	0.7	3,306	2,305	256
- Macquarie Income Opportunities Super Option	7,837	0.5	3,443	2,312	209

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Magellan Global Pension Option	2,350	0.2	1,724	289	68
- Magellan Global Super Option	2,551	0.2	2,547	506	73
- Maple-Brown Abbott Imputation Pension Option	737	0.1	94	129	45
- Maple-Brown Abbott Imputation Super Option	1,729	0.1	163	181	106
- MFS Global Equity Pension Option	3,738	0.3	2,201	797	203
- MFS Global Equity Super Option	6,146	0.4	3,568	1,375	334
- OnePath Diversified Fixed Interest Pension Option	4,803	0.3	1,259	2,086	119
- OnePath Diversified Fixed Interest Super Option	5,805	0.4	1,639	1,780	145
- OnePath Tax Effective Income Pension Option	1,153	0.1	167	187	75
- OnePath Tax Effective Income Super Option	2,568	0.2	344	351	168
- Perennial Value Shares Pension Option	3,125	0.2	530	1,167	283
- Perennial Value Shares Super Option	3,068	0.2	716	682	274
- Platinum Asia Pension Option	975	0.1	222	444	96
- Platinum Asia Super Option	4,162	0.3	703	953	410
- Platinum International Pension Option	10,836	0.7	2,845	3,021	745
- Platinum International Super Option	23,957	1.6	5,002	4,807	1,648
- Premium China Pension Option	46	-	4	15	-
- Premium China Super Option	507	-	173	192	-
- RREEF Global Property Securities Pension Option	501	-	143	247	39
- RREEF Global Property Securities Super Option	1,056	0.1	394	271	79
- Schroder Australian Equity Pension Option	4,043	0.3	885	1,163	339
- Schroder Australian Equity Super Option	6,226	0.4	1,345	1,097	521
- Schroder Balanced Pension Option	30,542	2.1	3,298	4,019	3,586
- Schroder Balanced Super Option	15,130	1.0	3,873	3,217	1,773

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Schroder Fixed Income Pension Option	8,975	0.6	3,348	3,658	208
- Schroder Fixed Income Super Option	7,119	0.5	2,382	2,671	167
- Schroder Global Emerging Markets Pension Option	208	-	153	282	4
- Schroder Global Emerging Markets Super Option	756	0.1	256	251	9
- Solaris Core Australian Equity Pension Option	1,734	0.1	337	593	174
- Solaris Core Australian Equity Super Option	4,846	0.3	559	917	485
- T. Rowe Price Global Equity Pension Option	2,022	0.1	453	558	68
- T. Rowe Price Global Equity Super Option	4,842	0.3	834	797	163
- Templeton Global Equity Pension Option	224	-	82	12	17
- Templeton Global Equity Super Option	913	0.1	385	144	69
- UBS Defensive Investment Pension Option	1,961	0.1	461	577	130
- UBS Defensive Investment Super Option	2,254	0.2	450	345	149
- van Eyk Blueprint - Balanced Pension Option	1,307	0.1	252	612	46
- van Eyk Blueprint - Balanced Super Option	2,064	0.1	480	783	71
- van Eyk Blueprint - Capital Stable Pension Option	753	0.1	132	498	13
- van Eyk Blueprint - Capital Stable Super Option	800	0.1	315	294	11
- van Eyk Blueprint - High Growth Pension Option	118	-	97	1	6
- van Eyk Blueprint - High Growth Super Option	1,205	0.1	850	861	60

9 Related party transactions (continued)

Related party unitholdings (continued)

