

PERPETUAL WEALTHFOCUS INVESTMENT FUNDS

ANNUAL FINANCIAL REPORT
30 JUNE 2017

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Perpetual 

**Perpetual WealthFocus Investment Funds
Annual Financial Report
30 June 2017**

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Directors' report

The directors of Perpetual Investment Management Limited (a wholly owned subsidiary of Perpetual Limited), the Responsible Entity of Perpetual WealthFocus Investment Funds, present their report together with the annual financial report of Perpetual WealthFocus Investment Funds ("the Schemes") for the year ended 30 June 2017 and the auditor's report thereon.

The following are the Schemes included within this report:

Statutory name	Referred to in this document as	ARSN
Perpetual International Share Fund	Perpetual Global Share Fund	090 691 624
Perpetual Industrial Share Fund	Perpetual Industrial Share Fund	089 547 875

Responsible Entity

The Responsible Entity of Perpetual WealthFocus Investment Funds is Perpetual Investment Management Limited (ABN 18 000 866 535). The Responsible Entity's registered office and principal place of business is Level 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)
J Hawkins (appointed 6 July 2012, resigned 24 February 2017)
D Kiddie (appointed 24 February 2016, resigned 3 November 2016)
D Lane (appointed 20 April 2017)
G Larkins (appointed 7 January 2013)
P Lynch (appointed 6 July 2012, resigned 24 February 2017, Alternate for J Hawkins)
A Shelley (appointed 24 February 2017, resigned 20 April 2017)
M Smith (appointed 3 November 2016)
P Statham (appointed 24 February 2016, resigned 3 November 2016, Alternate for D Kiddie)
D Winterton (appointed 24 February 2016, resigned 14 October 2016, Alternate for D Kiddie)

Principal activities

The Schemes invest and trade in equities, unlisted unit trusts and derivatives in accordance with the provisions of the Constitutions of the Schemes.

The objectives and investment strategies of the Schemes are disclosed in the Perpetual WealthFocus Investment Funds Product Disclosure Statement.

The Schemes did not have any employees during the year.

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

Directors' report (continued)

Review and results of operations

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

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

	Perpetual Global Share Fund		Perpetual Industrial Share Fund ¹	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Operating profit/(loss) before finance costs attributable to unitholders	24,421	(8,609)	420,663	(48,785)
Distributions paid and payable	2,132	234	232,442	369,926
Distributions (cents per unit)	1.98	0.19	17.14	27.66

Interests in the Schemes

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

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

Significant changes in state of affairs

On 21 June 2017 the Responsible Entity approved changes to the Scheme's Constitution to allow it to operate as an Attribution Managed Investment Trust ("AMIT"). These changes will be applicable from the time an election is made by the Responsible Entity to adopt the AMIT regime for the Scheme. This election has not yet been made at the date of this report.

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

¹ The distributions paid & payable, and distributions (cents per unit) values are the total of both classes of units. The split between the two classes is provided in note 5.

Directors' report (continued)

Likely developments and expected results of operations

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

Environmental regulation

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

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

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

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

The number of interests in the Schemes held by the Responsible Entity or its associates as at the end of the financial year 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 Schemes in regards to insurance cover provided to either the officers of Perpetual Investment Management Limited or the auditor of the Schemes. So long as the officers of Perpetual Investment Management Limited act in accordance with the Schemes' Constitutions and the law, the officers remain indemnified out of the assets of the Schemes against losses incurred while acting on behalf of the Schemes. The auditor of the Schemes is in no way indemnified out of the assets of the Schemes.

Directors' report (continued)

Rounding of amounts to the nearest thousand dollars

The Schemes are entities of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with the legislative instrument, unless otherwise indicated.

