

# PERPETUAL WEALTHFOCUS INVESTMENT FUNDS

Annual Financial Report  
30 June 2014

Perpetual Investment Management Limited  
ABN 18 000 866 535 AFSL 234426

Perpetual 

**Perpetual WealthFocus Investment Funds**

**Annual Financial Report**

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# Perpetual WealthFocus Investment Funds

## Annual Financial Report

30 June 2014

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## Directors' report

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

<b>Statutory name</b>	<b>Referred to in this document as</b>	<b>ARSN</b>
Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	089 547 875
Perpetual International Share Fund	Perpetual International Share Fund	090 691 624
Perpetual's Mortgage Fund	Perpetual Mortgage Fund	106 129 659
Perpetual's Fund 4	APN Unlisted Property Fund	106 135 424
Perpetual Fund 57	Australian Unity Mortgage Income Fund	128 338 965
Perpetual's Fund 47	Challenger Howard Mortgage Fund	116 306 140

## Responsible Entity

The Responsible Entity of Perpetual WealthFocus Investment Funds 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 Schemes is to provide unitholders with the choice of a limited selection of unlisted unit trusts, equities and options. The objectives and investment strategy of the Schemes are disclosed in the relevant Product Disclosure Statements.

The Responsible Entity approved the wind-up of the Perpetual Mortgage Fund on 17 October 2011 and the APN Unlisted Property Fund on 7 August 2012. The wind-up of these Schemes is still ongoing. The principal activity of the Schemes during wind-up is to manage unitholders capital and liquidate assets. The Responsible Entity will continue to administer the Schemes until the wind-ups are complete and unitholders have received their entitlements.

As a result of the Responsible Entities decision to wind-up the Schemes, the financial statements for the Perpetual Mortgage Fund and the APN Unlisted Property Fund are not prepared on a going concern basis. There is no difference between this basis and preparing the financial statements on a going concern basis.

The Schemes did not have any employees during the year.

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

**Directors' report (continued)**

**Review and results of operations**

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

The performance of the Schemes, as represented by the results of their operation, was as follows:

	Perpetual Industrial Share Fund <sup>2</sup>	Perpetual Industrial Share Fund <sup>2</sup>	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
Operating profit/(loss) before finance costs attributable to unitholders	<b>765,774</b>	1,068,945	<b>41,325</b>	75,120	<b>35,630</b>	44,448	<b>68,599</b>	592,844	<b>(619)</b>	9,129	<b>235</b>	5,536
Distribution paid and payable	<b>1,115,227</b>	193,488	<b>257</b>	887	<b>82,909</b>	152,022	<b>1,327,112</b>	949,372	<b>135,530</b>	211,421	<b>116,453</b>	821,697
Distribution (cents per unit)	<b>91.05</b>	13.21	<b>0.08</b>	0.25	<b>2.59</b>	2.40	<b>18.95</b>	13.24	<b>17.98</b>	27.86	<b>4.46</b>	30.23

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

<sup>2</sup> The distribution paid & payable, and distribution (cents per unit) values are the total of both classes of units. The split between the two classes is provided in note 5.

**Directors' report (continued)**

**Interests in the Schemes**

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

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

**Significant changes in state of affairs**

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

**Likely developments and expected results of operations**

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

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

In July 2014, Fidante Partners Limited, as responsible entity of the Howard Wholesale Mortgage Fund ('fund') announced the termination of the fund on 17 July 2014. The final distribution payment is expected to be made in September 2014. Subsequently, the Responsible Entity of Challenger Howard Mortgage Fund approved the wind up of the Scheme on 24 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 Schemes in future financial years;
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Schemes in future financial years.

**Environmental regulation**

The operations of the Schemes 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 Schemes by the Responsible Entity or its associates**

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

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

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

**Directors' report (continued)**

**Indemnification and insurance of officers and auditors**

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

**Rounding of amounts to the nearest thousand dollars**

The Schemes are entities of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

**Lead auditor's independence declaration**

A copy of the Lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



Director

Sydney  
24 September 2014



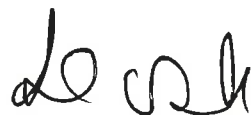
***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

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



Michael O Connell  
*Partner*

Sydney

24 September 2014



**Perpetual WealthFocus Investment Funds**  
**Statements of comprehensive income**  
**For the year ended 30 June 2014**

Statements of comprehensive income		Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
<b>Investment income</b>							
Dividend/distribution income		191,153	175,701	7,120	7,680	113,712	209,608
Interest income		184	186	-	-	10,032	20,526
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	608,620	926,595	41,067	73,710	(46,732)	(106,187)
Other operating income		4,707	278	-	-	-	-
<b>Total net investment income</b>		<b>804,664</b>	<b>1,102,760</b>	<b>48,187</b>	<b>81,390</b>	<b>77,012</b>	<b>123,947</b>
<b>Expenses</b>							
Responsible Entity's fees	10	29,549	27,343	6,862	6,270	41,382	79,499
Other expenses	4	9,341	6,472	-	-	-	-
<b>Total operating expenses</b>		<b>38,890</b>	<b>33,815</b>	<b>6,862</b>	<b>6,270</b>	<b>41,382</b>	<b>79,499</b>
<b>Operating profit</b>		<b>765,774</b>	<b>1,068,945</b>	<b>41,325</b>	<b>75,120</b>	<b>35,630</b>	<b>44,448</b>
<b>Finance costs attributable to unitholders</b>							
Distributions to unitholders	5	1,115,227	193,488	257	887	82,909	152,022
<b>Change in net assets attributable to unitholders (total comprehensive income)</b>	6	<b>(349,453)</b>	<b>875,457</b>	<b>41,068</b>	<b>74,233</b>	<b>(47,279)</b>	<b>(107,574)</b>

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

**Perpetual WealthFocus Investment Funds**  
**Statements of comprehensive income**  
**For the year ended 30 June 2014**  
**(continued)**

<b>Statements of comprehensive income</b>		<b>APN Unlisted Property Fund</b>	<b>APN Unlisted Property Fund</b>	<b>Australian Unity Mortgage Income Fund</b>	<b>Australian Unity Mortgage Income Fund</b>	<b>Challenger Howard Mortgage Fund</b>	<b>Challenger Howard Mortgage Fund</b>
		<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2014</b>	<b>30 June 2013</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
	Notes	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>Investment income</b>							
Dividend/distribution income		1,394,443	916,190	2,152	10,167	508	92,514
Interest income		7,540	34,136	1,349	5,769	1,218	7,458
Net (losses)/gains on financial instruments held at fair value through profit or loss	3	<b>(1,297,368)</b>	(254,503)	<b>(11)</b>	699	<b>117</b>	(88,277)
<b>Total net investment income</b>		<b>104,615</b>	695,823	<b>3,490</b>	16,635	<b>1,843</b>	11,695
<b>Expenses</b>							
Responsible Entity's fees	10	36,016	102,979	4,109	7,506	1,608	6,157
Other expenses	4	-	-	-	-	-	2
<b>Total operating expenses</b>		<b>36,016</b>	102,979	<b>4,109</b>	7,506	<b>1,608</b>	6,159
<b>Operating profit/(loss)</b>		<b>68,599</b>	592,844	<b>(619)</b>	9,129	<b>235</b>	5,536
<b>Finance costs attributable to unitholders</b>							
Distributions to unitholders	5	1,327,112	949,372	135,530	211,421	116,453	821,697
<b>Change in net assets attributable to unitholders (total comprehensive income)</b>	6	<b>(1,258,513)</b>	(356,528)	<b>(136,149)</b>	(202,292)	<b>(116,218)</b>	(816,161)

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

Perpetual WealthFocus Investment Funds  
Balance sheets  
As at 30 June 2014

Balance sheets		Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
		30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
<b>Assets</b>							
Cash and cash equivalents	12(b)	5,153	5,969	39	-	245,554	505,082
Financial assets held at fair value through profit or loss	7	4,314,518	4,057,858	304,205	302,048	2,007,851	3,803,871
Due from brokers - receivable for securities sold		85,393	34,032	161	105	-	-
Loans and receivables	9	43,103	35,764	4,520	5,074	12,693	13,565
<b>Total assets</b>		<b>4,448,167</b>	4,133,623	<b>308,925</b>	307,227	<b>2,266,098</b>	4,322,518
<b>Liabilities</b>							
Financial liabilities held at fair value through profit or loss	8	258	-	-	-	-	-
Distributions payable to unitholders of the Scheme	5	1,002,367	83,920	257	887	9,710	7,040
Due to brokers - payable for securities purchased		15,246	10,025	197	46	-	-
Sundry creditors and accruals		5,040	3,123	795	677	7,865	15,397
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,022,911</b>	97,068	<b>1,249</b>	1,610	<b>17,575</b>	22,437
<b>Net assets attributable to unitholders - liability</b>	6	<b>3,425,256</b>	4,036,555	<b>307,676</b>	305,617	<b>2,248,523</b>	4,300,081

