PRIVATE INVESTOR MORTGAGE FUND

Annual Financial Report
30 June 2014

ARSN 092 603 873

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Private Investor Mortgage Fund

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Directors' report

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

Responsible Entity

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

Directors

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

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

Principal activities

The Responsible Entity approved the wind-up of Private Investor Mortgage Fund on 14 September 2011. The wind-up of the Scheme is still ongoing. The principal activity of the Scheme during wind-up is to manage unitholders' capital and liquidate assets.

The Responsible Entity will continue to administer the Scheme until wind-up is complete and unitholders have received their entitlements.

As a result of the Responsible Entity's decision to wind-up the Scheme, the financial statements 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 Scheme did not have any employees during the year.

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

Directors' report (continued)

Review and results of operations

During the year, the Scheme continued to be in the process of winding up and returned capital.

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

	2014	2013
Operating profit before finance costs attributable to unitholders ($'000)	**1,277**	2,493
Distribution paid and payable ($'000)	**1,723**	3,461

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 7 to the annual financial report.

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

Significant changes in state of affairs

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

Likely developments and expected results of operations

During the wind-up process the Scheme will continue to be managed in accordance with the provisions of the Scheme's Constitution.

Matters subsequent to the end of the financial year

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

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

Environmental regulation

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

Directors' report (continued)

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

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

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

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

Indemnification and insurance of officers and auditors

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

Rounding of amounts to the nearest thousand dollars

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

Lead auditor's independence declaration

A copy of the Lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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

Director

Sydney
18 September 2014

KPMG

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

To: the directors of Perpetual Investment Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael O Connell
Partner

Sydney

18 September 2014

Statement of comprehensive income

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Investment income			
Distribution income		**1,219**	2,242
Interest income	3	**890**	1,822
Net losses on financial instruments held at fair value through profit or loss	4	**(468)**	(1,007)
Other operating income		**-**	130
Total net investment income		**1,641**	3,187
Expenses			
Responsible Entity's fees	10	**365**	687
Loan impairment recoveries	9	**(22)**	(25)
Other expenses	5	**21**	32
Total operating expenses		**364**	694
Operating profit		**1,277**	2,493
Finance costs attributable to unitholders			
Distributions to unitholders	6	**1,723**	3,461
Change in net assets attributable to unitholders (total comprehensive income)	7	**(446)**	(968)

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

Balance sheet

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Assets			
Cash and cash equivalents	13(b)	**1,142**	2,809
Financial assets held at fair value through profit or loss	8	**31,224**	41,097
Loans and receivables	9	**2,159**	16,600
Total assets		**34,525**	60,506
Liabilities			
Distributions payable to unitholders of the Scheme	6	**136**	202
Unearned income on mortgages		**-**	18
Sundry creditors and accruals		**75**	132
Total liabilities (excluding net assets attributable to unitholders)		**211**	352
Net assets attributable to unitholders - liability	7	**34,314**	60,154

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

Statement of changes in equity

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

Cash flow statement

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
Cash flows from operating activities			
Distributions received		**1,201**	2,433
Interest received		**873**	1,827
Other income received		**32**	190
Responsible Entity's fees paid		**(447)**	(849)
Other expenses paid		**(24)**	(36)
Net cash inflow from operating activities	13(a)	**1,635**	3,565
Cash flows from investing activities			
Proceeds from sale of investments		**40,630**	73,668
Payments for purchase of investments		**(16,749)**	(19,348)
Net cash inflow from investing activities		**23,881**	54,320
Cash flows from financing activities			
Payments for redemptions by unitholders		**(25,394)**	(52,554)
Distributions paid		**(1,789)**	(3,696)
Net cash outflow from financing activities		**(27,183)**	(56,250)
Net (decrease)/increase in cash and cash equivalents		**(1,667)**	1,635
Cash and cash equivalents at beginning of the financial year		**2,809**	1,174
Cash and cash equivalents at the end of the financial year	13(b)	**1,142**	2,809

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

1 General Information

This annual financial report covers Private Investor Mortgage Fund ("the Scheme") as an individual entity. The Scheme was constituted on 30 May 1997. The Scheme was terminated on 17 October 2011. The Scheme is domiciled in Australia.

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

The annual financial report was authorised for issue by the directors of the Responsible Entity on 18 September 2014. The directors of the Responsible Entity have the power to amend and reissue the annual financial report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of this annual financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Principles of preparation

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

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

The Responsible Entity approved the wind-up of the Scheme on 14 September 2011. It is expected that this wind-up will take greater than 12 months to complete. As a result of the Responsible Entity's decision to wind-up the Scheme, the financial statements 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.

