PERPETUAL PREMIUM TREASURY FUND

Annual Financial Report
30 June 2016

ARSN 110 147 763

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Perpetual

Perpetual Premium Treasury Fund

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Annual Financial Report - 30 June 2016

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Directors' report

The directors of Perpetual Investment Management Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Perpetual Premium Treasury Fund, present their report together with the annual financial report of Perpetual Premium Treasury Fund ("the Scheme") for the year ended 30 June 2016 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of Perpetual Premium Treasury Fund is Perpetual Investment Management Limited (ABN 18 000 866 535). The Responsible Entity's registered office and principal place of business is Level 18, 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, resigned 24 February 2016)
J Hawkins (appointed 6 July 2012)
D Kiddie (appointed 24 February 2016)
G Larkins (appointed 7 January 2013)
P Lynch (appointed 6 July 2012, Alternate for J Hawkins)
P Statham (appointed 24 February 2016, Alternate for D Kiddie)
P Statham (appointed 9 September 2013, resigned 24 February 2016, Alternate for M Gordon)
D Winterton (appointed 24 February 2016, Alternate for D Kiddie)
D Winterton (appointed 20 April 2015, resigned 24 February 2016, Alternate for M Gordon)

Principal activities

Prior to 5 May 2016, the principal activity of the Scheme was to provide unitholders with regular income by investing in deposits, money market and fixed income securities.

The Responsible Entity resolved to wind up the Scheme effective from 5 May 2016. The Scheme was formally wound up on 30 June 2016.

The Scheme did not have any employees during the year.

Review and results of operations

Prior to 5 May 2016, the Scheme invested in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	2016	2015
Operating profit/(loss) before finance costs attributable to unitholders ($)	**4,323,477**	5,557,464
Distribution paid and payable ($)	**6,205,231**	6,901,396
Distribution (cents per unit)	**3.50**	4.25

Directors' report (continued)

Interests in the Scheme

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

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 to the financial statements.

Significant changes in state of affairs

The Responsible Entity resolved to wind up the Scheme effective from 5 May 2016. The Scheme was formally wound up on 30 June 2016.

Likely developments and expected results of operations

The Scheme wound up on 30 June 2016.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016.

Environmental regulation

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

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

Fees paid to the Responsible Entity and its related parties out of Scheme property during the year are disclosed in note 12 to the financial statements.

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 12 to the financial statements.

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.

Directors' report (continued)

Lead auditor's independence declaration

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

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

Director

Sydney
20 September 2016

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 2016 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

20 September 2016

Statement of comprehensive income

	Notes	**30 June 2016 $**	30 June 2015 $
Investment income			
Distribution income		**194,180**	384,123
Interest income	3	**5,380,508**	5,273,844
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	**(728,199)**	310,317
Net foreign exchange gains/(losses)		**(1,573)**	(17,973)
Total net investment income/(loss)		**4,844,916**	5,950,311
Expenses			
Responsible Entity's fees	12	**395,941**	392,847
Other expenses	5	**125,498**	-
Total operating expenses		**521,439**	392,847
Operating profit/(loss)		**4,323,477**	5,557,464
Finance costs attributable to unitholders			
Distributions to unitholders	6	**6,205,231**	6,901,396
Interest expense		**178**	20
Changes in net assets attributable to unitholders (total comprehensive income)	7	**(1,881,932)**	(1,343,952)

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

Balance sheet

	Notes	**30 June 2016 $**	30 June 2015 $
Assets			
Cash and cash equivalents	15(b)	-	1,420,076
Financial assets held at fair value through profit or loss	8	-	190,007,383
Due from brokers - receivable for securities sold		-	2,175
Receivables	10	-	267,399
Total assets		-	191,697,033
Liabilities			
Financial liabilities held at fair value through profit or loss	9	-	273,970
Distributions payable to unitholders of the Scheme	6	-	1,727,518
Payables	11	-	874,584
Total liabilities (excluding net assets attributable to unitholders)		-	2,876,072
Net assets attributable to unitholders - liability	7	-	188,820,961