Lead auditor's independence declaration

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

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



Director

Sydney
20 September 2017



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

To the Directors of Perpetual Investment Management Limited, the Responsible Entity for the following Schemes:

Perpetual Industrial Share Fund; and
Perpetual Global Share Fund

I declare that, to the best of my knowledge and belief, in relation to each of the audits of the Schemes for the financial year ended 30 June 2017 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

Jessica Davis

Partner

Sydney

20 September 2017

Perpetual WealthFocus Investment Funds
Statements of comprehensive income
For the year ended 30 June 2017

Statements of comprehensive income

	Notes	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Investment income					
Dividend/distribution income		6,543	1,702	130,726	152,730
Interest income		-	-	157	252
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	19,253	(8,852)	315,543	(171,824)
Net foreign exchange gains/(losses)		-	-	(240)	(61)
Other income		-	-	24	455
Total net investment income/(loss)		25,796	(7,150)	446,210	(18,448)
Expenses					
Responsible Entity's fees	12	1,374	1,459	20,450	22,236
Other operating expenses	4	1	-	5,097	8,101
Total expenses		1,375	1,459	25,547	30,337
Operating profit/(loss)		24,421	(8,609)	420,663	(48,785)
Finance costs attributable to unitholders					
Distributions to unitholders	5	2,132	234	232,442	369,926
Interest expense		-	-	1	-
Changes in net assets attributable to unitholders	6	22,289	(8,843)	188,220	(418,711)
Profit/(loss)		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	-	-

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

Perpetual WealthFocus Investment Funds
Balance sheets
As at 30 June 2017

Balance sheets

	Notes	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Assets					
Cash and cash equivalents	10(b)	-	-	20,655	4,741
Financial assets held at fair value through profit or loss	7	142,294	140,913	3,103,606	3,143,841
Receivables for securities sold		164	54	12,781	39,384
Receivables	8	6,665	1,397	25,356	26,544
Total assets		149,123	142,364	3,162,398	3,214,510
Liabilities					
Distributions payable to unitholders of the Schemes	5	2,132	234	157,799	283,316
Payables for securities purchased		96	59	7,483	17,145
Payables	9	291	176	2,928	2,901
Total liabilities (excluding net assets attributable to unitholders)		2,519	469	168,210	303,362
Net assets attributable to unitholders - liability	6	146,604	141,895	2,994,188	2,911,148

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

Statements of changes in equity

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

Perpetual WealthFocus Investment Funds
Statements of Cash Flows
For the year ended 30 June 2017

Statements of cash flows

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Notes				
Cash flows from operating activities				
Dividends/distributions received	1,320	6,453	133,257	154,988
Interest received	-	-	163	302
Other income received	93	125	1,633	3,012
Responsible Entity's fees paid	(1,471)	(1,588)	(21,914)	(24,323)
Other operating expenses paid	(1)	-	(5,441)	(8,674)
Net cash inflow/(outflow) from operating activities	(59)	4,990	107,698	125,305
10(a)				
Cash flows from investing activities				
Proceeds from sale of investments	27,787	22,000	2,723,868	3,777,618
Payments for purchase of investments	(9,988)	(19,411)	(2,351,389)	(3,452,229)
Net cash inflow/(outflow) from investing activities	17,799	2,589	372,479	325,389
Cash flows from financing activities				
Proceeds from applications by unitholders	14,350	12,975	387,915	637,064
Payments for redemptions by unitholders	(32,054)	(20,188)	(802,109)	(1,101,426)
Distributions paid	(36)	(366)	(50,068)	(87,198)
Interest expense paid	-	-	(1)	-
Net cash inflow/(outflow) from financing activities	(17,740)	(7,579)	(464,263)	(551,560)
Net increase/(decrease) in cash and cash equivalents	-	-	15,914	(100,866)
Cash and cash equivalents at the beginning of the year	-	-	4,741	105,607
Cash and cash equivalents at the end of the year	-	-	20,655	4,741
10(b)				

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

1 General information

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

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

The annual financial report was authorised for issue by the directors of the Responsible Entity on 20 September 2017. 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.

(a) Basis of preparation

The annual financial report contains general purpose financial reports of the Schemes which have 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.