Compliance with International Financial Reporting Standards

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

Use of estimates and judgement

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

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

2 Summary of significant accounting policies (continued)

(b) Change in accounting policy

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

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

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

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

As the standard is required to be adopted prospectively, adjustments to the fair values of financial instruments have been recognised at the beginning of the current period presented. As the Scheme invests into unlisted unit trusts only, there has been no impact on the net gains/(losses) on financial instruments 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 Scheme's financial position or performance.

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

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

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

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

2 Summary of significant accounting policies (continued)

(b) Change in accounting policy (continued)

Investment entity

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

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

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

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

The Scheme meets the typical characteristics of an investment entity.

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

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

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

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

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

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

(c) New accounting standards and interpretations

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

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

2 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

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

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

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

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

(d) Financial instruments

(i) Classification

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

- Financial instruments held for trading

  Derivative financial instruments such as futures, foreign exchange forward contracts, options and interest rate swaps are included under this classification. The Scheme does not designate any derivatives as hedges in a hedging relationship.

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

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

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

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

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

(iii) Measurement

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

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

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

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iii) Measurement (continued)

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

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

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

Loans and receivables

Loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each reporting date to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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

The Scheme assesses loan impairment losses on a collective basis.

Collective provisions reflect the estimated amount of losses on a collective basis. Estimated loss amounts are based on the historical loss experience of the Scheme. Increases or decreases in the specific and collective provision are recognised in the statement 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.

(iv) Offsetting financial instruments

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

(e) Net assets attributable to unitholders

Units are redeemable 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.

2 Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability on the balance sheet.

(g) Investment income

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

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

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

Other income is brought to account on an accruals basis.

(h) Expenses

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

(i) Income tax

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

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

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

(j) Distributions

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

2 Summary of significant accounting policies (continued)

(k) Changes in net assets attributable to unitholders

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

(l) Goods and Services Tax (GST)

The GST incurred on the cost of various services provided to the Scheme by third parties such as Responsible Entity's fees, has been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) hence Responsible Entity's fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

3 Interest income

	30 June 2014 $'000	30 June 2013 $'000
Cash and cash equivalents	**34**	53
Mortgage loans	**856**	1,769
Total	**890**	1,822

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

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

	30 June 2014 $'000	30 June 2013 $'000
Net unrealised gains on financial instruments designated at fair value through profit or loss	**443**	248
Net realised losses on financial instruments designated at fair value through profit or loss	**(911)**	(1,255)
Net losses on financial instruments held at fair value through profit or loss	**(468)**	(1,007)

5 Other expenses

	30 June 2014 $'000	30 June 2013 $'000
Broker commission	**21**	32
Total	**21**	32

6 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2014 $'000	30 June 2013 $'000
Distributions		
Distributions paid - July	**177**	378
Distributions paid - August	**225**	385
Distributions paid - September	**144**	332
Distributions paid - October	**149**	314
Distributions paid - November	**139**	315
Distributions paid - December	**145**	461
Distributions paid - January	**138**	272
Distributions paid - February	**126**	237
Distributions paid - March	**136**	202
Distributions paid - April	**108**	173
Distributions paid - May	**100**	190
Distributions payable - June	**136**	202
Total distributions	**1,723**	3,461

7 Net assets attributable to unitholders

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

	30 June 2014 Units '000	30 June 2013 Units '000	**30 June 2014 $'000**	30 June 2013 $'000
Net assets attributable to unitholders				
Opening balance	**61,712**	115,544	**60,154**	113,676
Redemptions	**(26,235)**	(53,832)	**(25,394)**	(52,554)
Change in net assets attributable to unitholders	**-**	-	**(446)**	(968)
Closing balance	**35,477**	61,712	**34,314**	60,154

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

Capital risk management

The Scheme considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly as the Scheme may return capital to unitholders during the year.

8 Financial assets held at fair value through profit or loss

	Fair value 30 June 2014 $'000	Fair value 30 June 2013 $'000
Designated at fair value through profit or loss		
Unlisted unit trusts*	**31,224**	41,097
Total financial assets held at fair value through profit or loss	**31,224**	41,097

** The Scheme has an indirect exposure to mortgages through its investments in Perpetual Mortgage Pool Fund.*

9 Loans and receivables

	30 June 2014 $'000	30 June 2013 $'000
Distributions receivable	**140**	122
Interest receivable	**3**	4
Mortgage loans	**2,011**	16,465
Other receivables	**5**	9
Total loans and receivables	**2,159**	16,600

	Carrying amount 30 June 2014 $'000	Carrying amount 30 June 2013 $'000
Provision for impairment		
Gross mortgage loans	**2,014**	16,490
Less:		
Collective impairment provision	**(3)**	(25)
Total mortgages loans (net)	**2,011**	16,465

The fair value as at 30 June 2014 for the mortgage loans to third parties approximates the carrying value.