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

Perpetual WealthFocus Investment Funds  
Balance sheets  
As at 30 June 2014  
(continued)

Balance sheets		APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
		30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Notes	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>Assets</b>							
Cash and cash equivalents	12(b)	351,820	567,855	23,330	89,321	36,779	77,383
Financial assets held at fair value through profit or loss	7	2,123,643	3,421,011	271,596	460,370	63,120	164,112
Due from brokers - receivable for securities sold		-	-	122,021	51,311	-	-
Loans and receivables	9	50,962	86,051	1,099	1,829	240	278
<b>Total assets</b>		<b>2,526,425</b>	4,074,917	<b>418,046</b>	602,831	<b>100,139</b>	241,773
<b>Liabilities</b>							
Distributions payable to unitholders of the Scheme	5	205,000	491,251	1,530	50,000	15,101	40,389
Sundry creditors and accruals		9,152	12,912	322	488	106	238
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>214,152</b>	504,163	<b>1,852</b>	50,488	<b>15,207</b>	40,627
<b>Net assets attributable to unitholders - liability</b>	6	<b>2,312,273</b>	3,570,754	<b>416,194</b>	552,343	<b>84,932</b>	201,146

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

**Statements of changes in equity**

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

Perpetual WealthFocus Investment Funds  
Cash flow statements  
For the year ended 30 June 2014

Cash flow statements		Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	Notes	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
<b>Cash flows from operating activities</b>							
Dividends/distributions received		184,872	174,285	7,748	9,733	113,522	226,593
Interest received		184	187	-	-	10,580	21,912
Other income received		5,409	2,680	540	427	3,551	6,668
Responsible Entity's fees paid		(32,185)	(29,200)	(7,302)	(6,767)	(51,951)	(99,235)
Other expenses paid		(7,858)	(6,952)	-	-	-	-
<b>Net cash inflow from operating activities</b>	12(a)	<b>150,422</b>	141,000	<b>986</b>	3,393	<b>75,702</b>	155,938
<b>Cash flows from investing activities</b>							
Proceeds from sale of investments		4,461,135	3,278,233	64,693	97,494	1,749,288	3,583,208
Payments for purchase of investments		(4,155,057)	(2,780,988)	(25,688)	(20,384)	-	-
<b>Net cash inflow from investing activities</b>		<b>306,078</b>	497,245	<b>39,005</b>	77,110	<b>1,749,288</b>	3,583,208
<b>Cash flows from financing activities</b>							
Proceeds from applications by unitholders		593,042	371,527	17,590	10,610	-	-
Payments for redemptions by unitholders		(1,022,986)	(987,117)	(57,471)	(90,960)	(2,004,279)	(3,932,013)
Distributions paid		(27,372)	(22,640)	(71)	(153)	(80,239)	(167,269)
<b>Net cash outflow from financing activities</b>		<b>(457,316)</b>	(638,230)	<b>(39,952)</b>	(80,503)	<b>(2,084,518)</b>	(4,099,282)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(816)</b>	15	<b>39</b>	-	<b>(259,528)</b>	(360,136)
Cash and cash equivalents at the beginning of the financial year		5,969	5,954	-	-	505,082	865,218
<b>Cash and cash equivalents at the end of the financial year</b>	12(b)	<b>5,153</b>	5,969	<b>39</b>	-	<b>245,554</b>	505,082

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

Perpetual WealthFocus Investment Funds  
Cash flow statements  
For the year ended 30 June 2014  
(continued)

Cash flow statements		APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
		30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Notes	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>Cash flows from operating activities</b>							
Dividends/distributions received		1,428,802	939,373	2,712	11,540	432	93,907
Interest received		7,995	35,282	1,499	6,509	1,303	8,317
Other income received		2,910	9,190	320	586	147	700
Responsible Entity's fees paid		(42,678)	(116,069)	(4,575)	(8,635)	(1,858)	(7,457)
Other expenses paid		-	-	-	-	-	(148)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>1,397,029</b>	<b>867,776</b>	<b>(44)</b>	<b>10,000</b>	<b>24</b>	<b>95,319</b>
<b>Cash flows from investing activities</b>							
Proceeds from sale of investments		-	17,333,405	118,053	270,611	-	469,750
Proceeds from return of capital investment		-	-	-	-	101,109	-
Payments for purchase of investments		-	(4,158,284)	-	-	-	-
<b>Net cash inflow from investing activities</b>		<b>-</b>	<b>13,175,121</b>	<b>118,053</b>	<b>270,611</b>	<b>101,109</b>	<b>469,750</b>
<b>Cash flows from financing activities</b>							
Proceeds from applications by unitholders		-	-	-	-	4	-
Payments for redemptions by unitholders		32	(13,675,654)	-	(557,274)	-	(508,875)
Distributions paid		(1,613,096)	(626,141)	(184,000)	(27,149)	(141,741)	(344,099)
<b>Net cash outflow from financing activities</b>		<b>(1,613,064)</b>	<b>(14,301,795)</b>	<b>(184,000)</b>	<b>(584,423)</b>	<b>(141,737)</b>	<b>(852,974)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(216,035)</b>	<b>(258,898)</b>	<b>(65,991)</b>	<b>(303,812)</b>	<b>(40,603)</b>	<b>(287,905)</b>
Cash and cash equivalents at the beginning of the financial year		567,855	826,753	89,321	393,133	77,383	365,288
<b>Cash and cash equivalents at the end of the financial year</b>	12(b)	<b>351,820</b>	<b>567,855</b>	<b>23,330</b>	<b>89,321</b>	<b>36,780</b>	<b>77,383</b>

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## **1 General information**

This annual financial report covers Perpetual WealthFocus Investment Funds ("the Schemes"). The Schemes are registered managed investment schemes under the *Corporations Act 2001*. The Schemes are domiciled in Australia.

The Responsible Entity of the Schemes 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 24 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 these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### **(a) Principles of preparation**

This general purpose 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 Schemes' functional currency.

The Responsible Entity approved the wind-up of the Perpetual Mortgage Fund on 17 October 2011 and the APN Property for Income Fund on 7 August 2012. The wind-up of these Schemes are still ongoing. As a result of the Responsible Entity's decision to wind up the Schemes, the financial statements for the Perpetual Mortgage Fund and the APN Property for Income Fund are not prepared on a going concern basis. The financial statements are being prepared on the basis set out in the accounting policy notes. There is no difference between this basis and preparing the financial statements on a going concern basis.

The Schemes have 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 Schemes 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 Schemes also complies with International Financial Reporting Standards ("IFRS") and Interpretations as issued by the International Accounting Standards Board ("IASB").



## 2 Summary of significant accounting policies (continued)

### (a) Principles of preparation (continued)

#### *Use of estimates and judgement*

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

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

### (b) Change in accounting policy

The Schemes have 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 Schemes changed their 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 Schemes utilised bid and ask prices for their 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 to Perpetual Industrial Share Fund on the net gains/(losses) on financial instruments held at fair value through profit or loss was \$8,928,449.

With the exception of Perpetual Industrial Share Fund, the Schemes invest into unlisted unit trusts only, there has been no impact on the net gains/(losses) on financial instrument held at fair value through profit or loss.

- (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 Schemes' financial position or performance.

## 2 Summary of significant accounting policies (continued)

### (b) Change in accounting policy (continued)

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

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

The objective of AASB 10 is to establish principles for the presentation and preparation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements. The amendments to AASB 10 define an investment entity and introduce an exemption from the consolidation requirements for investment entities.

With the exception of Perpetual International Share Fund, the adoption of these standards has had no impact on the Schemes.

On adoption, the Perpetual International Share Fund 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 Schemes have multiple unrelated unitholders and hold 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 Schemes have been deemed to meet the definition of an investment entity per AASB 10 as the following conditions exist:

- (a) The Schemes have obtained funds for the purpose of providing unitholders with investment management services;
- (b) The Schemes' 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 Schemes is measured and evaluated on a fair value basis.

## 2 Summary of significant accounting policies (continued)

### (b) Change in accounting policy (continued)

#### *Investment entity (continued)*

The Schemes meet 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 Schemes' 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 for Perpetual International Share Fund.

With the exception of Perpetual International Share Fund, the adoption of this standard has had no impact on the Schemes.

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 Schemes.

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 Schemes.

### (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 Schemes. The assessment of the impact of these new standards (to the extent relevant to the Schemes) 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.

## 2 Summary of significant accounting policies (continued)

### (c) New accounting standards and interpretations (continued)

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 Schemes do not apply hedge accounting.