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 2016 $**	30 June 2015 $
Cash flows from operating activities			
Distributions received		**264,677**	405,439
Interest received		**5,392,082**	5,276,678
Other income received		**36,533**	28,214
Responsible Entity's fees paid		**(462,535)**	(417,103)
Other expenses paid		**(125,505)**	-
Net cash inflow/(outflow) from operating activities	15(a)	**5,105,252**	5,293,228
Cash flows from investing activities			
Proceeds from sale of investments		**323,435,468**	170,180,672
Payments for purchase of investments		**(134,429,652)**	(193,869,289)
Net cash inflow/(outflow) from investing activities		**189,005,816**	(23,688,617)
Cash flows from financing activities			
Proceeds from applications by unitholders		**61,061,836**	47,651,297
Payments for redemptions by unitholders		**(254,687,125)**	(28,962,131)
Interest expense paid		**(178)**	(20)
Distributions paid		**(1,905,677)**	(48,768)
Net cash inflow/(outflow) from financing activities		**(195,531,144)**	18,640,378
Net increase/(decrease) in cash and cash equivalents		**(1,420,076)**	244,989
Cash and cash equivalents at the beginning of the year		**1,420,076**	1,174,180
Effects of foreign currency exchange rate changes on cash and cash equivalents		**-**	907
Cash and cash equivalents at the end of the year	15(b)	**-**	1,420,076

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

1 General Information

This annual financial report covers Perpetual Premium Treasury Fund ("the Scheme") as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001.* The Scheme was constituted on 16 July 2004.The Scheme is domiciled in Australia.

The Responsible Entity of the Scheme is Perpetual Investment Management Limited. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

The Responsible Entity resolved to wind up the Scheme effective from 5 May 2016. The Scheme was formally wound up on 30 June 2016.

The annual financial report was authorised for issue by the directors of the Responsible Entity on 20 September 2016. 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) Basis of preparation

This general purpose annual financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by 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.

As the Scheme wound up on 30 June 2016, the financial statements are prepared on a non-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. No additional provision or liabilities have been recognised as a result of the realisation as the Scheme does not incur any additional legal or contractual obligations.

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").

Functional and presentation currency

The annual financial report is presented in Australian dollars, which is the Scheme's functional currency.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgement

The preparation of the annual financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised prospectively.

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and will not be adopted by the Scheme.

(c) Financial instruments

(i) Classification

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

- Financial instruments held for trading

  Derivative financial instruments such as futures, forward contracts, options and 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, equity instruments, unlisted unit trusts and commercial papers.

  Financial assets 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 purchase contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised on the date the Scheme becomes party to the sale contractual agreement (trade date).

(iii) Measurement

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

At initial recognition, the Scheme measures financial assets and financial liabilities at fair value. Transaction costs are expensed in profit or loss as incurred. Subsequently, all financial assets and financial liabilities are measured at fair value without any deduction for estimated future selling cost. Gains and losses arising from changes in the fair value measurement are included in profit or loss.

2 Summary of significant accounting policies (continued)

(c) 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. Further details of fair value measurement are disclosed in note 16(d) to the financial statements.

(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.

(d) Net assets attributable to unitholders

During the year, units were redeemable at unitholders' option, however applications and redemptions may be suspended by the Responsible Entity if it was in the best interests of the unitholders. The units were classified as financial liabilities as the Scheme was required to distribute its distributable income, in accordance with the Scheme's Constitution.

As the Responsible Entity resolved to wind up the Scheme effective from 5 May 2016, the units can be put back to the Scheme at any time for cash based on the redemption price up to that date. The units were measured at the redemption amount that was payable at the balance sheet date if unitholders exercised their right to redeem units in the Scheme.

(e) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term and highly liquid financial assets with a maturity period of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability on the balance sheet.

(f) Receivables

Receivables include accrued income, application monies receivable and Reduced Input Tax Credits ("RITC") refund. Receivables are measured at their nominal amounts. Amounts are generally received within 30 days of being accrued for. Given the short term nature of most receivables, the nominal amount approximates fair value.

(g) Payables

Payables include accrued expenses and redemption monies owing by the Scheme which are unpaid at the end of the reporting date. Amounts are generally paid within 30 days of being accrued for. Given the short term nature of most payables, the nominal amount approximates fair value.