During the year there was no interest earned from impaired assets (2013: nil).

Impairment provisions	**Carrying amount 30 June 2014 $'000**	Carrying amount 30 June 2013 $'000
Collective impairment provision		
Balance at 1 July	**25**	50
Impairment loss for the year:		
Reversal for the year	**(22)**	(25)
Balance	**3**	25
Total provisions for impairment	**3**	25

9 Loans and receivables (continued)

The table below sets out the loan impairment recoveries:

	Loan impairment recoveries 30 June 2014 $'000	Loan impairment recoveries 30 June 2013 $'000
Mortgage loans	**(22)**	(25)
	(22)	(25)

10 Related party transactions

Responsible Entity

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

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

Key management personnel

(a) Directors

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

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

(b) Other key management personnel

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

Key management personnel unitholdings

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

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

10 Related party transactions (continued)

Key management personnel loan disclosures

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

Other transactions within the Scheme

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

Responsible Entity's fees and other transactions

The Responsible Entity’s fees are calculated in accordance with the Scheme's Constitution (as amended). The Responsible Entity’s fee is 0.785% p.a. calculated on capital sums invested of the Scheme and is disclosed in the statement of comprehensive income.

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

	30 June 2014 $	30 June 2013 $
Responsible Entity's fees paid and payable directly by the Scheme	**365,402**	686,825
Fees payable to the Responsible Entity as at reporting date (included in sundry creditors and accruals)	**74,513**	129,616

Related party unitholdings

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

30 June 2014

	Number of units held '000	**Interest held (%)**	**Number of units acquired '000**	**Number of units disposed '000**	**Distributions paid/payable by the Scheme $'000**
Managed Investment Schemes					
Perpetual Foundation	**5**	**-**	**7**	**2**	**-**
Perpetual Private Fixed Income Fund (formerly known as Perpetual Select Fixed Income Fund)	**-**	**-**	**-**	**18,114**	**358**
Perpetual Private Duration Fixed Income Fund	**10,413**	**29.4**	**18,791**	**8,378**	**148**
Superannuation Fund					
Perpetual Super Wrap	**503**	**1.4**	**404**	**245**	**18**

10 Related party transactions (continued)

Related party unitholdings (continued)

30 June 2013

	Number of units held '000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable by the Scheme $'000
Managed Investment Scheme					
Perpetual Private Fixed Income Fund (formerly known as Perpetual Select Fixed Income Fund)	18,114	29.4	-	15,801	1,016
Superannuation Fund					
Perpetual Super Wrap	344	0.6	377	33	3

Investments

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

30 June 2014

Managed Investment Schemes	**Number of units held '000**	**Fair value of investment $'000**	**Interest held (%)**	**Number of units acquired '000**	**Number of units disposed '000**	**Distributions received/ receivable by the Scheme $'000**
Perpetual Institutional Cash Management Trust	**11,063**	**11,063**	**1.0**	**16,749**	**8,400**	**68**
Perpetual Liquidity Pool Fund	**3,120**	**3,080**	**11.9**	**-**	**3,234**	**199**
Perpetual Mortgage Pool Fund	**18,120**	**17,081**	**11.3**	**-**	**15,432**	**952**

10 Related party transactions (continued)

Investments (continued)

30 June 2013

Managed Investment Schemes	Number of units held '000	Fair value of investment $'000	Interest held (%)	Number of units acquired '000	Number of units disposed '000	Distributions received/ receivable by the Scheme $'000
Perpetual Institutional Cash Management Trust	2,714	2,714	0.3	18,745	18,200	130
Perpetual Liquidity Pool Fund	6,354	6,354	11.9	-	10,069	341
Perpetual Mortgage Pool Fund	33,552	32,029	11.3	-	28,828	1,771

11 Involvement with unconsolidated structured entities

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

	Fair value as at 30 June 2014 $'000	**Exposure 30 June 2014 %**	**Maximum exposure to loss 30 June 2014 $'000**
Type of structured entities			
Unlisted unit trusts	**31,224**	**100.0**	**31,224**
Total	**31,224**	**100.0**	**31,224**