Compliance with International Financial Reporting Standards

The annual financial report of the Schemes also complies with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

Functional and presentation currency

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

Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are continuously evaluated and 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.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published, but are not yet mandatory and have not been early adopted by the Schemes for the reporting period ended 30 June 2017. The assessment of the impact of these new standards (to the extent relevant to the Schemes) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

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

Management does not expect this standard to have a significant impact on the recognition and measurement of the Schemes' financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements and the Schemes do not apply hedge accounting.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Schemes' main sources of income are interest, dividends/distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, management does not expect the adoption of the new revenue recognition rules to have a significant impact on the Schemes' accounting policies or the amounts recognised in the financial statements.

(c) Financial instruments

(i) *Classification*

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

- Financial instruments held for trading

All derivatives are classified as held for trading. The Schemes do not designate any derivatives as hedges in a hedging relationship.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification (continued)

- 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 equity instruments and unlisted unit trusts.

These investments are managed and their performance is evaluated on a fair value basis in accordance with the investment strategy of the Schemes.

(ii) Recognition/derecognition

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

Investments are derecognised on the date the Schemes become 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, a financial asset or liability is measured at fair value. Transaction costs are expensed in profit or loss as incurred. Subsequently all financial assets and 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.

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 14(d).

(iv) Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Schemes are required to distribute their distributable income, in accordance with the Schemes' Constitutions.

The units can be put back to the Schemes at any time for cash based on the redemption price. The units are carried at the redemption amount that is payable at the balance sheet date if the unitholders exercise their right to put the units back to the Schemes.

(e) Cash and cash equivalents

For the purpose of presentation in the statements of cash flow, cash and cash equivalents include cash on hand, margin accounts, 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.

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

(f) Receivables

Receivables include accrued income and application monies receivable. 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 Schemes 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 on cash balances is recognised in profit or loss as it accrues using the nominated interest rates available on the bank accounts held.

Dividend income is recognised on the ex-dividend date.

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

Other income is brought to account on an accruals basis.

2 Summary of significant accounting policies (continued)

(i) Expenses

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

(j) Income tax

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

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

(k) Distributions

The Schemes distribute their distributable income, in accordance with the Schemes' Constitutions, 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. Changes in net assets attributable to unitholders are recognised in profit or loss as finance costs attributable to unitholders.

(m) Goods and Services Tax

The Goods and Services Tax ("GST") is incurred on the cost of various services provided to the Schemes by third parties. The Schemes qualify for Reduced Input Tax Credit; hence expenses such as Responsible Entity's fees have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Payables are stated with the amount of GST included. The net amount of GST recoverable is included in receivables in the balance sheets. Cash flows are included in the statements of cash flows 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.

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 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:

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Net unrealised gains/(losses) on financial instruments held for trading	-	-	486	50
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	19,627	(7,661)	188,705	(417,577)
Net realised gains/(losses) on financial instruments held for trading	-	-	98	(1,069)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	(374)	(1,191)	126,254	246,772
Net gains/(losses) on financial instruments held at fair value through profit or loss	19,253	(8,852)	315,543	(171,824)

4 Other operating expenses

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Transaction costs	-	-	4,591	6,832
Sundry expenses	1	-	506	1,269
Total	1	-	5,097	8,101

5 Distributions to unitholders

The distributions for the year were as follows:

	Perpetual Global Share Fund			
	30 June 2017 \$'000	30 June 2017 CPU	30 June 2016 \$'000	30 June 2016 CPU
Distributions payable - June	2,132	1.98	234	0.19
Total distributions	2,132		234	

	Perpetual Industrial Share Fund - Class A				Perpetual Industrial Share Fund - Class B			
	30 June 2017 \$'000	30 June 2017 CPU	30 June 2016 \$'000	30 June 2016 CPU	30 June 2017 \$'000	30 June 2017 CPU	30 June 2016 \$'000	30 June 2016 CPU
Distributions paid - September	3,960	0.59	3,921	0.56	15,508	0.65	15,314	0.66
Distributions paid - December	8,095	1.24	12,336	1.81	27,520	1.17	35,678	1.53
Distributions paid - March	2,816	0.44	2,736	0.41	16,744	0.73	16,625	0.72
Distributions payable - June	43,604	7.35	88,247	13.45	114,195	4.97	195,069	8.52
Total distributions	58,475		107,240		173,967		262,686	