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

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Vanguard Australian Fixed Interest Index Pension Option	6,633	0.5	1,494	2,667	286
- Vanguard Australian Fixed Interest Index Super Option	7,363	0.5	1,902	3,654	328
- Vanguard Australian Property Securities Index Pension Option	9,922	0.7	2,857	2,780	734
- Vanguard Australian Property Securities Index Super Option	23,435	1.6	6,275	5,543	1,716
- Vanguard Australian Shares Index Pension Option	1,068	0.1	695	360	52
- Vanguard Australian Shares Index Super Option	2,484	0.2	1,006	547	115
- Vanguard International Share Index (Hedged) Pension Option	1,308	0.1	581	1,212	125
- Vanguard International Share Index (Hedged) Super Option	3,785	0.3	1,138	1,584	361
- Walter Scott Global Equity (Hedged) Pension Option	2,628	0.2	131	357	139
- Walter Scott Global Equity (Hedged) Super Option	1,494	0.1	363	461	79
- Zurich Investments Global Thematic Share Pension Option	1,335	0.1	559	456	28
- Zurich Investments Global Thematic Share Super Option	1,844	0.1	666	514	38

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

Company	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 Limited	812	0.1	35	700	65
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Perpetual Australian Share Pension Option	12,609	0.9	2,008	2,782	2,698
- Perpetual Australian Share Super Option	42,819	3.0	5,761	7,994	9,178
- Perpetual Concentrated Equity Pension Option	5,505	0.4	1,756	912	606
- Perpetual Concentrated Equity Super Option	11,565	0.8	3,838	3,287	1,297
- Perpetual Ethical SRI Pension Option	3,429	0.2	3,118	1,516	408
- Perpetual Ethical SRI Super Option	9,931	0.7	5,131	3,252	1,218
- Perpetual Geared Australian Pension Option	2,976	0.2	1,390	1,157	371
- Perpetual Geared Australian Super Option	30,586	2.1	8,370	7,585	3,858
- Perpetual Global Resources Pension Option	257	-	197	255	-
- Perpetual Global Resources Super Option	1,573	0.1	904	1,364	-
- Perpetual Industrial Share Pension Option	23,294	1.6	3,874	4,854	3,589
- Perpetual Industrial Share Super Option	91,201	6.3	9,330	15,870	14,132
- Perpetual Property Income Pension Option	1,045	0.1	150	233	47
- Perpetual Property Income Super Option	1,502	0.1	562	480	66
- Perpetual SHARE-PLUS Long-Short Pension Option	1,744	0.1	827	348	224
- Perpetual SHARE-PLUS Long-Short Super Option	5,099	0.4	2,128	898	653

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Perpetual Smaller Companies Share Pension Option	8,017	0.6	1,860	2,754	1,637
- Perpetual Smaller Companies Share Super Option	47,408	3.3	6,257	11,629	9,700
- Perpetual Split Growth Pension Option	654	-	125	132	21
- Perpetual Split Growth Super Option	5,641	0.4	693	1,238	185
- Aberdeen Actively Hedged International Equities Pension Option	1,214	0.1	164	183	17
- Aberdeen Actively Hedged International Equities Super Option	5,161	0.4	992	845	73
- Alphinity Australian Share Pension Option	285	-	116	282	21
- Alphinity Australian Share Super Option	392	-	48	129	29
- AMP Capital Global Property Securities Pension Option	444	-	168	177	10
- AMP Capital Global Property Securities Super Option	864	0.1	369	352	19
- AMP Capital Sustainable Share Pension Option	179	-	10	21	8
- AMP Capital Sustainable Share Super Option	266	-	31	166	15
- Arnhem Australian Equity Pension Option	873	0.1	153	417	35
- Arnhem Australian Equity Super Option	1,481	0.1	220	661	59
- AMP Capital Global Equity Value Pension Option*	913	0.1	283	948	9
- AMP Capital Global Equity Value Super Option**	4,392	0.3	997	1,755	42