The Schemes have not yet decided when to adopt AASB 9.

### (d) Financial instruments

#### *(i) Classification*

The Schemes' 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 Schemes do not designate any derivatives as hedges in a hedging relationship.

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

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These include investments in equities and unlisted unit trusts.

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 Schemes' documented investment strategies. The Schemes' 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 Schemes recognise financial assets and financial liabilities on the date they become a party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

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

## 2 Summary of significant accounting policies (continued)

### (d) Financial instruments (continued)

#### *(iii) Measurement*

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

At initial recognition, the Schemes measure 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 Schemes use 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 statements of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

##### *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 sheets 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

For Perpetual Industrial Share Fund and Perpetual International Share Fund, units are redeemable at the unitholders' option and are classified as financial liabilities. The units can be put back to the Schemes 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 Schemes.

For the remaining Schemes, units are redeemable subject to return of capital and are classified as financial liabilities. 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.

### (f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include 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 sheets.

### (g) Investment income

Interest income is recognised in the statements 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 Schemes estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but do 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.

## 2 Summary of significant accounting policies (continued)

### (h) Expenses

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

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

### (i) Income tax

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

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

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

### (j) Distributions

In accordance with the Schemes' Constitutions, the Schemes distribute their distributable income to unitholders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

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

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

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

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

### 3 Net gains/(losses) on financial instruments held at fair value through profit or loss

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

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Net unrealised losses on financial instruments held for trading	(260)	-	-	-	-	-
Net unrealised (losses)/gains on financial instruments designated at fair value through profit or loss	(349,742)	553,455	28,287	82,724	48,318	26,240
Net realised gains on financial instruments held for trading	21	168	-	-	-	-
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	958,601	372,972	12,780	(9,014)	(95,050)	(132,427)
<b>Net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>608,620</b>	<b>926,595</b>	<b>41,067</b>	<b>73,710</b>	<b>(46,732)</b>	<b>(106,187)</b>

	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Net unrealised (losses)/gains on financial instruments designated at fair value through profit or loss	(1,297,368)	12,025,978	652	968	117	(86,915)
Net realised losses on financial instruments designated at fair value through profit or loss	-	(12,280,481)	(663)	(269)	-	(1,362)
<b>Net (losses)/gains on financial instruments held at fair value through profit or loss</b>	<b>(1,297,368)</b>	<b>(254,503)</b>	<b>(11)</b>	<b>699</b>	<b>117</b>	<b>(88,277)</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.



**4 Other expenses**

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Transaction costs	8,483	6,298	-	-	-	-
Sundry expenses	858	174	-	-	-	-
<b>Total</b>	<b>9,341</b>	<b>6,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Transaction costs	-	-	-	-	-	-
Sundry expenses	-	-	-	-	-	2
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 5 Distributions to unitholders

The distributions for the year were as follows:

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund
	30 June 2014 Class A \$'000	30 June 2014 Class A CPU	30 June 2013 Class A \$'000	30 June 2013 Class A CPU	30 June 2014 Class B \$'000	30 June 2014 Class B CPU	30 June 2013 Class B \$'000	30 June 2013 Class B CPU
Distributions paid - September	6,298	0.93	7,755	1.01	21,200	0.95	22,133	0.92
Distributions paid - December	10,819	1.63	12,417	1.68	35,698	1.62	34,895	1.51
Distributions paid - March	8,146	1.26	6,991	0.97	30,699	1.40	25,377	1.12
Distributions payable - June	327,737	51.89	22,791	3.27	674,630	31.37	61,129	2.73
<b>Total distributions</b>	<b>353,000</b>		<b>49,954</b>		<b>762,227</b>		<b>143,534</b>	
	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	30 June 2014 \$'000	30 June 2014 CPU	30 June 2013 \$'000	30 June 2013 CPU	30 June 2014 \$ <sup>1</sup>	30 June 2014 CPU	30 June 2013 \$ <sup>1</sup>	30 June 2013 CPU
Distributions paid - July	-	-	-	-	7,790	0.18	18,334	0.22
Distributions paid - August	-	-	-	-	11,745	0.26	19,645	0.23
Distributions paid - September	-	-	-	-	6,526	0.18	16,639	0.25
Distributions paid - October	-	-	-	-	6,577	0.19	15,353	0.23
Distributions paid - November	-	-	-	-	6,427	0.18	11,516	0.18
Distributions paid - December	-	-	-	-	6,637	0.19	18,956	0.29
Distributions paid - January	-	-	-	-	6,102	0.17	12,345	0.19
Distributions paid - February	-	-	-	-	5,832	0.16	10,288	0.16
Distributions paid - March	-	-	-	-	6,515	0.28	9,763	0.22
Distributions paid - April	-	-	-	-	4,937	0.21	3,651	0.08
Distributions paid - May	-	-	-	-	4,111	0.18	8,490	0.19
Distributions payable - June	257	0.08	887	0.25	9,710	0.41	7,040	0.16
<b>Total distributions</b>	<b>257</b>		<b>887</b>		<b>82,909</b>		<b>152,022</b>	

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 5 Distributions to unitholders (continued)

The distributions for the year were as follows:

	APN Unlisted Property Fund	APN Unlisted Property Fund	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund
	30 June 2014 \$ <sup>1</sup>	30 June 2014 CPU	30 June 2013 \$ <sup>1</sup>	30 June 2013 CPU	30 June 2014 \$ <sup>1</sup>	30 June 2014 CPU	30 June 2013 \$ <sup>1</sup>	30 June 2013 CPU
Distributions paid - July	-	-	30,363	0.11	-	-	2,567	0.27
Distributions paid - August	-	-	-	-	-	-	2,402	0.25
Distributions paid - September	-	-	-	-	-	-	2,727	0.29
Distributions paid - October	200,566	2.86	-	-	114,000	15.13	1,725	0.23
Distributions paid - November	-	-	-	-	-	-	152,000	20.18
Distributions paid - December	421,546	6.02	427,758	6.11	-	-	-	-
Distributions paid - February	-	-	-	-	20,000	2.65	-	-
Distributions paid - April	500,000	7.14	-	-	-	-	-	-
Distributions payable - June	205,000	2.93	491,251	7.02	1,530	0.20	50,000	6.64
<b>Total distributions</b>	<b>1,327,112</b>		<b>949,372</b>		<b>135,530</b>		<b>211,421</b>	

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 5 Distributions to unitholders (continued)

The distributions for the year were as follows:

	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$ <sup>1</sup>	30 June 2014 CPU	30 June 2013 \$ <sup>1</sup>	30 June 2013 CPU
Distributions paid - July	-	-	761	0.03
Distributions paid - August	101	-	521,338	18.73
Distributions paid - September	47,000	1.80	3,294	0.12
Distributions paid - October	-	-	184	0.01
Distributions paid - November	-	-	240	0.01
Distributions paid - December	42,000	1.61	190,200	7.28
Distributions paid - January	-	-	25,499	0.98
Distributions paid - February	-	-	12,673	0.48
Distributions paid - March	12,251	0.47	27,057	1.04
Distributions paid - April	-	-	32	-
Distributions paid - May	-	-	30	-
Distributions payable - June	15,101	0.58	40,389	1.55
<b>Total distributions</b>	<b>116,453</b>		<b>821,697</b>	

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 6 Net assets attributable to unitholders

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

	Perpetual Industrial Share Fund		Perpetual Industrial Share Fund		Perpetual International Share Fund		Perpetual International Share Fund		Perpetual Mortgage Fund		Perpetual Mortgage Fund	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Units '000	Units '000	\$'000	\$'000	Units '000	Units '000	\$'000	\$'000	Units <sup>1</sup>	Units <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>Net assets attributable to unitholders</b>												
Opening balance	2,933,495	3,303,319	4,036,555	3,638,447	350,197	457,726	305,617	309,886	4,440,866	8,484,599	4,300,081	8,339,668
Applications	439,040	312,950	594,123	372,615	18,760	14,113	17,702	10,656	-	-	-	-
Redemptions	(718,238)	(807,086)	(1,025,377)	(985,943)	(60,431)	(124,459)	(57,527)	(91,065)	(2,091,776)	(4,043,733)	(2,004,279)	(3,932,013)
Units issued upon reinvestment of distributions	127,728	124,312	169,408	135,979	935	2,817	816	1,907	-	-	-	-
Change in net assets attributable to unitholders	-	-	(349,453)	875,457	-	-	41,068	74,233	-	-	(47,279)	(107,574)
<b>Closing balance</b>	<b>2,782,025</b>	<b>2,933,495</b>	<b>3,425,256</b>	<b>4,036,555</b>	<b>309,461</b>	<b>350,197</b>	<b>307,676</b>	<b>305,617</b>	<b>2,349,090</b>	<b>4,440,866</b>	<b>2,248,523</b>	<b>4,300,081</b>