(h) Investment income

Interest income is recognised in profit or loss 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 accounting policies described in note 2(c).

2 Summary of significant accounting policies (continued)

(h) Investment income (continued)

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 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 instrument. 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.

(i) Expenses

All expenses, including Responsible Entity's fees, are recognised in profit or loss on an accruals basis.

(j) 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.

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

(k) 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 profit or loss as finance costs attributable to unitholders.

(l) 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 profit or loss as finance costs attributable to unitholders.

(m) 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 RITC; hence Responsible Entity's fees and other expenses have been recognised in profit or loss 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.

(n) Foreign currency translation

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

2 Summary of significant accounting policies (continued)

(n) Foreign currency translation (continued)

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

3 Interest income

	30 June 2016 $	30 June 2015 $
Cash and cash equivalents	**30,823**	29,462
Debt securities	**5,349,685**	5,229,511
Derivatives	**-**	14,871
Total	**5,380,508**	5,273,844

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

Net gains/(losses) arising from changes in the fair value measurement comprise:

	30 June 2016 $	30 June 2015 $
Net unrealised gains/(losses) on financial instruments held for trading	**57,756**	(85,208)
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	**(512,596)**	283,910
Net realised gains/(losses) on financial instruments held for trading	**(66,695)**	(155,612)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	**(206,664)**	267,227
Net gains/(losses) on financial instruments held at fair value through profit or loss	**(728,199)**	310,317

5 Other expenses

	30 June 2016 $	30 June 2015 $
Derivatives interest expenses	**122,889**	-
Sundry expenses	**2,559**	-
Transaction costs	**50**	-
Total	**125,498**	-

6 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2016 $	**30 June 2016 CPU**	30 June 2015 $	30 June 2015 CPU
Distributions				
Distributions paid - September	**1,077,450**	**0.63**	934,607	0.61
Distributions paid - December	**1,903,063**	**1.00**	3,261,854	2.06
Distributions paid - March	**1,348,033**	**0.78**	977,417	0.60
Distributions paid - June	**1,876,685**	**1.09**	-	-
Distributions payable - June	**-**	**-**	1,727,518	0.98
Total distributions	**6,205,231**		6,901,396	

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 2016 Units	30 June 2015 Units	**30 June 2016 $**	30 June 2015 $
Net assets attributable to unitholders				
Opening balance	**175,914,709**	153,114,128	**188,820,961**	165,525,892
Applications	**56,662,681**	43,946,584	**60,884,063**	47,594,850
Redemptions	**(238,207,300)**	(27,458,180)	**(253,850,164)**	(29,757,446)
Units issued upon reinvestment of distributions	**5,629,910**	6,312,177	**6,027,072**	6,801,617
Changes in net assets attributable to unitholders	**-**	-	**(1,881,932)**	(1,343,952)
Closing balance	**-**	175,914,709	**-**	188,820,961

7 Net assets attributable to unitholders (continued)

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 had the same right 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 reduced to $nil as the Scheme wound up on 30 June 2016.

8 Financial assets held at fair value through profit or loss

	Fair value 30 June 2016 $	Fair value 30 June 2015 $
Designated at fair value through profit or loss		
Debt securities	-	180,696,851
Unlisted unit trusts	-	9,310,532
Total financial assets held at fair value through profit or loss	-	190,007,383

9 Financial liabilities held at fair value through profit or loss

	Fair value 30 June 2016 $	Fair value 30 June 2015 $
Held for trading		
Swaps	-	273,970
Total financial liabilities held at fair value through profit or loss	-	273,970

10 Receivables

	30 June 2016 $	30 June 2015 $
Distributions receivable	-	70,497
Interest receivable	-	11,574
Applications receivable	-	177,773
Other receivables	-	7,555
Total receivables	-	267,399

11 Payables

	30 June 2016 $	30 June 2015 $
Responsible Entity's fees payable	**-**	37,623
Redemptions payable	**-**	836,961
Total payables	**-**	874,584

12 Related party transactions

Responsible Entity

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

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

Key management personnel

(a) Directors

The directors of Perpetual Investment Management Limited during the financial year or since the end of the year and up to the date of this report are as follows:

G Foster (appointed 25 January 2013, Alternate for G Larkins)
M Gordon (appointed 28 March 2013, resigned 24 February 2016)
J Hawkins (appointed 6 July 2012)
D Kiddie (appointed 24 February 2016)
G Larkins (appointed 7 January 2013)
P Lynch (appointed 6 July 2012, Alternate for J Hawkins)
P Statham (appointed 24 February 2016, Alternate for D Kiddie)
P Statham (appointed 9 September 2013, resigned 24 February 2016, Alternate for M Gordon)
D Winterton (appointed 24 February 2016, Alternate for D Kiddie)
D Winterton (appointed 20 April 2015, resigned 24 February 2016, 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.