* Formerly known as AXA Global Equity Value Pension Option

** Formerly known as AXA Global Equity Value Super Option

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Ausbil Australian Active Equity Pension Option	3,328	0.2	621	1,192	126
- Ausbil Australian Active Equity Super Option	7,803	0.5	1,459	2,207	294
- Ausbil Australian Emerging Leaders Pension Option	946	0.1	216	365	10
- Ausbil Australian Emerging Leaders Super Option	2,292	0.2	495	719	23
- Bentham Global Income Pension Option	1,360	0.1	746	237	110
- Bentham Global Income Super Option	1,801	0.1	1,365	402	106
- BlackRock Balanced Pension Option	13,406	0.9	3,349	4,290	1,523
- BlackRock Balanced Super Option	19,447	1.3	5,337	6,031	2,210
- BlackRock Global Small Cap Pension Option	226	-	19	57	2
- BlackRock Global Small Cap Super Option	1,390	0.1	203	409	12
- BlackRock Indexed Australian Listed Property Pension Option	-	-	444	2,300	420
- BlackRock Indexed Australian Listed Property Super Option	-	-	714	4,064	766
- BlackRock Monthly Income Pension Option	566	-	250	327	45
- BlackRock Monthly Income Super Option	682	-	282	500	62
- BlackRock Scientific Australian Equity Pension Option	1,412	0.1	210	624	133
- BlackRock Scientific Australian Equity Super Option	2,458	0.2	533	904	225

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- BlackRock Scientific Diversified Growth Pension Option	5,704	0.4	720	1,975	208
- BlackRock Scientific Diversified Growth Super Option	12,226	0.8	1,526	3,154	442
- BlackRock Scientific Diversified Stable Pension Option	3,136	0.2	530	937	152
- BlackRock Scientific Diversified Stable Super Option	2,546	0.2	295	945	126
- BT Australian Share Pension Option	2,072	0.1	356	651	79
- BT Australian Share Super Option	4,169	0.3	1,176	808	150
- BT International Share Pension Option	319	-	78	30	8
- BT International Share Super Option	497	-	279	199	12
- BT Property Securities Pension Option	3,269	0.2	847	934	202
- BT Property Securities Super Option	6,677	0.5	2,131	1,722	408
- Colonial First State Balanced Pension Option	1,839	0.1	138	358	57
- Colonial First State Balanced Super Option	2,619	0.2	316	368	80
- Colonial First State Equity Income Share Pension Option	67	-	6	6	1
- Colonial First State Equity Income Share Super Option	438	-	172	134	8
- DWS Global Equity Thematic Pension Option	108	-	16	28	1
- DWS Global Equity Thematic Super Option	301	-	43	33	2
- Fidelity Australian Equities Pension Option	5,555	0.4	1,598	1,666	259
- Fidelity Australian Equities Super Option	9,372	0.6	2,924	2,347	425
- Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Pension Option	392	-	53	159	115
- Grant Samuel Epoch Global Equity Shareholder Yield (Unhedged) Super Option	754	0.1	153	313	222

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Goldman Sachs Australian Infrastructure Pension Option	382	-	107	19	18
- Goldman Sachs Australian Infrastructure Super Option	393	-	110	174	19
- Ibbotson Australian Shares Active Pension Option	1,613	0.1	104	758	114
- Ibbotson Australian Shares Active Super Option	1,510	0.1	360	1,075	111
- Ibbotson Balanced Growth Pension Option	4,937	0.3	221	822	182
- Ibbotson Balanced Growth Super Option	7,497	0.5	1,214	2,121	276
- Ibbotson Conservative Growth Pension Option	2,629	0.2	347	543	86
- Ibbotson Conservative Growth Super Option	2,350	0.2	407	558	77
- Ibbotson Growth Pension Option	1,530	0.1	735	1,163	68
- Ibbotson Growth Super Option	9,053	0.6	1,177	2,843	405
- Ibbotson International Shares Active (Unhedged) Pension Option	774	0.1	119	372	26
- Ibbotson International Shares Active (Unhedged) Super Option	1,371	0.1	327	652	46
- Investors Mutual Australian Share Pension Option	7,151	0.5	1,056	1,285	404
- Investors Mutual Australian Share Super Option	6,975	0.5	1,145	2,355	398
- Investors Mutual Future Leaders Pension Option	384	-	98	144	55
- Investors Mutual Future Leaders Super Option	1,217	0.1	337	364	184
- Lazard Global Listed Infrastructure Pension Option	867	0.1	378	199	8
- Lazard Global Listed Infrastructure Super Option	1,786	0.1	729	401	16
- Macquarie Income Opportunities Pension Option	8,508	0.6	2,506	2,529	395
- Macquarie Income Opportunities Super Option	6,706	0.5	2,063	1,965	309