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

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

12 Auditor's remuneration

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

	30 June 2014 $	30 June 2013 $
Audit and audit related services		
KPMG		
Total remuneration for audit and audit related services	**35,075**	34,645

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

	30 June 2014 $'000	30 June 2013 $'000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**1,277**	2,493
Loan impairment recoveries	**(22)**	(25)
(Increase)/decrease in distributions receivable	**(18)**	191
Decrease/(increase) in interest receivable	**1**	(1)
Decrease in other receivables	**4**	8
Decrease in sundry creditors and accruals	**(57)**	(114)
(Decrease)/increase in unearned income on mortgages	**(18)**	6
Net losses on financial instruments held at fair value through profit or loss	**468**	1,007
Net cash inflow from operating activities	**1,635**	3,565

(b) Components of cash and cash equivalents

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:

Cash on hand	**1,142**	2,809
Total cash and cash equivalents	**1,142**	2,809

14 Financial risk management

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

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

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

This note presents information about the Scheme's exposure to each of the above risks. The Scheme uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks 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 Scheme may use derivative instruments to manage these risks. However, the use of derivatives is limited to the investment strategy and restrictions specified in the Scheme's governing documents.

There were no derivatives held as at 30 June 2014 (30 June 2013: nil).

(i) Currency risk

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

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

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

(ii) Interest rate risk

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

The Scheme is exposed to interest rate risk on its cash and interest bearing investments. Risk management techniques are used in the selection of investments which include periodic stress testing for debt securities.

14 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Floating interest rate $'000	Fixed interest rate $'000	Total $'000
30 June 2014			
Financial Assets			
Cash and cash equivalents	**1,142**	**-**	**1,142**
Mortgage loans	**-**	**2,014**	**2,014**

	Floating interest rate $'000	Fixed interest rate $'000	Total $'000
30 June 2013			
Financial Assets			
Cash and cash equivalents	2,809	-	2,809
Mortgage loans	10,245	6,245	16,490

Sensitivity analysis

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

An increase of 1% in interest rates applicable at reporting date would have increased the Scheme's operating profit/(loss) and net assets attributable to unitholders by $11,417 (2013: $130,046). This analysis assumes that all variables, in particular foreign currency rates, remain constant. A decrease of 1% would have the equal, but opposite effect to the amounts shown above on the basis that all other variables remain constant.

(iii) Price risk

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

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

14 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

Sensitivity analysis

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

An increase of 15% at the reporting date of the market prices would have increased the Scheme's operating profit/(loss) and net assets attributable to unitholders by $4,683,520 (2013: $6,164,632). This analysis assumes that all other variables remain constant.

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

(b) Credit risk

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

(i) Mortgage loans

Mortgage loans comprise 6% of the Scheme's total assets as at 30 June 2014 (2013: 27%).

During the year ended 30 June 2014, the Scheme had exposure to one counterparty within its mortgage loan portfolio which is individually significant. As at 30 June 2014 this exposure equated to $2,000,000 representing 100.0% of the mortgage loan portfolio (2013: $12,654,310 representing 77.2% of the mortgage loan portfolio).

Mortgage loans are only made to financially sound borrowers who satisfy credit checks. The Scheme minimises concentration of credit risk by undertaking transactions with a reasonable number of counterparties and maintaining conservative levels of security on mortgages given.

The Scheme holds different types of mortgages across several states.

	30 June 2014	30 June 2013
(% of total mortgages)	**%**	%
Mortgage breakdown by sector		
Commercial	**-**	45.76
Retail	**-**	22.51
Industrial	**100.00**	27.80
Specialised	**-**	3.93
	100.00	100.00

14 Financial risk management (continued)

(b) Credit risk (continued)

(i) Mortgage loans (continued)

	30 June 2014	30 June 2013
(% of total mortgages)	**%**	%
Mortgage breakdown by geographical region		
New South Wales	**-**	30.43
Western Australia	**100.00**	41.22
Victoria	**-**	26.83
Australian Capital Territory	**-**	1.52
	100.00	100.00

Impairment

Impaired mortgages

Impaired mortgages are those for which the Scheme determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the mortgage agreement(s).

Past due not impaired mortgages

Mortgages where contractual interest or principal payments are past due but impairment is not deemed appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

Provision for impairment

The collective provision reflects the best estimate of the incurred losses of the Scheme that have not yet been specifically identified.