12 Related party transactions (continued)

No key management personnel of the Responsible Entity held units in the Scheme as at 30 June 2016 (2015: nil).

Transactions with key management personnel

Key management personnel services are provided by Perpetual Investment Management Limited and included in the Responsible Entity's fees. There is no separate charge for these services. There was no compensation paid directly by the Scheme to any of the key management personnel during the year.

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.

Responsible Entity's fees and other transactions

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

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 2016 $	30 June 2015 $
Responsible Entity's fees paid and payable directly by the Scheme	**395,941**	392,847
Fees payable to the Responsible Entity as at reporting date (included in payables)	**-**	37,623

Related party unitholdings

Parties related to the Scheme (including the Responsible Entity, its related parties and other schemes managed by the Responsible Entity) held units in the Scheme as follows:

30 June 2016

Managed Investment Schemes	**Number of units held**	**Interest held %**	**Number of units acquired**	**Number of units disposed**	**Distributions paid by the Scheme $**
Perpetual Exact Market Cash Fund	**-**	**-**	**61,788,494**	**236,793,078**	**6,185,177**

12 Related party transactions (continued)

Related party unitholdings (continued)

30 June 2015

Managed Investment Scheme	Number of units held	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Scheme $
Perpetual Exact Market Cash Fund	175,004,584	99.5	49,220,278	25,947,811	6,858,822

Investments

The Scheme held investments in the following scheme which is also managed by the Responsible Entity or its related parties:

30 June 2016

Managed Investment Scheme	**Number of units held**	**Fair value of investment $**	**Interest held %**	**Number of units acquired**	**Number of units disposed**	**Distributions received by the Scheme $**
Perpetual Institutional Cash Management Trust	**-**	**-**	**-**	**89,721,829**	**99,032,361**	**194,180**

30 June 2015

Managed Investment Scheme	Number of units held	Fair value of investment $	Interest held %	Number of units acquired	Number of units disposed	Distributions received/ receivable by the Scheme $
Perpetual Institutional Cash Management Trust	9,310,532	9,310,532	0.7	91,205,438	94,000,000	384,123

13 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding control and the relevant activities are directed by means of contractual arrangements.

The Scheme considers all investments in unlisted unit trusts to be structured entities. The Scheme invests in unlisted unit trusts for the purpose of capital appreciation and earning investment income.

The unlisted unit trusts are managed in accordance with the investment strategy by the respective investment managers. The investment decisions are based on the analysis conducted by the managers. The return of the unlisted unit trusts is exposed to the variability of the performance of the investment strategies. The unlisted unit trusts finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective trusts' net assets and distributions.

The Scheme's interest to unconsolidated structured entities at 30 June 2016 was $nil (2015: $9,310,532). The fair value of these entities is included in financial assets held at fair value through profit or loss in the balance sheet.

The Scheme's maximum exposure to loss is equal to the total fair value of its investments in these entities as there are no off balance sheet exposures relating to them. The Scheme's exposure to any risk from the structured entities will cease when these investments are disposed of.