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Magellan Global Pension Option	915	0.1	156	614	233
- Magellan Global Super Option	510	-	277	247	128
- Maple-Brown Abbott Imputation Pension Option	772	0.1	97	359	35
- Maple-Brown Abbott Imputation Super Option	1,747	0.1	216	529	79
- MFS Global Equity Pension Option	2,334	0.2	1,286	459	29
- MFS Global Equity Super Option	3,953	0.3	2,299	840	49
- OnePath Diversified Fixed Interest Pension Option	5,630	0.4	2,000	2,118	156
- OnePath Diversified Fixed Interest Super Option	5,946	0.4	2,333	2,276	169
- OnePath Managed Growth Pension Option	-	-	49	1,143	113
- OnePath Managed Growth Super Option	-	-	236	2,102	230
- OnePath Tax Effective Income Pension Option	1,173	0.1	104	183	38
- OnePath Tax Effective Income Super Option	2,575	0.2	517	344	80
- Perennial Value Shares Pension Option	3,762	0.3	429	1,065	171
- Perennial Value Shares Super Option	3,034	0.2	523	1,204	138
- Platinum Asia Pension Option	1,197	0.1	350	155	12
- Platinum Asia Super Option	4,412	0.3	815	1,288	43
- Platinum International Pension Option	11,012	0.8	1,892	2,792	297
- Platinum International Super Option	23,762	1.6	3,633	6,856	642
- Premium China Pension Option	57	-	39	44	-
- Premium China Super Option	526	-	214	192	-
- RREEF Global Property Securities Pension Option	605	-	224	114	23
- RREEF Global Property Securities Super Option	933	0.1	306	338	36
- Schroder Australian Equity Pension Option	4,321	0.3	1,057	796	212
- Schroder Australian Equity Super Option	5,978	0.4	1,462	1,341	289
- Schroder Balanced Pension Option	31,263	2.2	4,516	3,321	681
- Schroder Balanced Super Option	14,474	1.0	4,931	3,740	312

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Schroder Fixed Income Pension Option	9,285	0.6	4,634	3,310	409
- Schroder Fixed Income Super Option	7,408	0.5	4,632	2,864	320
- Schroder Global Emerging Markets Pension Option	337	-	123	113	3
- Schroder Global Emerging Markets Super Option	751	0.1	309	196	6
- Solaris Core Australian Equity Pension Option	1,990	0.1	422	807	64
- Solaris Core Australian Equity Super Option	5,204	0.4	958	1,399	166
- T. Rowe Price Global Equity Pension Option	2,127	0.1	423	900	6
- T. Rowe Price Global Equity Super Option	4,805	0.3	1,050	1,176	14
- Templeton Global Equity Pension Option	154	-	25	60	1
- Templeton Global Equity Super Option	672	-	184	142	5
- UBS Defensive Investment Pension Option	2,077	0.1	706	675	74
- UBS Defensive Investment Super Option	2,149	0.1	489	813	78
- van Eyk Blueprint - Balanced Pension Option	1,667	0.1	733	1,430	124
- van Eyk Blueprint - Balanced Super Option	2,367	0.2	819	1,423	181
- van Eyk Blueprint - Capital Stable Pension Option	1,119	0.1	319	837	77
- van Eyk Blueprint - Capital Stable Super Option	779	0.1	157	723	56
- van Eyk Blueprint - High Growth Pension Option	22	-	8	72	1
- van Eyk Blueprint - High Growth Super Option	1,216	0.1	333	666	85

9 Related party transactions (continued)

Related party unitholdings (continued)