6 Net assets attributable to unitholders

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

	Perpetual Global Share Fund				Perpetual Industrial Share Fund			
	30 June 2017 Units '000	30 June 2016 Units '000	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 Units '000	30 June 2016 Units '000	30 June 2017 \$'000	30 June 2016 \$'000
Net assets attributable to unitholders								
Opening balance	121,900	126,663	141,895	156,209	2,946,736	2,936,090	2,911,148	3,318,848
Applications	11,477	10,372	14,387	12,883	382,808	571,919	389,033	636,962
Redemptions	(25,614)	(16,594)	(32,165)	(20,153)	(767,534)	(1,015,141)	(802,104)	(1,101,732)
Units issued upon reinvestment of distributions	170	1,459	198	1,799	329,158	453,868	307,891	475,781
Changes in net assets attributable to unitholders	-	-	22,289	(8,843)	-	-	188,220	(418,711)
Closing balance	107,933	121,900	146,604	141,895	2,891,168	2,946,736	2,994,188	2,911,148

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

Capital risk management

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

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

7 Financial assets held at fair value through profit or loss

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Held for trading				
Foreign exchange forward contracts	-	-	488	3
	-	-	488	3
Designated at fair value through profit or loss				
Equities	-	-	2,978,908	2,936,209
Unlisted unit trusts	142,294	140,913	124,210	207,629
	142,294	140,913	3,103,118	3,143,838
Total financial assets held at fair value through profit or loss	142,294	140,913	3,103,606	3,143,841

8 Receivables

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Dividends/distributions receivable	6,543	1,320	21,243	23,774
Interest receivable	-	-	1	7
Applications receivable	96	59	3,673	2,555
Other receivables	26	18	439	208
Total receivables	6,665	1,397	25,356	26,544

9 Payables

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Responsible Entity's fees payable	126	122	393	361
Redemptions payable	165	54	2,535	2,540
Total payables	291	176	2,928	2,901

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

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities				
Operating profit/(loss)	24,421	(8,609)	420,663	(48,785)
(Increase)/decrease in dividends/distributions receivable	(5,223)	4,751	2,531	2,258
(Increase)/decrease in interest receivable	-	-	6	50
(Increase)/decrease in other receivables	(8)	18	(231)	357
Increase/(decrease) in payables	4	(22)	32	(460)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(19,253)	8,852	(315,543)	171,824
Net foreign exchange (gains)/losses	-	-	240	61
Net cash inflow/(outflow) from operating activities	(59)	4,990	107,698	125,305
(b) Components of cash and cash equivalents				
Cash at the end of the year as shown in the statements of cash flows reconciled to the balance sheets as follows:				
Cash on hand	-	-	20,281	4,731
Margin accounts	-	-	374	10
Total cash and cash equivalents	-	-	20,655	4,741
(c) Non-cash financing activities				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	198	1,799	307,891	475,781

11 Remuneration of auditors

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$	30 June 2016 \$	30 June 2017 \$	30 June 2016 \$
Amount received or due and receivable by KPMG:				
Audit and review of financial report and compliance plan	10,938	10,582	22,483	21,619

Audit fees were paid or payable by the Responsible Entity.

12 Related party transactions

Responsible Entity

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

The Schemes do not employ personnel in their own right. However, they are required to have an incorporated Responsible Entity to manage the activities of the Schemes and this is considered the key management personnel.

Key management personnel

(a) Directors

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 were as follows:

G Foster (appointed 25 January 2013, Alternate for G Larkins)
J Hawkins (appointed 6 July 2012, resigned 24 February 2017)
D Kiddie (appointed 24 February 2016, resigned 3 November 2016)
D Lane (appointed 20 April 2017)
G Larkins (appointed 7 January 2013)
P Lynch (appointed 6 July 2012, resigned 24 February 2017, Alternate for J Hawkins)
A Shelley (appointed 24 February 2017, resigned 20 April 2017)
M Smith (appointed 3 November 2016)
P Statham (appointed 24 February 2016, resigned 3 November 2016, Alternate for D Kiddie)
D Winterton (appointed 24 February 2016, resigned 14 October 2016, Alternate for D Kiddie)

(b) Other key management personnel

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

Key management personnel unitholdings

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

No key management personnel of the Responsible Entity held material interests in the Schemes at the reporting date.