	APN Unlisted Property Fund		APN Unlisted Property Fund		Australian Unity Mortgage Income Fund		Australian Unity Mortgage Income Fund		Challenger Howard Mortgage Fund		Challenger Howard Mortgage Fund	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Units <sup>1</sup>	Units <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	Units <sup>1</sup>	Units <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	Units <sup>1</sup>	Units <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>Net assets attributable to unitholders</b>												
Opening balance	7,001,679	28,041,630	3,570,754	17,268,258	753,350	1,172,490	552,343	1,175,070	2,613,096	2,883,704	201,146	1,087,418
Applications	62	-	32	-	-	-	-	-	57	-	4	-
Redemptions	-	(21,039,951)	-	(13,688,271)	-	(419,140)	-	(557,327)	-	(2,563,048)	-	(508,919)
Units issued upon reinvestment of distributions	-	-	-	347,295	-	-	-	136,892	-	2,292,440	-	438,808
Change in net assets attributable to unitholders	-	-	(1,258,513)	(356,528)	-	-	(136,149)	(202,292)	-	-	(116,218)	(816,161)
<b>Closing balance</b>	<b>7,001,741</b>	<b>7,001,679</b>	<b>2,312,273</b>	<b>3,570,754</b>	<b>753,350</b>	<b>753,350</b>	<b>416,194</b>	<b>552,343</b>	<b>2,613,153</b>	<b>2,613,096</b>	<b>84,932</b>	<b>201,146</b>

As stipulated within the Schemes' Constitutions, each unit represents a right to an individual share in the Schemes and does not extend to a right to the underlying assets of the Schemes. With the exception of Perpetual Industrial Share Fund, there are no separate classes of units and each unit has the same rights attaching to it as all other units of the Schemes. For Perpetual Industrial Share Fund, there are two classes of units in the Scheme - Class A for retail investors and Class B for wholesale investors.

<sup>1</sup> Stated to the nearest whole unit/dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 6 Net assets attributable to unitholders (continued)

### Applications receivable and redemptions payable

At the reporting date, applications include applications receivable and redemptions include redemptions payable. The applications receivable and redemptions payable have been included in the loans and receivables, and sundry creditors and accruals, respectively.

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Applications receivable	3,282	2,201	158	46	-	-	-	-	-	-	-	-
Redemptions payable	4,781	2,390	161	105	-	-	-	-	-	-	-	-

### Capital risk management

The Schemes consider their 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 Schemes are subject to daily applications and daily redemptions at the discretion of unitholders.

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

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

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Designated at fair value through profit or loss						
Listed equities	4,138,643	3,997,504	-	-	-	-
Unlisted unit trusts	175,875	60,354	304,205	302,048	2,007,851	3,803,871
<b>Total financial assets held at fair value through profit or loss</b>	<b>4,314,518</b>	<b>4,057,858</b>	<b>304,205</b>	<b>302,048</b>	<b>2,007,851</b>	<b>3,803,871</b>

<sup>1</sup> Stated to the nearest whole unit/dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

**7 Financial assets held at fair value through profit or loss (continued)**

APN Unlisted Property Fund <sup>3</sup>	APN Unlisted Property Fund <sup>3</sup>	Australian Unity Mortgage Income Fund <sup>4</sup>	Australian Unity Mortgage Income Fund <sup>4</sup>	Challenger Howard Mortgage Fund <sup>5</sup>	Challenger Howard Mortgage Fund <sup>5</sup>
Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>Designated at fair value through profit or loss</b>					
Unlisted unit trusts					
<b>2,123,643</b>	3,421,011	<b>271,596</b>	460,370	<b>63,120</b>	164,112
<b>2,123,643</b>	3,421,011	<b>271,596</b>	460,370	<b>63,120</b>	164,112

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

<sup>3</sup> The Scheme previously invested exclusively in the APN Property for Income Fund. In October 2008, the responsible entity of the APN Property for Income Fund suspended all daily redemptions due to the lack of liquidity in its underlying investment portfolio. Daily unit prices have continued to be provided by the responsible entity, however no trades have been executed at this unit price outside the redemption windows since daily redemptions were suspended. A permanent liquidity solution was introduced whereby quarterly redemption requests will be satisfied by a combination of cash (approximately 75% based on the current portfolio) and units in a new fund, the APN Unlisted Property Fund. The new fund holds the illiquid component of an investors underlying investment in the APN Property for Income Fund. The permanent liquidity solution replaced the previously existing monthly redemption facility. The unit price traded for the redemption is not considered to be significantly different to the unit price used to value the Scheme's investment in the external APN Unlisted Property Fund. As such, the Directors of Perpetual Investment Management Limited consider the price as at 30 June 2014 to represent the best estimate of fair value.

<sup>4</sup> The Scheme invests exclusively in the Australian Unity Wholesale Mortgage Income Trust. In October 2008, the responsible entity of the Australian Unity Wholesale Mortgage Income Trust suspended all daily redemptions due to the lack of liquidity in its underlying investment portfolio. Daily unit prices have continued to be provided by the responsible entity, however no trades have been executed at this unit price outside the redemption windows since daily redemptions were suspended. The Scheme has valued its investment in the Australian Unity Wholesale Mortgage Income Trust based on the unit price provided by the responsible entity as at 30 June 2014. In November 2012 Australian Unity, as responsible entity of the Australian Unity Wholesale Mortgage Income Trust announced the closure of the Trust. The Trust will commence an orderly liquidation of the assets and progressively return capital to investors in an equitable manner. The unit price traded is not considered to be significantly different to the unit price used to value the Scheme's investment in the external Australian Unity Wholesale Mortgage Income Trust. As such, the Directors of Perpetual Investment Management Limited consider the price as at 30 June 2014 to represent the best estimate of fair.

<sup>5</sup> The Scheme invests exclusively in the Howard Wholesale Mortgage Fund. In October 2008, the responsible entity of the Howard Wholesale Mortgage Fund suspended all daily redemptions due to the lack of liquidity in its underlying investment portfolio. Daily unit prices have continued to be provided by the responsible entity, however no trades have been executed at this unit price outside the redemption windows since daily redemptions were suspended. The Scheme has valued its investment in the Howard Wholesale Mortgage Fund based upon the unit price provided by the responsible entity as at 30 June 2014. In November 2012, the responsible entity announced that they would commence a process of returning capital to all investors. The unit price traded is not considered to be significantly different to the unit price used to value the Scheme's investment in the external Howard Wholesale Mortgage Fund. As such, the Directors of Perpetual Investment Management Limited consider the price as at 30 June 2014 to represent the best estimate of fair value.

## 8 Financial liabilities held at fair value through profit and loss

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund
	Fair value 30 June 2014 \$'000	Fair value 30 June 2013 \$'000
Held for trading		
Futures	258	-
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>258</b>	<b>-</b>

## 9 Loans and receivables

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
Dividends/distributions receivable	39,520	33,239	4,279	4,907	11,695	11,505	49,676	84,035	970	1,530	152	76
Interest receivable	11	11	-	-	463	1,011	679	1,134	44	194	69	154
Applications receivable	3,282	2,201	158	46	-	-	-	-	-	-	-	-
Other receivables	290	313	83	121	535	1,049	607	882	85	105	19	48
<b>Total loans and receivables</b>	<b>43,103</b>	<b>35,764</b>	<b>4,520</b>	<b>5,074</b>	<b>12,693</b>	<b>13,565</b>	<b>50,962</b>	<b>86,051</b>	<b>1,099</b>	<b>1,829</b>	<b>240</b>	<b>278</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.



## 10 Related party transactions

### Responsible Entity

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

The Schemes do not employ personnel in their own right. However they are required to have an incorporated Responsible Entity to manage the activities of the Schemes 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 Schemes, 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 Schemes. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

At 30 June 2014, Michael Gordon held 21,336 units in Perpetual Industrial Share Fund (2013: 19,324).

### Key management personnel loan disclosures

The Schemes have 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 Schemes

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

## 10 Related party transactions (continued)

### Responsible Entity's fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Schemes' Constitutions (as amended). The Responsible Entity's fee is a percentage of the net asset value of the Schemes and is disclosed in the statements of comprehensive income.