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 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme \$'000
Superannuation funds					
Perpetual WealthFocus Superannuation Fund					
- Vanguard Australian Fixed Interest Index Pension Option	7,806	0.5	2,471	3,434	435
- Vanguard Australian Fixed Interest Index Super Option	9,115	0.6	4,395	3,714	454
- Vanguard Australian Property Securities Index Pension Option	9,845	0.7	7,779	1,734	373
- Vanguard Australian Property Securities Index Super Option	22,703	1.6	20,358	3,373	716
- Vanguard Australian Shares Index Pension Option	733	0.1	291	344	27
- Vanguard Australian Shares Index Super Option	2,025	0.1	800	540	63
- Vanguard International Share Index (Hedged) Pension Option	1,939	0.1	319	396	81
- Vanguard International Share Index (Hedged) Super Option	4,231	0.3	1,317	1,013	177
- Walter Scott Global Equity (Hedged) Pension Option	2,854	0.2	509	321	-
- Walter Scott Global Equity (Hedged) Super Option	1,592	0.1	792	538	-
- Zurich Investments Global Thematic Share Pension Option	1,232	0.1	433	164	4
- Zurich Investments Global Thematic Share Super Option	1,692	0.1	653	328	5

9 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

	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
Managed investment schemes						
Perpetual Balanced Growth Fund No.2	61,052	96,579	8.3	6,490	8,483	10,200
Perpetual Diversified Income Fund	5,885	5,685	0.8	3,277	848	253
Perpetual Institutional Cash Management Trust	50,652	50,652	4.7	372,231	346,751	1,321
Perpetual International Share Fund	45,270	45,009	14.6	2,748	5,298	38
Perpetual Resource Fund	1,982	2,962	9.7	969	1,455	17
Perpetual Wholesale Concentrated Equity Fund	21,869	39,560	4.0	6,052	5,371	5,481
Perpetual Wholesale Conservative Growth Fund	20,517	23,289	6.8	4,255	2,958	1,701
Perpetual Wholesale Diversified Growth Fund	6,106	7,031	6.9	1,387	1,414	560
Perpetual Wholesale Ethical SRI Fund	28,170	54,490	7.1	10,918	7,634	5,069
Perpetual Wholesale Geared Australian Fund	38,025	136,006	18.2	13,165	13,095	6,233
Perpetual Wholesale Property Income Fund	-	-	-	-	5,193	18
Perpetual Wholesale SHARE-PLUS Long Short Fund	10,259	26,715	5.8	6,536	3,084	2,672
Perpetual Wholesale Smaller Companies Fund	274,891	332,138	45.8	42,956	46,044	76,715
Perpetual Wholesale Split Growth Fund	16,685	20,428	44.0	2,536	2,594	1,273

9 Related party transactions (continued)

Investments (continued)

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

30 June 2013

	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
Managed investment schemes						
Perpetual Balanced Growth Fund No.2	63,045	96,932	8.8	6,630	10,572	6,828
Perpetual Diversified Income Fund	3,456	3,318	0.6	1,766	1,002	156
Perpetual Institutional Cash Management Trust	25,173	25,173	3.0	244,252	251,824	1,418
Perpetual International Share Fund	47,820	41,733	13.7	2,769	7,330	121
Perpetual Resource Fund	2,468	3,009	11.2	1,367	2,153	33
Perpetual Wholesale Concentrated Equity Fund	21,188	36,609	4.0	7,085	5,146	3,485
Perpetual Wholesale Conservative Growth Fund	19,220	21,550	7.2	4,141	3,134	1,240
Perpetual Wholesale Diversified Growth Fund	6,133	6,857	7.9	1,201	1,515	452
Perpetual Wholesale Ethical SRI Fund	24,886	44,444	8.0	13,749	8,037	1,151
Perpetual Wholesale Geared Australian Fund	37,955	102,474	18.5	11,860	10,589	4,103
Perpetual Wholesale Property Income Fund	5,193	3,753	4.1	1,461	1,411	118
Perpetual Wholesale Property Securities Fund	-	-	-	1,654	17,522	280
Perpetual Wholesale SHARE-PLUS Long Short Fund	6,807	15,981	7.0	2,832	1,195	1,135
Perpetual Wholesale Smaller Companies Fund	277,979	329,155	53.2	32,953	63,863	34,970
Perpetual Wholesale Split Growth Fund	16,743	18,650	41.5	1,146	3,184	412

10 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	1,695,092	60.8	1,695,092
Total	<u>1,695,092</u>	<u>60.8</u>	<u>1,695,092</u>

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 underlying investment managers. The investment decisions are based on the analysis conducted by the investment managers. The return of the Scheme 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.