12 Related party transactions (continued)

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 Schemes to any of the key management personnel during the year.

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

Responsible Entity's fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Schemes' Constitutions (as amended). The Responsible Entity's fees comprising a management fee and expense recoveries are expressed as a percentage of the net asset value of the Schemes.

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

Schemes	Responsible Entity's fees	
	Management Fee	Expense Recoveries
Perpetual Global Share Fund	2.02%	0.03%
Perpetual Industrial Share Fund - Class A	1.95%	0.03%
Perpetual Industrial Share Fund - Class B	nil	nil

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

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Responsible Entity's fees paid and payable directly by the Scheme	\$ 1,374,306	\$ 1,458,667	\$ 20,450,433	\$ 22,236,119
Fees payable to the Responsible Entity at the reporting date	126,453	121,551	393,481	361,481

12 Related party transactions (continued)

Related party unitholdings

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

Perpetual Global Share Fund	Number of	Interest	Number of	Number of	Distributions	Number of	Interest	Number of	Number of	Distributions
	units held	held	units	units	paid/payable					
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	'000	%	'000	'000	\$'000	'000	%	'000	'000	\$'000
Unitholders										
Perpetual WealthFocus Investment Advantage Fund	37,103	34.4	1,814	5,671	733	40,960	33.6	2,398	3,772	79
Perpetual WealthFocus Superannuation Fund	28,731	26.6	4,127	7,238	567	31,842	26.1	7,598	6,562	61
Perpetual's Pooled Superannuation Trust	9,320	8.6	535	2,489	184	11,274	9.2	838	1,948	22
Perpetual Industrial Share Fund										
	Number of	Interest	Number of	Number of	Distributions	Number of	Interest	Number of	Number of	Distributions
	units held	held	units	units	paid/payable					
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2017	2017	2017	2017	2016	2016	2016	2016	2016
	'000	%	'000	'000	\$'000	'000	%	'000	'000	\$'000
Unitholders - Class A										
Perpetual's Pooled Superannuation Trust	48,459	8.2	8,254	14,309	4,816	54,514	1.6	11,750	12,322	8,946
Unitholders - Class B										
Perpetual Wholesale Industrial Fund	2,278,538	68.8	616,552	608,376	172,483	2,270,362	66.5	808,145	791,810	260,323
Perpetual Wholesale Split Growth Fund	19,613	0.6	4,926	5,714	1,483	20,401	0.6	6,772	5,614	2,364

12 Related party transactions (continued)

Investments

The Schemes held investments in the following schemes which are also managed by the Responsible Entity or its related parties:

Perpetual Global Share Fund	Number of units held	Fair value of investments	Interest held	Number of units acquired	Number of units disposed	Distributions received/receivable	Number of units held	Fair value of investments	Interest held	Number of units acquired	Number of units disposed	Distributions received/receivable
	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016
	'000	\$'000	%	'000	'000	\$'000	'000	\$'000	%	'000	'000	\$'000
Investments												
Perpetual Global Share Fund - Class A	110,670	142,262	72.1	8,140	22,663	6,543	125,193	140,759	82.4	16,086	18,579	1,702
Perpetual's International Share Pool Fund	56	32	50.9	-	82	-	138	154	51.3	-	49	-
Perpetual Industrial Share Fund												
Perpetual Industrial Share Fund	Number of units held	Fair value of investments	Interest held	Number of units acquired	Number of units disposed	Distributions received/receivable	Number of units held	Fair value of investments	Interest held	Number of units acquired	Number of units disposed	Distributions received/receivable
	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2017	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016
	'000	\$'000	%	'000	'000	\$'000	'000	\$'000	%	'000	'000	\$'000
Investments												
Perpetual Institutional Cash Management Trust	124,210	124,210	9.4	1,046,144	1,129,563	3,617	207,629	207,629	16.0	1,341,959	1,318,300	4,638

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 Schemes consider all investments in unlisted unit trusts to be structured entities. The Schemes invest in unlisted unit trusts for the purpose of capital appreciation and earning investment income.