The Responsible Entity's fees rate for each of the Schemes is as follows:

Schemes	Responsible Entity's fees	
	Base Fee % pa	Expenses Recoveries % pa
Perpetual Industrial Share Fund	1.95%	0.03%
Perpetual International Share Fund	2.15%	0.03%
Perpetual Mortgage Fund	1.30%	0.00%
APN Unlisted Property Fund	2.10%	0.00%
Australian Unity Mortgage Income Fund	1.60%	0.00%
Challenger Howard Mortgage Fund	1.80%	0.00%

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

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
Responsible Entity's fees paid and payable directly by the Scheme	30 June 2014 \$ 29,549,120	30 June 2013 \$ 27,342,850	30 June 2014 \$ 6,862,232	30 June 2013 \$ 6,269,607	30 June 2014 \$ 41,382	30 June 2013 \$ 79,499
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	259,008	733,002	634,255	572,318	7,830	15,371

## 10 Related party transactions (continued)

### Responsible Entity's fees and other transactions (continued)

	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$	\$	\$	\$	\$	\$
Responsible Entity's fees paid and payable directly by the Scheme	36,016	102,979	4,109	7,506	1,608	6,157
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	8,885	12,912	322	488	106	238

### Related party unitholdings

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

	Number of units held 30 June 2014 '000	Interest held 30 June 2014 (%)	Number of units acquired 30 June 2014 '000	Number of units disposed 30 June 2014 '000	Distributions paid/payable by the Scheme 30 June 2014 \$'000	Number of units held 30 June 2013 '000	Interest held 30 June 2013 (%)	Number of units acquired 30 June 2013 '000	Number of units disposed 30 June 2013 '000	Distributions paid/payable by the Scheme 30 June 2013 \$'000
<b>Perpetual Industrial Share Fund</b>										
<b>Managed Investment Schemes</b>										
Perpetual Diversified Real Return Fund	-	-	-	-	-	-	-	142	3,882	87
Perpetual Wholesale Industrial Fund	2,136,158	66.2	440,040	525,201	757,183	2,221,319	64.8	344,570	606,613	142,494
Perpetual Wholesale Split Growth Fund	14,219	0.4	3,466	4,009	5,044	14,762	0.4	2,284	5,968	953
<b>Superannuation fund</b>										
Perpetual's Pooled Superannuation Trust										
- Perpetual Industrial Share Option	51,191	1.6	3,667	12,269	28,647	59,793	3.0	6,016	14,195	4,246

## 10 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 Schemes as follows:

Perpetual International Share Fund	Number of units held 30 June 2014 '000	Interest held 30 June 2014 (%)	Number of units acquired 30 June 2014 '000	Number of units disposed 30 June 2014 '000	Distributions paid/payable by the Scheme 30 June 2014 \$'000	Number of units held 30 June 2013 '000	Interest held 30 June 2013 (%)	Number of units acquired 30 June 2013 '000	Number of units disposed 30 June 2013 '000	Distributions paid/payable by the Scheme 30 June 2013 \$'000
<b>Managed Investment Schemes</b>										
Perpetual Balanced Growth Fund No.2	123,827	40.0	5,880	20,767	103	138,714	39.6	1,412	75,161	351
Perpetual WealthFocus Investment Advantage Fund - Perpetual International Share Option	45,270	14.6	2,748	5,298	38	47,820	13.7	2,769	7,330	121
Perpetual Wholesale Conservative Growth Fund	11,033	3.6	50	6,381	9	17,364	5.0	146	4,745	44
Perpetual Wholesale Diversified Growth Fund	8,014	2.6	27	1,405	7	9,392	2.7	89	4,082	24
Perpetual Wholesale Split Growth Fund	29,772	9.6	4,897	7,091	25	31,966	9.1	4,811	10,550	81
<b>Superannuation funds</b>										
Perpetual WealthFocus Superannuation Fund - Perpetual International Share Pension Option	1,922	0.6	1,445	1,355	2	1,832	0.5	509	1,086	5
- Perpetual International Share Super Option	28,903	9.3	3,117	4,244	24	30,030	8.6	2,718	4,658	76
Perpetual's Pooled Superannuation Trust - International Share Option	15,163	4.9	749	6,603	13	21,017	6.0	3,142	5,884	53

## 10 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 Schemes as follows:

Perpetual Mortgage Fund	Number of	Interest	Number of	Number of	Distributions	Number of	Interest	Number of	Number of	Distributions
	units held	held	units	units	paid/payable		units held	held	units	units
	30 June	30 June	30 June	30 June	by the	30 June	30 June	30 June	30 June	by the
	2014 <sup>1</sup>	2014	2014 <sup>1</sup>	2014 <sup>1</sup>	Scheme	2013 <sup>1</sup>	2013	2013 <sup>1</sup>	2013 <sup>1</sup>	Scheme
		(%)			30 June		(%)			30 June
					2014					2013
					\$ <sup>1</sup>					\$ <sup>1</sup>
<b>Company</b>										
Perpetual Limited	100	-	-	88	4	188	-	188	-	-
Investor Marketplace Limited	-	-	-	-	-	-	-	-	75	-
<b>APN Unlisted Property Fund</b>										
	Number of	Interest	Number of	Number of	Distributions	Number of	Interest	Number of	Number of	Distributions
	units held	held	units	units	paid/payable	units held	held	units	units	paid/payable
	30 June	30 June	30 June	30 June	by the	30 June	30 June	30 June	30 June	by the
	2014 <sup>1</sup>	2014	2014 <sup>1</sup>	2014 <sup>1</sup>	Scheme	2013 <sup>1</sup>	2013	2013 <sup>1</sup>	2013 <sup>1</sup>	Scheme
		(%)			30 June		(%)			30 June
					2014					2013
					\$ <sup>1</sup>					\$ <sup>1</sup>
<b>Company</b>										
Perpetual Limited	256	-	-	-	49	256	-	256	-	18
Investor Marketplace Limited	-	-	-	-	-	-	-	-	949	-
<b>Superannuation funds</b>										
Perpetual WealthFocus Superannuation Fund										
- APN Unlisted Property Pension Option	1,939,938	27.7	-	-	367,697	1,939,938	27.7	-	5,462,029	262,492
- APN Unlisted Property Super Option	2,364,710	33.8	-	-	448,208	2,364,710	33.8	-	8,079,979	321,918

<sup>1</sup> Stated to the nearest whole unit/dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 10 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 Schemes as follows:

	Number of units held 30 June 2014 <sup>1</sup>	Interest held 30 June 2014 (%)	Number of units acquired 30 June 2014 <sup>1</sup>	Number of units disposed 30 June 2014 <sup>1</sup>	Distributions paid/payable by the Scheme 30 June 2014 \$ <sup>1</sup>	Number of units held 30 June 2013 <sup>1</sup>	Interest held 30 June 2013 (%)	Number of units acquired 30 June 2013 <sup>1</sup>	Number of units disposed 30 June 2013 <sup>1</sup>	Distributions paid/payable by the Scheme 30 June 2013 \$ <sup>1</sup>
<b>Australian Unity Mortgage Income Fund</b>										
<b>Company</b>										
Perpetual Limited	47,016	6.2	-	-	8,458	47,016	6.2	-	-	13,096
<b>Superannuation funds</b>										
Perpetual WealthFocus Superannuation Fund										
- Australian Unity Mortgage Income Pension Option	323,537	42.9	-	-	58,205	323,537	42.9	-	141,087	79,998
- Australian Unity Mortgage Income Super Option	303,663	40.3	-	-	54,630	303,663	40.3	-	263,426	96,216
<b>Challenger Howard Mortgage Fund</b>										
<b>Company</b>										
Perpetual Limited	100	-	-	-	5	100	-	100	-	2
Investor Marketplace Limited	-	-	-	-	-	-	-	-	100	-
<b>Superannuation funds</b>										
Perpetual WealthFocus Superannuation Fund										
- Challenger Howard Mortgage Pension Option	1,661,674	63.6	-	-	74,501	1,661,674	63.6	-	88,162	509,746
- Challenger Howard Mortgage Super Option	551,942	21.1	-	-	24,597	551,942	21.1	-	94,785	178,408

<sup>1</sup> Stated to the nearest whole unit/dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 10 Related party transactions (continued)

### Investments

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

Perpetual Industrial Share Fund	Number of units held 30 June 2014 '000	Fair value of investment 30 June 2014 \$'000	Interest held 30 June 2014 (%)	Number of units acquired 30 June 2014 '000	Number of units disposed 30 June 2014 '000	Distributions received/ receivable by the Scheme 30 June 2014 \$'000	Number of units held 30 June 2013 '000	Fair value of investment 30 June 2013 \$'000	Interest held 30 June 2013 (%)	Number of units acquired 30 June 2013 '000	Number of units disposed 30 June 2013 '000	Distributions received/ receivable by the Scheme 30 June 2013 \$'000
Perpetual Institutional Cash Management Trust	175,875	175,875	16.5	1,531,178	1,415,657	3,766	60,354	60,354	7.3	956,549	948,300	3,620
Perpetual International Share Fund	Number of units held 30 June 2014 '000	Fair value of investment 30 June 2014 \$'000	Interest held 30 June 2014 (%)	Number of units acquired 30 June 2014 '000	Number of units disposed 30 June 2014 '000	Distributions received/ receivable by the Scheme 30 June 2014 \$'000	Number of units held 30 June 2013 '000	Fair value of investment 30 June 2013 \$'000	Interest held 30 June 2013 (%)	Number of units acquired 30 June 2013 '000	Number of units disposed 30 June 2013 '000	Distributions received/ receivable by the Scheme 30 June 2013 \$'000
Perpetual's International Share Pool Fund	305,284	304,205	70.0	27,433	67,584	7,120	345,435	302,048	67.5	28,086	132,257	7,680