11 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	<u>254,983</u>	<u>266,376</u>

12 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	455,933	543,603
Increase in dividends/distributions receivable	(71,581)	(22,983)
Decrease in interest receivable	4	12
Increase in other receivables	(59)	(350)
Increase in sundry creditors and accruals	576	392
Net gains on financial instruments held at fair value through profit or loss	(296,900)	(449,846)
Net foreign exchange losses/(gains)	69	(18)
Net cash inflow from operating activities	<u>88,042</u>	<u>70,810</u>
 (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	<u>19,481</u>	<u>17,967</u>
Total cash and cash equivalents	<u>19,481</u>	<u>17,967</u>

13 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, foreign exchange risk and price risk and ratings analysis for credit risk.

13 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.

There were no derivatives held as at 30 June 2014 (30 June 2013: held foreign exchange forward contracts).

(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's exposure to interest rate risk is limited to its cash and cash equivalents, which earns/charges a floating rate of interest.

(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 and net assets attributable to unitholders by \$418,107,001 (2013: \$385,188,203). This analysis assumes that all other variables remain constant.

13 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

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.

(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 derivative financial instruments, cash and cash equivalents, amounts due from broker and other receivables.

(i) 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.

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.

(ii) 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).

(iii) Amounts due from brokers

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment from the counterparty. Payments on securities acquired are only made after the broker has received the securities. The trade will fail if either party fails to meet its obligations.

(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.

13 Financial risk management (continued)

(c) Liquidity risk (continued)

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 Scheme may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Scheme may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events. No significant over the counter derivative contracts were held at year end.

In order to manage the Scheme's overall liquidity, asset managers will only purchase securities (including derivatives) which meet the Scheme's investment criteria and this includes the assessment of saleability in different market conditions. The Scheme's investment strategies generally define a minimum liquidity level for the Scheme which is monitored regularly.

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	392,213	392,213	-	392,213
Due to brokers - payable for securities purchased	13,168	13,168	-	13,168
Sundry creditors and accruals	11,194	11,194	-	11,194
Net assets attributable to unitholders	<u>2,558,936</u>	<u>2,558,936</u>	<u>2,558,936</u>	<u>-</u>
Total	<u>2,975,511</u>	<u>2,975,511</u>	<u>2,558,936</u>	<u>416,575</u>

13 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	103,073	103,073	-	103,073
Due to brokers - payable for securities purchased	4,559	4,559	-	4,559
Sundry creditors and accruals	7,011	7,011	-	7,011
Net assets attributable to unitholders	<u>2,550,583</u>	<u>2,550,583</u>	<u>2,550,583</u>	<u>-</u>
Total	<u>2,665,226</u>	<u>2,665,226</u>	<u>2,550,583</u>	<u>114,643</u>
Derivative financial liabilities				
Foreign exchange forward contracts	105	-	-	-
Outflow	-	4,943	-	4,943
Inflow	-	(4,838)	-	(4,838)
Total	<u>105</u>	<u>105</u>	<u>-</u>	<u>105</u>

(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.

13 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 designated at fair value through profit or loss:				
Listed equities	1,034,215	-	-	1,034,215
Listed unit trusts	58,073	-	-	58,073
Unlisted unit trusts	707,960	975,404	11,728	1,695,092
Total	1,800,248	975,404	11,728	2,787,380

13 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:				
Listed equities	1,011,779	-	-	1,011,779
Listed unit trusts	23,211	-	-	23,211
Unlisted unit trusts	<u>617,228</u>	<u>915,703</u>	-	<u>1,532,931</u>
Total	<u>1,652,218</u>	<u>915,703</u>	-	<u>2,567,921</u>
Financial liabilities				
Financial liabilities held for trading:				
Foreign exchange forward contracts	<u>-</u>	<u>105</u>	-	<u>105</u>
Total	<u>-</u>	<u>105</u>	-	<u>105</u>

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.

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2014.