The unlisted unit trusts are managed in accordance with their investment strategy by their 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 strategy. 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 Schemes' interest in unconsolidated structured entities from investing in unlisted unit trusts at the reporting date is disclosed in note 7. The fair value of these entities is included in financial assets held at fair value through profit or loss in the balance sheets.

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

The Schemes do not have current commitments or intentions and contractual obligations to provide financial or other support to the unconsolidated structured entities. There are no loans or advances currently made to these entities.

There are no significant restrictions on the ability of the unconsolidated structured entities to transfer funds to the Schemes in the form of cash distributions.

Unconsolidated subsidiaries

The Schemes apply the investment entity exception to consolidation available under AASB 10 *Consolidated Financial Statements* and measure their subsidiaries at fair value through profit or loss.

As at reporting date, Perpetual Industrial Share Fund did not have control in structured entities.

The following table provides information in relation to unconsolidated structured entities that are considered to be the Scheme's subsidiaries at the reporting date:

	Perpetual Global Share Fund			
	Fair value		Ownership interest	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	\$'000	\$'000	%	%
Perpetual Global Share Fund - Class A	142,262	140,759	72.1	82.4
Perpetual's International Share Pool Fund	32	154	50.9	51.3

Each of the above subsidiaries is domiciled in Australia.

14 Financial risk management

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

A risk management framework has been established by the Responsible Entity of the Schemes to monitor the Schemes' compliance with their governing documents and to minimise risks in their investment activities. This framework incorporates a regular assessment process to ensure procedures and controls adequately manage investment activities. The Schemes are permitted to use derivative products. However, the use of derivatives must be consistent with the investment strategy and restrictions specified in the Schemes' governing documents.

All securities investments present a risk of loss of capital. The maximum loss of capital on equities and unlisted unit trusts is limited to the fair values of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The Schemes' asset managers aim to manage these risks through the use of consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments. Assets managers will only purchase securities (including derivatives) which meet the prescribed investment criteria. Risk may also be reduced by diversifying investments across several asset managers, markets, regions or different asset classes and counterparties.

The Schemes use different methods to measure different types of risks to which they are exposed. These methods include sensitivity analysis in the case of currency risk, interest rate risk and price risk; and credit ratings analysis for credit risk.

(a) Market risk

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

The Schemes did not have any significant direct exposure to currency risk at the reporting period.

14 Financial risk management (continued)

(a) Market risk (continued)

(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 Schemes are exposed to cash flow interest rate risk on financial instruments with floating interest rates. Financial instruments with fixed interest rates expose the Schemes to fair value interest rate risk.

The Schemes' exposure to interest rate risk arise from cash and cash equivalents and units in cash management trusts, which earn/charge a floating rate of interest. Units in cash management trusts are priced at \$1 and the underlying investments are predominantly exposed to highly liquid interest bearing securities. From 1 July 2016 the Schemes changed the risk assessment for cash management trusts from price risk to interest rate risk to align to how the underlying exposures are monitored. The Schemes previously included all unlisted unit trusts (including cash management trusts) in the assessment of price risk (refer to note 14(a)(iii)).

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Schemes are exposed to price risk predominantly through their investments in equities and unlisted unit trusts.

At the reporting date, the fair value of the Schemes' investments exposed to price risk was as follows.

	Perpetual Global Share Fund		Perpetual Industrial Share Fund	
	30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016 \$'000
Investments exposed to price risk	142,294	140,913	2,978,908	3,143,839

From 1 July 2016, the Schemes analysed their exposure to price risk arising from unlisted unit trusts by their type of asset class. The Schemes excluded their holdings in cash management trusts from price risk analysis as the unit price for cash management trusts is valued at \$1 and is subject to insignificant risk of changes in value.

The table presented in note 14(a)(iv) summarises sensitivity analysis to price risk. This analysis assumes that all other variables remain constant.