14 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 2016 $	30 June 2015 $
Audit and audit related services		
KPMG		
Total remuneration for audit and audit related services	**8,147**	16,902

15 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	30 June 2016 $	30 June 2015 $
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities		
Operating profit/(loss)	**4,323,477**	5,557,464
(Increase)/decrease in distributions receivable	**70,497**	21,316
(Increase)/decrease in interest receivable	**11,574**	2,834
(Increase)/decrease in other receivables	**7,555**	(531)
Increase/(decrease) in payables	**(37,623)**	4,489
Net (gains)/losses on financial instruments held at fair value through profit or loss	**728,199**	(310,317)
Net foreign exchange (gains)/losses	**1,573**	17,973
Net cash inflow/(outflow) from operating activities	**5,105,252**	5,293,228
(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	**-**	1,420,076
Total cash and cash equivalents	**-**	1,420,076

16 Financial risk management

The Scheme's investing activities are exposed to a variety of financial risks. These risks include 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 monitor the Scheme's compliance with its governing documents and to minimise risks in its 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 carried out by the asset managers in accordance with the investment strategy specifically tailored for the Scheme’s objectives. The strategy is approved by the Board of Directors of the Responsible Entity, and must comply with any authorised investments and management restrictions specified in the Scheme's Constitution. The Scheme is permitted to use derivative products. The use of derivatives is considered to be part of the investment management process and is not managed in isolation.

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

16 Financial risk management (continued)

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices such as foreign exchange rates, interest rates, equity prices and credit spreads.

The Scheme may use derivative instruments to manage its exposure to market risk. 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 2016 (30 June 2015: the Scheme held interest rate swap and cross currency swaps).

(i) Currency risk

A Scheme that invests in financial instruments denominated in currencies other than the Australian dollar is exposed to currency risk. Currency risk arises as the fair value or future cash flows of monetary securities denominated in foreign currency will fluctuate due to changes in exchange rates. The currency risk relating to non-monetary assets and liabilities is a component of price risk not currency risk. However, management monitors the exposures on all foreign currency denominated assets and liabilities.

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

The Scheme did not have significant exposure to currency risk at the reporting date.

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

The Scheme was not exposed to interest rate risk as at 30 June 2016.

The following table summarises the Scheme's exposure to interest rate risk:

	Floating interest rate $	Fixed interest rate $	Total $
30 June 2015			
Financial assets			
Cash and cash equivalents	1,420,076	-	1,420,076
Debt securities	173,213,756	7,483,095	180,696,851
Financial liabilities			
Derivatives	52,602	221,368	273,970

16 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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 and net assets attributable to unitholders by $nil (2015: $1,570,092). This analysis assumes that all variables, in particular foreign currency rates, remain constant. A decrease of 1% would have an 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 predominantly through its investment in unlisted unit trusts for which prices in the future are uncertain (other than arising from currency risk or interest rate risk). The price risk arising from debt securities is impacted by movements in interest rates and is reflected in note 16(a)(ii) 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.

As at 30 June 2016, the fair value of the Scheme's investments exposed to price risk was $nil (2015: $9,310,532).

Sensitivity analysis

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

An increase of 15% at the reporting date of the market prices would have increased the Scheme's operating profit and net assets attributable to unitholders by $nil (2015: $1,396,580). This analysis assumes that all other variables remain constant.

A decrease of 15% would have an 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 debt securities, derivative financial instruments, cash and cash equivalents and other receivables.

(i) Debt securities

Debt securities are rated by Standard & Poor's. The Scheme's exposure in each grade is monitored on a regular basis.

16 Financial risk management (continued)

(b) Credit risk (continued)

(i) Debt securities (continued)

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

The Scheme did not hold debt securities as at 30 June 2016.

The table below sets out the analysis of debt securities by Standard & Poor's credit rating :

30 June 2015	AAA to AA-	A+ to A-	BBB+ to BBB-	NON-RATED*	Total
	$	$	$	$	$
Interest bearing securities					
Debt securities	99,283,213	47,499,637	4,733,748	29,180,253	180,696,851

*May include interest bearing securities that are rated by rating agencies other than Standard and Poor's.

(ii) Derivative financial instruments

The use of derivatives is limited to the investment strategy specifically tailored for the Scheme. Asset managers are only permitted to use derivative financial instruments that meet certain investment criteria.

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. For over the counter derivatives, minimum credit ratings apply for counterparties at the time of entering into a contract and ISDA agreements.

(iii) Cash and cash equivalents

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

(iv) 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.

16 Financial risk management (continued)

(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 formally wound up on 30 June 2016.

The Scheme did not have any outstanding financial liabilities as at 30 June 2016.