Transfers between levels

The following tables present the transfers between levels for the year ended 30 June 2014 and 30 June 2013:

As at 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Transfers between levels 2 and 3:			
Unlisted unit trusts	-	(11,728)	11,728

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

13 Financial risk management (continued)

(d) Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The following tables present the movement in level 3 instruments for the years ended 30 June 2014 and 30 June 2013 by class of financial instrument:

As at 30 June 2014	Unlisted unit trusts \$'000	Total \$'000
Opening balance	-	-
Purchases	-	-
Sales	-	-
Transfers into level 3	11,728	11,728
Gains recognised in profit or loss	-	-
Closing balance	<u>11,728</u>	<u>11,728</u>

Total gains for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year

<u>-</u>	<u>-</u>
----------	----------

As at 30 June 2013	Listed equities \$'000	Total \$'000
Opening balance	1,824	1,824
Purchases	-	-
Sales	-	-
Transfers into level 3	-	-
Losses recognised in profit or loss	(1,824)	(1,824)
Closing balance	<u>-</u>	<u>-</u>

Total losses for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year

<u>(1,824)</u>	<u>(1,824)</u>
----------------	----------------

14 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	
	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 arrangements \$'000	Net amounts \$'000
30 June 2014					
Financial liabilities					
Derivative financial instruments	-	-	-	-	-
Total	-	-	-	-	-

	Effects of offsetting on the balance sheet			Related amounts not offset	
	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 arrangements \$'000	Net amounts \$'000
30 June 2013					
Financial liabilities					
Derivative financial instruments	(105)	-	(105)	-	(105)
Total	(105)	-	(105)	-	(105)

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.

15 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:

Foreign exchange forward contracts

Foreign exchange forward contracts are primarily used by the Scheme to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Scheme agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Foreign exchange forward contracts are valued at the prevailing bid price at the end of each reporting period. The Scheme recognises a gain or loss equal to the change in fair value at the end of each reporting period.

16 Events occurring after the reporting period

The Board of the Responsible Entity approved the termination of Perpetual Global Resources investment option on 2 July 2014 and the termination processes commenced thereafter.

On 1 August 2014 van Eyk Research Pty Ltd, the Investment Manager of the van Eyk Blueprint Balanced Fund, van Eyk Blueprint Capital Stable Fund and van Eyk Blueprint High Growth Fund ("the funds") announced the suspension of applications and withdrawals from the funds as a result of the illiquidity of the underlying investments. In response, van Eyk Blueprint Balanced investment option, van Eyk Blueprint Capital Stable investment option and van Eyk Blueprint High Growth investment option have also been suspended.

Subsequently, on 15 August 2014, Macquarie Investment Management Limited, the Responsible Entity of the funds commenced termination of the funds. The first instalment of the termination proceeds is expected in September 2014.

16 Events occurring after the reporting period (continued)

There are no other 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.

17 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 Perpetual Investment Management Limited, the Responsible Entity of Perpetual WealthFocus Investment Advantage Fund:

- (a) the annual financial statements and notes, set out on pages 6 to 52, 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
18 September 2014



Independent auditor's report to the unitholders of Perpetual WealthFocus Investment Advantage Fund

Report on the financial report

We have audited the accompanying financial report of Perpetual WealthFocus Investment Advantage 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 17 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 WealthFocus Investment Advantage 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


Michael O Connell
Partner

Sydney

18 September 2014



NEW SOUTH WALES

Angel Place
Level 12
123 Pitt Street
Sydney NSW 2000

**AUSTRALIAN CAPITAL
TERRITORY**

Level 6
10 Rudd Street
Canberra ACT 2601

VICTORIA

Rialto South Tower
Level 35
525 Collins Street
Melbourne VIC 3000

SOUTH AUSTRALIA

Level 11
101 Grenfell Street
Adelaide SA 5000

WESTERN AUSTRALIA

Exchange Plaza
Level 29
2 The Esplanade
Perth WA 6000

QUEENSLAND

Central Plaza 1
Level 15
345 Queen Street
Brisbane QLD 4000

www.perpetual.com.au