14 Financial risk management (continued)

(a) Market risk (continued)

(iv) Sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and historical correlation of the Schemes' investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Schemes invest. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Sensitivity rates	Impact on operating profit/net assets attributable to unitholders			
		Perpetual Global Share Fund		Perpetual Industrial Share Fund	
		30 June 2017 \$'000	30 June 2016 \$'000	30 June 2017 \$'000	30 June 2016** \$'000
Interest rate risk*	+1%	-		1,449	
	-1%	-		(1,449)	
Price risk*	+15%	21,344	21,137	446,836	471,576
	-15%	(21,344)	(21,137)	(446,836)	(471,576)

*The Schemes changed the risk assessment of its holdings in cash management trusts from price risk to interest rate risk, as discussed in note 14(a)(ii) and note 14(a)(iii) for the current year.

**The sensitivity analysis for the comparative year ended 30 June 2016 was not restated.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The Schemes are exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, and receivables for securities sold. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

14 Financial risk management (continued)

(b) Credit risk (continued)

(i) Derivative financial instruments

The risk of counterparty default for over the counter derivatives is minimised by applying minimum credit ratings to counterparties at the time of entering into a contract and ISDA agreements are put in place with counterparties.

(ii) Cash and cash equivalents

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

(iii) Receivables for securities sold

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.

All transactions in unlisted unit trusts are settled/unitised when unit prices are issued. The risk of default is considered low except when trading in a suspended unlisted unit trust.

(c) Liquidity risk

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

The Schemes are exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives.

The Schemes' investments in equity securities are considered to be readily realisable. The Schemes primarily hold investments in an active market which can be readily disposed. Only a limited proportion of these investments are not actively traded on a stock exchange.

The Schemes' investments in unlisted unit trusts expose them 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 Schemes. However, these investments are considered readily realisable unless the unlisted unit trusts are declared illiquid or suspended.

14 Financial risk management (continued)

(c) Liquidity risk (continued)

In order to manage the Schemes' overall liquidity, asset managers will only purchase securities (including derivatives) which meet the Schemes' investment criteria, including the assessment of saleability in different market conditions. The Schemes' investment strategy generally defines a minimum liquidity level for the Schemes which are monitored regularly. The Responsible Entity has the discretion to reject an application and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Schemes did not reject or withhold any redemptions during the reporting period.

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

	30 June 2017			30 June 2016		
	Contractual cash flows			Contractual cash flows		
	Carrying amount \$'000	At call \$'000	Less than 6 months \$'000	Carrying amount \$'000	At call \$'000	Less than 6 months \$'000
Perpetual Global Share Fund						
Non-derivative financial liabilities						
Distributions payable to unitholders of the Scheme	2,132	-	2,132	234	-	234
Payables for securities purchased	96	-	96	59	-	59
Payables	291	-	291	176	-	176
Net assets attributable to unitholders	146,604	146,604	-	141,895	141,895	-
Total	149,123	146,604	2,519	142,364	141,895	469
	30 June 2017			30 June 2016		
	Contractual cash flows			Contractual cash flows		
	Carrying amount \$'000	At call \$'000	Less than 6 months \$'000	Carrying amount \$'000	At call \$'000	Less than 6 months \$'000
Perpetual Industrial Share Fund						
Non-derivative financial liabilities						
Distributions payable to unitholders of the Scheme	157,799	-	157,799	283,316	-	283,316
Payables for securities purchased	7,483	-	7,483	17,145	-	17,145
Payables	2,928	-	2,928	2,901	-	2,901
Net assets attributable to unitholders	2,994,188	2,994,188	-	2,911,148	2,911,148	-
Total	3,162,398	2,994,188	168,210	3,214,510	2,911,148	303,362

14 Financial risk management (continued)

(d) Fair value measurement

The Schemes classify fair value measurement of their 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:

- 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 (level 1)

The fair value of financial assets and liabilities traded in active markets 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 exchange traded financial assets and liabilities, information provided by the 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 that are considered actively traded 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 techniques that provide a reliable estimate of prices obtained in actual market transactions.