The following table summarises the contractual maturities of financial liabilities, including interest payments where applicable:

30 June 2015	Carrying amount $	At call $	Contractual cash flows less than 6 months $	6 - 12 months $	more than 12 months $
Non-derivative financial liabilities					
Distributions payable to unitholders of the Scheme	1,727,518	-	1,727,518	-	-
Payables	874,584	-	874,584	-	-
Net assets attributable to unitholders	188,820,961	188,820,961	-	-	-
Total	191,423,063	188,820,961	2,602,102	-	-
Derivative financial liabilities					
Swaps	273,970				
Outflow	-	-	1,956,117	73,125	3,981,250
Inflow	-	-	(1,807,604)	-	-
Total	273,970	-	148,513	73,125	3,981,250

(d) Fair value measurement

The Scheme classifies fair value measurement of its financial assets and liabilities using a fair value hierarchy model that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Inputs that are 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).

16 Financial risk management (continued)

(d) Fair value measurement (continued)

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed securities) is based on quoted market 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.

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.

Listed securities and exchange traded derivatives are valued at the last traded price. 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 (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

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.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions held.

Quoted market prices or dealer quotes for similar instruments are used for debt instruments held.

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 counterparties. Options are valued with the reference to the quoted prices of the underlying index or share. If there is no liquid market available, the options are valued based on option prices provided by an arm's length broker. These valuations are based on Black-Scholes option pricing models. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the reporting date.

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

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs as at 30 June 2016 and 30 June 2015.

No investments were held by the Scheme as at 30 June 2016 as the Scheme formally wound up on that date.

16 Financial risk management (continued)

(d) Fair value measurement (continued)

The following table presents the Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets designated at fair value through profit or loss:				
Debt securities	5,399,600	175,297,251	-	180,696,851
Unlisted unit trusts	9,310,532	-	-	9,310,532
Total	14,710,132	175,297,251	-	190,007,383
Financial liabilities				
Financial liabilities held for trading:				
Swaps	-	273,970	-	273,970
Total	-	273,970	-	273,970

Transfers between levels

The Scheme's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

There were no transfers between levels for the years ended 30 June 2016 and 30 June 2015.

17 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is 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.

The Scheme did not hold any financial assets or liabilities subject to offsetting arrangements as at 30 June 2016.

	Effects of offsetting on the balance sheet			Related amounts not offset	
30 June 2015	Gross amounts $	Gross amounts set off in the balance sheet $	Net amounts presented in the balance sheet $	Amounts subject to master netting arrange-ments $	Net amounts $
Financial assets					
Derivative financial instruments	-	-	-	-	-
Total	-	-	-	-	-
Financial liabilities					
Derivative financial instruments	273,970	-	273,970	-	273,970
Total	273,970	-	273,970	-	273,970

Master netting arrangement

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

18 Derivative financial instruments

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.

18 Derivative financial instruments (continued)

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.

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.

As at reporting date, there were no derivative instruments held by the Scheme (2015: Interest rate swap and cross currency swaps).

Risk exposures and fair value measurements

Information about the Scheme's exposure to financial risks and the methods and assumptions used in determining fair values is provided in note 16 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the derivative financial instruments.

19 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2016 or on the results and cash flows of the Scheme for the year ended on that date.

20 Contingent assets, liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

21 Wind up

The Responsible Entity resolved to wind up the Scheme effective from 5 May 2016. The Scheme was formally wound up on 30 June 2016.

Directors' declaration

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

(a) the annual financial statements and notes, set out on pages 6 to 29, 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 2016 and of its performance for the financial year ended on that date;

(b) 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
20 September 2016

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

Report on the financial report

We have audited the accompanying financial report of Perpetual Premium Treasury Fund (the Scheme), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 21 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 of the Responsible Entity 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Perpetual Premium Treasury Fund is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Scheme's financial position as at 30 June 2016 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).

Basis of preparation

Without modifying our opinion, we draw attention to note 2(a) of the financial report which describes the basis of preparation. The financial report has been prepared on a non-going concern basis. Following a resolution to terminate the Scheme made by the Board of Directors of the Responsible Entity, Perpetual Premium Treasury Fund is no longer considered a going concern.

KPMG

KPMG

Michael O Connell
Partner

Sydney

20 September 2016

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