## 10 Related party transactions (continued)

### Investments (continued)

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

Perpetual Mortgage Fund	Number of units held 30 June 2014 <sup>1</sup>	Fair value of investment 30 June 2014 \$ <sup>1</sup>	Interest held 30 June 2014 (%)	Number of units acquired 30 June 2014 <sup>1</sup>	Number of units disposed 30 June 2014 <sup>1</sup>	Distributions received/ receivable by the Scheme 30 June 2014 \$ <sup>1</sup>	Number of units held 30 June 2013 <sup>1</sup>	Fair value of investment 30 June 2013 \$ <sup>1</sup>	Interest held 30 June 2013 (%)	Number of units acquired 30 June 2013 <sup>1</sup>	Number of units disposed 30 June 2013 <sup>1</sup>	Distributions received/ receivable by the Scheme 30 June 2013 \$ <sup>1</sup>
<b>Managed Investment Schemes</b>												
Perpetual Liquidity Pool Fund	209,379	206,711	0.8	-	217,071	13,311	426,450	426,450	0.8	-	675,818	22,908
Perpetual Mortgage Pool Fund	1,910,697	1,801,140	1.2	-	1,627,266	100,401	3,537,963	3,377,421	1.2	-	3,039,817	186,700

## 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 Schemes:

	Perpetual Industrial Share Fund 30 June 2014 \$	Perpetual Industrial Share Fund 30 June 2013 \$	Perpetual International Share Fund 30 June 2014 \$	Perpetual International Share Fund 30 June 2013 \$	Perpetual Mortgage Fund 30 June 2014 \$	Perpetual Mortgage Fund 30 June 2013 \$	APN Unlisted Property Fund 30 June 2014 \$	APN Unlisted Property Fund 30 June 2013 \$	Australian Unity Mortgage Income Fund 30 June 2014 \$	Australian Unity Mortgage Income Fund 30 June 2013 \$	Challenger Howard Mortgage Fund 30 June 2014 \$	Challenger Howard Mortgage Fund 30 June 2013 \$
<b>Audit and audit related services</b>												
KPMG												
<b>Total remuneration for audit and audit related services</b>	<b>20,475</b>	19,374	<b>12,629</b>	17,637	<b>9,916</b>	9,670	<b>9,916</b>	9,670	<b>7,343</b>	7,260	<b>7,343</b>	7,260

<sup>1</sup> Stated to the nearest whole unit/dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.



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

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>						
Operating profit	765,774	1,068,945	41,325	75,120	35,630	44,448
(Increase)/decrease in distributions/dividends receivable	(6,281)	(1,416)	628	2,053	(190)	16,985
Decrease in interest receivable	-	1	-	-	548	1,386
Decrease/(increase) in other receivables	23	(79)	38	(32)	514	949
(Decrease)/increase in sundry creditors and accruals	(474)	144	62	(38)	(7,532)	(14,017)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(608,620)	(926,595)	(41,067)	(73,710)	46,732	106,187
<b>Net cash inflow from operating activities</b>	<b>150,422</b>	<b>141,000</b>	<b>986</b>	<b>3,393</b>	<b>75,702</b>	<b>155,938</b>
<b>(b) Components of cash and cash equivalents</b>						
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:						
Cash on hand	4,506	5,969	39	-	245,554	505,082
Future deposits	647	-	-	-	-	-
<b>Total cash and cash equivalents</b>	<b>5,153</b>	<b>5,969</b>	<b>39</b>	<b>-</b>	<b>245,554</b>	<b>505,082</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100

**12 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities (continued)**

	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>						
Operating profit/(loss)	68,599	592,844	(619)	9,129	235	5,536
Decrease/(increase) in distributions/dividends receivable	34,359	23,183	560	1,373	(76)	1,393
Decrease in interest receivable	455	1,146	150	740	85	859
Decrease in other receivables	275	1,655	20	37	29	103
Decrease in sundry creditors and accruals	(4,027)	(5,555)	(166)	(580)	(132)	(849)
Net losses/(gains) on financial instruments held at fair value through profit or loss	1,297,368	254,503	11	(699)	(117)	88,277
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,397,029</b>	<b>867,776</b>	<b>(44)</b>	<b>10,000</b>	<b>24</b>	<b>95,319</b>
<b>(b) Components of cash and cash equivalents</b>						
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:						
Cash on hand	351,820	567,855	23,330	89,321	36,779	77,383
<b>Total cash and cash equivalents</b>	<b>351,820</b>	<b>567,855</b>	<b>23,330</b>	<b>89,321</b>	<b>36,779</b>	<b>77,383</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100

### **13 Financial risk management**

The Schemes' investing activities expose them 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 Schemes to define the obligations and regulatory requirements for the Schemes 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 Schemes are managed in accordance with the investment strategy specifically tailored for the Schemes' 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 Schemes' Constitutions. The Schemes are 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 Schemes' exposure to each of the above risks. The Schemes use different methods to measure different types of risks to which they are exposed. These methods include sensitivity analysis in the case of interest rate risk, currency risk and price risk and ratings analysis for credit risk.

#### **(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 Schemes may use derivative instruments to manage these risks. However, the use of derivatives is limited to the investment strategy and restrictions specified in the Schemes' governing documents.

Perpetual Industrial Share Fund held futures as at 30 June 2014 (30 June 2013: nil).

##### *(i) Currency risk*

Schemes that invest in financial instruments denominated in currencies other than the Australian dollar are 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 Schemes 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 Schemes do 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 Schemes do not have significant exposure to currency risk.

### 13 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk

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

The Schemes' exposure to interest rate risk is limited to their cash and cash equivalents, which earns/charges a floating rate of interest. With the exception of the Schemes presented in the tables below, interest rate risk is not considered to be significant to the Schemes.

The Schemes in the table below are exposed to interest rate risk on their cash holdings. Interest income from cash holdings is received and interest expense from bank overdraft is incurred at variable interest rates. Investments in cash holdings are at call. The weighted average interest rate on cash holdings and bank over draft as at 30 June are as per the table below:

Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
30 June 2014	30 June 2013	30 June 2014	30 June 2013
%	%	%	%
<b>2.45</b>	2.70	<b>2.45</b>	2.70

Weighted average interest rate

#### **Sensitivity analysis**

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

### 13 Financial risk management (continued)

#### (a) Market risk (continued)

(ii) Interest rate risk (continued)

#### Sensitivity analysis (continued)

The following table shows the impact of 1% increase in interest rates applicable at reporting date would have on the Schemes' operating profit and net assets attributable to unitholders. This analysis assumes that all variables, in particular foreign currency rates, remain constant.

	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>	\$ <sup>1</sup>
Increased/decreased Schemes' operating profit and net assets attributable to unitholders	<b>233</b>	893	<b>368</b>	774

A decrease of 1% would have the equal, but opposite effect to the amounts shown above on the basis that all other variables remain constant.

(iii) Price risk

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

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

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100

### 13 Financial risk management (continued)

#### (a) Market risk (continued)

(iii) Price risk (continued)

#### Sensitivity analysis

The sensitivity analysis estimates the sensitivity of the Schemes' 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 Schemes' investment with the relevant benchmark and market volatility.

An increase of 15% at the reporting date of the market prices would have the following effect on the Schemes' operating profit and net assets attributable to unitholders. This analysis assumes that all other variables remain constant.

	Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	Perpetual International Share Fund	Perpetual International Share Fund	Perpetual Mortgage Fund	Perpetual Mortgage Fund
	30 June 2014 \$	30 June 2013 \$	30 June 2014 \$	30 June 2013 \$	30 June 2014 \$	30 June 2013 \$
Schemes' operating profit and net assets attributable to unitholders	<b>647,138,967</b>	608,678,669	<b>45,630,768</b>	45,307,271	<b>301,178</b>	570,581

	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$	30 June 2013 \$	30 June 2014 \$	30 June 2013 \$	30 June 2014 \$	30 June 2013 \$
Schemes' operating profit and net assets attributable to unitholders	<b>318,546</b>	513,152	<b>40,739</b>	69,056	<b>9,468</b>	24,617

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.