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.

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

14 Financial risk management (continued)

(d) Fair value measurement (continued)

(ii) Fair value in an inactive or unquoted market (level 2 and level 3) (continued)

Some of the inputs to a valuation model 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.

The Schemes did not hold any financial instruments with fair value measurements using significant unobservable inputs (level 3) at 30 June 2017 and 30 June 2016.

The following tables present the Schemes' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

Perpetual Global Share Fund

	30 June 2017				30 June 2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	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	142,262	32	-	142,294	140,759	154	-	140,913
Total	142,262	32	-	142,294	140,759	154	-	140,913

Perpetual Industrial Share Fund

	30 June 2017				30 June 2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets								
Financial assets held for trading:								
Foreign exchange forward	-	488	-	488	-	3	-	3
Financial assets designated at fair value through profit or loss:								
Equities	2,978,908	-	-	2,978,908	2,936,209	-	-	2,936,209
Unlisted unit trusts	124,210	-	-	124,210	207,629	-	-	207,629
Total	3,103,118	488	-	3,103,606	3,143,838	3	-	3,143,841

Transfers between levels

The Schemes' 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 2017 and 30 June 2016.

15 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheets are disclosed in the first three columns of the table below.

	30 June 2017					30 June 2016				
	Effects of offsetting on the balance sheet			Related amounts not offset		Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements	Net amounts		Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements	Net amounts	
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	
Perpetual Industrial Share Fund										
Financial assets										
Margin accounts	374	-	374	-	374	10	-	10	-	10
Derivative financial instruments	488	-	488	-	488	3	-	3	-	3
Total	862	-	862	-	862	13	-	13	-	13

Perpetual Global Share Fund did not hold financial assets or liabilities subject to offsetting arrangements as at 30 June 2017 and 30 June 2016.

Master netting arrangement - not currently enforceable

Agreements with derivative counterparties are based on the ISDA Master Agreements. 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 Schemes do not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheets, but have been presented separately in this note.

16 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 variables.

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 Schemes' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

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

As at the reporting date, there were no derivative financial instruments held by Perpetual Global Share Fund (2016: nil).

Perpetual Industrial Share Fund held the following derivative instrument during the year:

Foreign exchange forward contracts

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

Risk exposure and fair value measurements

Information about the Schemes' exposure to financial risks and the methods and assumptions used in determining fair values is provided in note 14. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the derivative financial instruments.

17 Events occurring after the reporting period

No significant events have occurred since the reporting date which would have impact on the financial position of the Schemes disclosed in the balance sheets as at 30 June 2017 or on the results and cash flows of the Schemes for the year ended on that date.

18 Contingent assets, liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2017 and 30 June 2016.

Directors' declaration

Perpetual Investment Management Limited presents the Directors' declaration in respect of the following Schemes:

Perpetual International Share Fund
Perpetual Industrial Share Fund

In the opinion of the directors of Perpetual Investment Management Limited, the Responsible Entity of the Schemes:

- (a) the annual financial statements and notes, set out on pages 7 to 36, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Schemes' financial position as at 30 June 2017 and of their performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable; and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

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



Director
Sydney
20 September 2017



Independent Auditor's Report

To the respective unitholders of the following Schemes:

Perpetual Industrial Share Fund; and

Perpetual Global Share Fund

For the purpose of this report, the term Scheme and Schemes denote the individual and distinct entity for which the financial information is prepared and upon which our audit is performed. Each is to be read as a singular subject matter.

Opinions

We have audited each of the **Financial Reports** of the Schemes.

In our opinion, the accompanying Financial Report of each Scheme is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the individual Schemes comprise:

- Balance sheets as at 30 June 2017;
- Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' declaration made by the Directors of Perpetual Investment Management Limited (the Responsible Entity).



Basis for opinions

We conducted our audits in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Schemes and the Responsible Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in the issuer of the respective Scheme's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal controls to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing each Scheme's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the respective Schemes or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Reports.

A further description of our responsibilities for the audits of the Financial Reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Jessica Davis

Partner

Sydney

20 September 2017

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