Set out below is an impairment analysis of the debt securities/mortgages held:

30 June 2014	**Impaired $'000**	**Past due not impaired $'000**	**Neither past due nor impaired $'000**	**Total $'000**
Mortgages	**-**	**-**	**2,014**	**2,014**

30 June 2013	Impaired $'000	Past due not impaired $'000	Neither past due nor impaired $'000	Total $'000
Mortgages	-	-	16,490	16,490

14 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Cash and cash equivalents

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

(c) Liquidity risk

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

The Scheme is in the process of winding up and is no longer offering redemptions. The Responsible Entity will instead return capital to unitholders at six month intervals, subject to available cash.

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

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

30 June 2014	**Carrying amount $'000**	**Contractual cash flow $'000**	**6 months or less $'000**	**1-5 years $'000**
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	**136**	**136**	**136**	**-**
Sundry creditors and accruals	**75**	**75**	**75**	**-**
Net assets attributable to unitholders of the Scheme	**34,314**	**34,314**	**-**	**34,314**
Total	**34,525**	**34,525**	**211**	**34,314**

30 June 2013	Carrying amount $'000	Contractual cash flow $'000	6 months or less $'000	1-5 years $'000
Non-derivative financial liabilities				
Distributions payable to unitholders of the Scheme	202	202	202	-
Unearned income on mortgages	18	18	18	-
Sundry creditors and accruals	132	132	132	-
Net assets attributable to unitholders of the Scheme	60,154	60,154	-	60,154
Total	60,506	60,506	352	60,154

14 Financial risk management (continued)

(d) Fair value measurement

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

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

(i) Fair value in an active market

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

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

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

(ii) Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Scheme uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques used for non-standardised financial instruments, such as options, swaps and other over-the-counter derivatives, include the use of comparable arm's length transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that is commonly used by market participants which maximises the use of market inputs and relies as little as possible on entity-specific inputs.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated by the asset managers, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

14 Financial risk management (continued)

(d) Fair value measurement (continued)

(ii) Fair value in an inactive or unquoted market (continued)

The fair value of derivatives that are not exchange traded is estimated at the amount that would be received or paid to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparty and the Scheme. The fair value of a forward contract is determined using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts as at the valuation date. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates. The fair value of an option contract is determined by applying the Black-Scholes option valuation model.

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

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

As at 30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	**11,063**	**-**	**20,161**	**31,224**
Total	**11,063**	**-**	**20,161**	**31,224**

As at 30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	2,714	-	38,383	41,097
Total	2,714	-	38,383	41,097

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

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

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

14 Financial risk management (continued)

(d) Fair value measurement (continued)

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

The Scheme'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.

Transfers between levels

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

Fair value measurements using significant unobservable inputs (level 3)

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

As at 30 June 2014	**Unlisted unit trusts $'000**	**Total $'000**
Opening balance	**38,383**	**38,383**
Purchases	**-**	**-**
Sales	**(17,754)**	**(17,754)**
Losses recognised in profit or loss	**(468)**	**(468)**
Closing balance	**20,161**	**20,161**
Total losses for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	**(468)**	**(468)**

As at 30 June 2013	Unlisted unit trusts $'000	Total $'000
Opening balance	77,032	77,032
Purchases	-	-
Sales	(37,642)	(37,642)
Losses recognised in profit or loss	(1,007)	(1,007)
Closing balance	38,383	38,383
Total losses for the year included in the statement of comprehensive income for financial assets and liabilities held at the end of the year	(1,007)	(1,007)

15 Derivative financial instruments

In the normal course of business the Scheme enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as foreign exchange forward contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Scheme's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Scheme.

As at the reporting date, there were no derivative financial instruments held by the Scheme (2013: nil).

16 Events occurring after the reporting period

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

17 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2014 and 30 June 2013.

Directors' declaration

In the opinion of the directors of the Perpetual Investment Management Limited, the Responsible Entity of Private Investor Mortgage Fund:

(a) the annual financial statements and notes, set out on pages 6 to 33, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Regulations 2001;* and

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

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

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

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

Director

Sydney
18 September 2014

KPMG

Independent auditor's report to the unitholders of Private Investor Mortgage Fund

Report on the financial report

We have audited the accompanying financial report of Private Investor Mortgage Fund (the Scheme), which comprises the balance sheet as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of Perpetual Investment Management Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Scheme's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Private Investor Mortgage Fund is in accordance with the *Corporations Act 2001*, including:

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

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

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

KPMG

KPMG

Michael O Connell
Partner

Sydney

18 September 2014

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