### 13 Financial risk management (continued)

#### (b) Credit risk

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

##### *(i) 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).

##### *(ii) 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.

##### *(iii) 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.

The Schemes are not exposed to credit risk arising from derivative financial instruments.

#### (c) Liquidity risk

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

The Perpetual Industrial Share Fund and Perpetual International Share Fund are exposed to daily cash redemptions of redeemable units. The Scheme's investments are considered to be readily realisable. The Schemes primarily hold investments in an active market and can be readily disposed. Only a limited proportion of its assets are held in investments not actively traded on a stock exchange.

The Challenger Howard Mortgage Fund and the Australian Unit Mortgage Income Fund are no longer offering redemptions. The Responsible Entity will instead return capital to unitholders as liquidity becomes available. Payment is expected on a quarterly and six monthly basis respectively.

The APN Unlisted Property Fund and the Perpetual Mortgage Fund are in wind up and are no longer offering redemptions. The Responsible Entity will instead return capital to unitholders as and when liquidity becomes available.

### 13 Financial risk management (continued)

#### (c) Liquidity risk (continued)

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

	30 June 2014					30 June 2013				
	Carrying amount \$'000	Contractual cash flows \$'000	At call \$'000	6 months or less \$'000	1 - 5 years \$'000	Carrying amount \$'000	Contractual cash flows \$'000	At call \$'000	6 months or less \$'000	1 - 5 years \$'000
<b>Perpetual Industrial Share Fund</b>										
<b>Derivative financial liabilities</b>										
Futures	258	258	-	258	-	-	-	-	-	-
<b>Total</b>	<b>258</b>	<b>258</b>	<b>-</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-derivative financial liabilities</b>										
Distributions payable to unitholders of the Scheme	1,002,367	1,002,367	-	1,002,367	-	83,920	83,920	-	83,920	-
Due to brokers - payable for securities purchased	15,246	15,246	-	15,246	-	10,025	10,025	-	10,025	-
Sundry creditors and accruals	5,040	5,040	-	5,040	-	3,123	3,123	-	3,123	-
Net assets attributable to unitholders	3,425,256	3,425,256	3,425,256	-	-	4,036,555	4,036,555	4,036,555	-	-
<b>Total</b>	<b>4,447,909</b>	<b>4,447,909</b>	<b>3,425,256</b>	<b>1,022,653</b>	<b>-</b>	<b>4,133,623</b>	<b>4,133,623</b>	<b>4,036,555</b>	<b>97,068</b>	<b>-</b>
<b>Perpetual International Share Fund</b>										
<b>Non-derivative financial liabilities</b>										
Distributions payable to unitholders of the Scheme	257	257	-	257	-	887	887	-	887	-
Due to brokers - payable for securities purchased	197	197	-	197	-	46	46	-	46	-
Sundry creditors and accruals	795	795	-	795	-	677	677	-	677	-
Net assets attributable to unitholders	307,676	307,676	307,676	-	-	305,617	305,617	305,617	-	-
<b>Total</b>	<b>308,925</b>	<b>308,925</b>	<b>307,676</b>	<b>1,249</b>	<b>-</b>	<b>307,227</b>	<b>307,227</b>	<b>305,617</b>	<b>1,610</b>	<b>-</b>



### 13 Financial risk management (continued)

#### (c) Liquidity risk (continued)

##### *Perpetual Mortgage Fund*

	30 June 2014					30 June 2013				
	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>
<b>Non-derivative financial liabilities</b>										
Distributions payable to unitholders of the Scheme	9,710	9,710	-	9,710	-	7,040	7,040	-	7,040	-
Sundry creditors and accruals	7,865	7,865	-	7,865	-	15,397	15,397	-	15,397	-
Net assets attributable to unitholders	2,248,523	2,248,523	-	2,248,523	-	4,300,081	4,300,081	-	4,300,081	-
<b>Total</b>	<b>2,266,098</b>	<b>2,266,098</b>	<b>-</b>	<b>2,266,098</b>	<b>-</b>	<b>4,322,518</b>	<b>4,322,518</b>	<b>-</b>	<b>4,322,518</b>	<b>-</b>

##### *APN Unlisted Property Fund*

	30 June 2014					30 June 2013				
	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>
<b>Non-derivative financial liabilities</b>										
Distributions payable to unitholders of the Scheme	205,000	205,000	-	205,000	-	491,251	491,251	-	491,251	-
Sundry creditors and accruals	9,152	9,152	-	9,152	-	12,912	12,912	-	12,912	-
Net assets attributable to unitholders	2,312,273	2,312,273	-	-	2,312,273	3,570,754	3,570,754	-	-	3,570,754
<b>Total</b>	<b>2,526,425</b>	<b>2,526,425</b>	<b>-</b>	<b>214,152</b>	<b>2,312,273</b>	<b>4,074,917</b>	<b>4,074,917</b>	<b>-</b>	<b>504,163</b>	<b>3,570,754</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

### 13 Financial risk management (continued)

#### (c) Liquidity risk (continued)

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

<i>Australian Unity Mortgage Income Fund</i>	30 June 2014					30 June 2013				
	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>
<b>Non-derivative financial liabilities</b>										
Distributions payable to unitholders of the Scheme	1,530	1,530	-	1,530	-	50,000	50,000	-	50,000	-
Sundry creditors and accruals	322	322	-	322	-	488	488	-	488	-
Net assets attributable to unitholders	416,194	416,194	-	-	416,194	552,343	552,343	-	-	552,343
<b>Total</b>	<b>418,046</b>	<b>418,046</b>	<b>-</b>	<b>1,852</b>	<b>416,194</b>	<b>602,831</b>	<b>602,831</b>	<b>-</b>	<b>50,488</b>	<b>552,343</b>

<i>Challenger Howard Mortgage Fund</i>	30 June 2014					30 June 2013				
	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>	Carrying amount \$ <sup>1</sup>	Contractual cash flows \$ <sup>1</sup>	At call \$ <sup>1</sup>	6 months or less \$ <sup>1</sup>	1 - 5 years \$ <sup>1</sup>
<b>Non-derivative financial liabilities</b>										
Distributions payable to unitholders of the Scheme	15,101	15,101	-	15,101	-	40,389	40,389	-	40,389	-
Sundry creditors and accruals	106	106	-	106	-	238	238	-	238	-
Net assets attributable to unitholders	84,932	84,932	-	-	84,932	201,146	201,146	-	-	201,146
<b>Total</b>	<b>100,139</b>	<b>100,139</b>	<b>-</b>	<b>15,207</b>	<b>84,932</b>	<b>241,773</b>	<b>241,773</b>	<b>-</b>	<b>40,627</b>	<b>201,146</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

## 13 Financial risk management (continued)

### (d) Fair value measurement

The Schemes disclose 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 Schemes adopted AASB 13 from 1 July 2013 and changed their 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.

#### (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 Schemes use 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 Schemes. 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.

### 13 Financial risk management (continued)

#### (d) Fair value measurement (continued)

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

##### *Perpetual Industrial Share Fund*

	30 June 2014				30 June 2013			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
Financial assets designated at fair value through profit or loss:								
Equities	4,138,643	-	-	4,138,643	3,997,504	-	-	3,997,504
Unlisted unit trusts	175,875	-	-	175,875	60,354	-	-	60,354
<b>Total</b>	<b>4,314,518</b>	<b>-</b>	<b>-</b>	<b>4,314,518</b>	<b>4,057,858</b>	<b>-</b>	<b>-</b>	<b>4,057,858</b>
<b>Financial liabilities</b>								
Financial liabilities held for trading:								
Futures	258	-	-	258	-	-	-	-
<b>Total</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### *Perpetual International Share Fund*

	30 June 2014				30 June 2013			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>								
Financial assets designated at fair value through profit or loss:								
Unlisted unit trusts	304,205	-	-	304,205	302,048	-	-	302,048
<b>Total</b>	<b>304,205</b>	<b>-</b>	<b>-</b>	<b>304,205</b>	<b>302,048</b>	<b>-</b>	<b>-</b>	<b>302,048</b>

##### *Perpetual Mortgage Fund*

	30 June 2014				30 June 2013			
	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>
<b>Financial assets</b>								
Financial assets designated at fair value through profit or loss:								
Unlisted unit trusts	-	-	2,007,851	2,007,851	-	-	3,803,871	3,803,871
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,007,851</b>	<b>2,007,851</b>	<b>-</b>	<b>-</b>	<b>3,803,871</b>	<b>3,803,871</b>

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

### 13 Financial risk management (continued)

#### (d) Fair value measurement (continued)

*APN Unlisted Property Fund*

	30 June 2014				30 June 2013			
	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>
<b>Financial assets</b>								
Financial assets designated at fair value through profit or loss:								
Unlisted unit trusts	-	-	2,123,643	2,123,643	-	-	3,421,011	3,421,011
<b>Total</b>	-	-	2,123,643	2,123,643	-	-	3,421,011	3,421,011

*Australian Unity Mortgage Income Fund*

	30 June 2014				30 June 2013			
	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>
<b>Financial assets</b>								
Financial assets designated at fair value through profit or loss:								
Unlisted unit trusts	-	-	271,596	271,596	-	-	460,370	460,370
<b>Total</b>	-	-	271,596	271,596	-	-	460,370	460,370

*Challenger Howard Mortgage Fund*

	30 June 2014				30 June 2013			
	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>	Level 1 \$ <sup>1</sup>	Level 2 \$ <sup>1</sup>	Level 3 \$ <sup>1</sup>	Total \$ <sup>1</sup>
<b>Financial assets</b>								
Financial assets designated at fair value through profit or loss:								
Unlisted unit trusts	-	-	63,120	63,120	-	-	164,112	164,112
<b>Total</b>	-	-	63,120	63,120	-	-	164,112	164,112

*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.

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100.

### 13 Financial risk management (continued)

#### (d) Fair value measurement (continued)

*Valuation techniques used to derive level 2 and level 3 fair values (continued)*

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 Schemes obtain fair value prices from the relevant fund managers without significant adjustments and do not calculate any unobservable inputs themselves.

The Perpetual Mortgage Fund's level 3 assets include holdings in Perpetual Mortgage Pool Fund. The underlying assets of this fund are mortgage loans which are carried at amortised cost with adjustments for impairment provisions. These impairment provisions are calculated using a range of data that includes unobservable inputs such as probability of default, loss given default ratios, property valuations, discount rates, market yields and estimated market profiles.

There are no individual significant unobservable inputs into the valuation of the level 3 assets and, accordingly, a sensitivity analysis by input is not included in the notes to the accounts.

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

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

	Perpetual Mortgage Fund	Perpetual Mortgage Fund	APN Unlisted Property Fund	APN Unlisted Property Fund	Australian Unity Mortgage Income Fund	Australian Unity Mortgage Income Fund	Challenger Howard Mortgage Fund	Challenger Howard Mortgage Fund
	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>	30 June 2014 \$ <sup>1</sup>	30 June 2013 \$ <sup>1</sup>
<b>Unlisted unit trusts</b>								
Opening balance	3,803,871	7,493,266	3,421,011	16,850,635	460,370	781,593	164,112	722,139
Purchase	-	-	-	4,158,284	-	-	-	-
Sales	(1,749,288)	(3,583,208)	-	(17,333,405)	(188,763)	(321,922)	(101,109)	(469,750)
(Losses)/gains recognised in profit and loss	(46,732)	(106,187)	(1,297,368)	(254,503)	(11)	699	117	(88,277)
<b>Closing balance</b>	<b>2,007,851</b>	<b>3,803,871</b>	<b>2,123,643</b>	<b>3,421,011</b>	<b>271,596</b>	<b>460,370</b>	<b>63,120</b>	<b>164,112</b>
Total (losses)/gains for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	(46,732)	(106,187)	(1,297,368)	(254,503)	(11)	699	117	(88,277)

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100

#### 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		Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts of financial assets/ (liabilities) 2014 \$'000	Gross amounts set off in the balance sheet 2014 \$'000	Net amount of financial assets/ (liabilities) presented in the balance sheet 2014 \$'000	Amounts subject to master netting arrangements and cash collateral 2014 \$'000	Net amounts 2014 \$'000	Gross amounts of financial assets/ (liabilities) 2013 \$'000	Gross amounts set off in the balance sheet 2013 \$'000	Net amount of financial assets/ (liabilities) presented in the balance sheet 2013 \$'000	Amounts subject to master netting arrangements and cash collateral 2013 \$'000	Net amounts 2013 \$'000
<b>Perpetual Industrial Share Fund</b>										
<b>Financial assets</b>										
Margin accounts	647	-	647	(258)	389	-	-	-	-	-
<b>Total</b>	<b>647</b>	<b>-</b>	<b>647</b>	<b>(258)</b>	<b>389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>										
Derivative financial instruments	(258)	-	(258)	258	-	-	-	-	-	-
<b>Total</b>	<b>(258)</b>	<b>-</b>	<b>(258)</b>	<b>258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Master netting arrangements

Agreements with derivative counterparties are based on the ISDA Master Agreements. Under the terms of these arrangements, only where certain 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 Schemes do 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 Investment in unconsolidated subsidiaries

The Scheme held investment in structured entities which are recorded at fair value within financial assets held at fair value through profit or loss.

<i>Perpetual International Share Fund</i>	Fair value as at 30 June 2014 \$'000	Fair value as at 30 June 2013 \$'000	Ownership interest as at 30 June 2014 %	Ownership interest as at 30 June 2013 %
<b>Subsidiary</b> Perpetual's International Share Pool Fund	<b>304,205</b>	302,048	<b>70.0</b>	67.5

The above subsidiary is incorporated in Australia.

The Scheme does not have current commitments or intentions and contractual obligations to provide financial or other support to its unconsolidated subsidiaries. There are no loans or advances currently made to the unconsolidated subsidiaries.

There are no significant restrictions on the ability of an unconsolidated subsidiary to transfer funds to the Scheme in the form of cash distributions.

## 16 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:

Perpetual Industrial Share Fund	Fair value as at 30 June 2014 \$'000	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2014 \$'000	Perpetual Mortgage Fund	Fair value as at 30 June 2014 \$'000	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2014 \$'000
<b>Type of structured entities</b>				<b>Type of structured entities</b>			
Unlisted unit trusts	175,875	4.1	175,875	Unlisted unit trusts	2,007,851	100.0	2,007,851
<b>Total</b>	<b>175,875</b>	<b>4.1</b>	<b>175,875</b>	<b>Total</b>	<b>2,007,851</b>	<b>100.0</b>	<b>2,007,851</b>



## 16 Involvement with unconsolidated structured entities (continued)

APN Unlisted Property Fund	Fair value as at 30 June 2014 \$ <sup>1</sup>	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2014 \$ <sup>1</sup>
<b>Type of structured entities</b>			
Unlisted unit trusts	2,123,643	100.0	2,123,643
<b>Total</b>	<b>2,123,643</b>	<b>100.0</b>	<b>2,123,643</b>

Australian Unity Mortgage Income Fund	Fair value as at 30 June 2014 \$ <sup>1</sup>	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2014 \$ <sup>1</sup>
<b>Type of structured entities</b>			
Unlisted unit trusts	271,596	100.0	271,596
<b>Total</b>	<b>271,596</b>	<b>100.0</b>	<b>271,596</b>

Challenger Howard Mortgage Fund	Fair value as at 30 June 2014 \$ <sup>1</sup>	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2014 \$ <sup>1</sup>
<b>Type of structured entities</b>			
Unlisted unit trusts	63,120	100.0	63,120
<b>Total</b>	<b>63,120</b>	<b>100.0</b>	<b>63,120</b>

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

## 17 Derivative financial instruments

In the normal course of business the Schemes enter 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.

<sup>1</sup> Stated to the nearest whole dollar as the Scheme does not meet the criteria set out in ASIC class order 98/100

## 17 Derivative financial instruments (continued)

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 Schemes' 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 Schemes 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 Schemes.

The Schemes held the following derivative instrument during the year:

### Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with exchange.

## 18 Events occurring after the reporting date

In July 2014, Fidante Partners Limited, as responsible entity of the Howard Wholesale Mortgage Fund ('fund') announced the termination of the fund on 17 July 2014. The final distribution payment is expected to be made in September 2014. Subsequently, the Responsible Entity of Challenger Howard Mortgage Fund approved the wind up of the Scheme on 24 September 2014.

No other significant events have occurred since the balance sheet date which would impact on the financial position of the Schemes disclosed in the balance sheets as at 30 June 2014 or on the results and cash flows of the Schemes for the year ended on that date.

## 19 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 Funds:

- (a) the annual financial statements and notes, set out on pages 7 to 56, 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 Schemes' financial position as at 30 June 2014 and of their performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Schemes will be able to pay their 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  
24 September 2014



## **Independent auditor's report to the unitholders of Perpetual WealthFocus Investment Funds**

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

We have audited the accompanying financial report of Perpetual WealthFocus Investment Funds (the Schemes), which comprises the balance sheets as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended on that date, notes 1 to 19 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 Schemes' financial positions and of their performance.



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

*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of Perpetual WealthFocus Investment Funds is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Schemes' financial positions as at 30 June 2014 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

KPMG

KPMG

Michael O Connell

*Partner*

Sydney

24 September 2014



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