

PERPETUAL INSTITUTIONAL CASH MANAGEMENT TRUST

ANNUAL FINANCIAL REPORT
30 JUNE 2019

ARSN 138 160 077

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Perpetual 

Perpetual Institutional Cash Management Trust

ARSN 138 160 077

Annual Financial Report - 30 June 2019

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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 Institutional Cash Management Trust, present their report together with the annual financial report of Perpetual Institutional Cash Management Trust (the Scheme) for the year ended 30 June 2019 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of Perpetual Institutional Cash Management Trust 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:

D Lane (appointed 20 April 2017)
C Green (appointed 17 October 2018)
R Adams (appointed 17 October 2018)
G Larkins (appointed 7 January 2013, resigned 12 October 2018)
M Smith (appointed 3 November 2016, resigned 17 October 2018)
G Foster (appointed 25 January 2013, resigned 12 October 2018, Alternate for G Larkins)

Principal activities

The principal activity of the Scheme is to provide unitholders with capital stability, regular income and easy access to funds by investing in deposits, money market and fixed income securities.

The Scheme did not have any employees during the year.

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

Review and results of operations

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

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

	2019	2018
Profit/(loss) (\$'000)	<u>27,487</u>	<u>25,045</u>
Distributions paid and payable (\$'000)	<u>26,871</u>	<u>25,364</u>

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

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

Likely developments and expected results of operations

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

Environmental regulation

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

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

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 13 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)

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity 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 5.

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



Director

Sydney
11 September 2019



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

To the Directors of Perpetual Investment Management Limited (the Responsible Entity) of Perpetual Institutional Cash Management Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of Perpetual Pure Microcap Fund for the financial year ended 30 June 2019 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

11 September 2019

Perpetual Institutional Cash Management Trust
Statement of comprehensive income
For the year ended 30 June 2019

Statement of comprehensive income

	Notes	30 June 2019 \$'000	30 June 2018 \$'000
Investment income			
Interest income	3	11,345	10,505
Net gains/(losses) on financial instruments at fair value through profit or loss	4	16,122	14,544
Other income		<u>20</u>	-
Total net investment income/(loss)		<u>27,487</u>	<u>25,049</u>
Expenses			
Other operating expenses	5	<u>-</u>	<u>4</u>
Total expenses		<u>-</u>	<u>4</u>
Profit/(loss)		<u>27,487</u>	<u>25,045</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>27,487</u>	<u>25,045</u>

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

Perpetual Institutional Cash Management Trust
Balance sheet
As at 30 June 2019

Balance sheet

	Notes	30 June 2019 \$'000	30 June 2018 \$'000
Assets			
Cash and cash equivalents	11(b)	164,844	190,315
Financial assets at fair value through profit or loss	8	1,246,842	1,195,281
Receivables	9	38	165
Total assets		<u>1,411,724</u>	<u>1,385,761</u>
Liabilities			
Distributions payable to unitholders of the Scheme	6	5,992	6,855
Payables	10	-	24
Total liabilities		<u>5,992</u>	<u>6,879</u>
Net assets attributable to unitholders - equity	7	<u>1,405,732</u>	<u>1,378,882</u>

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

Perpetual Institutional Cash Management Trust
Statement of changes in equity
For the year ended 30 June 2019

Statement of changes in equity

	Notes	30 June 2019 \$'000	30 June 2018 \$'000
Total equity at the beginning of the year	7	1,378,882	-
Reclassification due to AMIT tax regime implementation*	7	<u>-</u>	<u>1,319,660</u>
Comprehensive income for the year			
Profit/(loss)		27,487	25,045
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>27,487</u>	<u>25,045</u>
Transactions with unitholders			
Applications	7	5,692,918	5,404,735
Redemptions	7	(5,692,053)	(5,367,427)
Units issued upon reinvestment of distributions	7	25,369	22,233
Distributions to unitholders	6, 7	<u>(26,871)</u>	<u>(25,364)</u>
Total transactions with unitholders		<u>(637)</u>	<u>34,177</u>
Total equity at the end of the year	7	<u>1,405,732</u>	<u>1,378,882</u>

*Effective from 1 July 2017, the Scheme's units have been reclassified from financial liability to equity.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Perpetual Institutional Cash Management Trust
Statement of cash flows
For the year ended 30 June 2019

Statement of cash flows

	30 June 2019 \$'000	30 June 2018 \$'000
Cash flows from operating activities		
Interest received	11,424	10,516
Other income received	20	-
Other operating expenses paid	-	(4)
Net cash inflow/(outflow) from operating activities	11,444	10,512
	11(a)	
Cash flows from investing activities		
Proceeds from sale of investments	12,209,045	13,022,624
Payments for purchase of investments	(12,244,484)	(13,111,524)
Net cash inflow/(outflow) from investing activities	(35,439)	(88,900)
Cash flows from financing activities		
Proceeds from applications by unitholders	5,692,966	5,404,691
Payments for redemptions by unitholders	(5,692,077)	(5,367,703)
Distributions paid	(2,365)	(3,073)
Net cash inflow/(outflow) from financing activities	(1,476)	33,915
Net increase/(decrease) in cash and cash equivalents	(25,471)	(44,473)
Cash and cash equivalents at the beginning of the year	190,315	234,788
Cash and cash equivalents at the end of the year	11(b) 164,844	190,315

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

1 General Information

This annual financial report covers Perpetual Institutional Cash Management Trust (the Scheme) as an individual entity. The Scheme is a registered managed investment scheme under the *Corporations Act 2001*. The Scheme was constituted on 24 June 2009. The Scheme will terminate on 22 June 2089 unless terminated earlier in accordance with the provisions of the Scheme's Constitution (as amended). The Scheme is domiciled in Australia and is a for-profit entity.

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 annual financial report was authorised for issue by the directors of the Responsible Entity on 11 September 2019. 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 is a general purpose financial report which 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.

Compliance with International Financial Reporting Standards

The annual financial report of the Scheme 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 Scheme's functional currency.

Use of estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. These estimates and associated assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

For the majority of the Scheme's financial instruments, quoted market prices are readily available. However, when certain financial instruments are fairly valued using valuation techniques (for example, pricing models) observable data is used to the extent practicable. Management may be required to make estimates which may be based on assumptions and any changes in assumptions would affect the reported fair value of financial instruments.

The adoption of AASB 9 introduced a new expected credit loss (ECL) impairment model, which has not materially impacted the Scheme (refer to note 2(f)).

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

New and amended accounting standards adopted by the Scheme

The following Australian Accounting Standards have been adopted by the Scheme for the reporting period beginning 1 July 2018:

(i) AASB 9 *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It replaces the multiple classification and measurement models in AASB 139 with a new model that classifies financial instruments based on the business model within which the financial instruments are managed, and whether the contractual cash flows under the instrument solely represent the payment of principal and interest. It also introduces revised rules around hedge accounting and impairment.

Under AASB 9, financial instruments are classified as:

- Amortised cost if the objective of the business model is to hold the financial instruments to collect contractual cash flows only and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI);
- Fair value through other comprehensive income if the objective of the business model is to hold the financial instruments both to collect contractual cash flows from SPPI and for the purpose of sale; or
- All other financial instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial instrument as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell.

All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

AASB 9 has been applied retrospectively (without restating comparatives) by the Scheme from 1 July 2018 and it did not result in a change to the measurement of financial instruments. The Scheme's investment portfolio continues to be measured at fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. The derecognition rules have not been changed from previous requirements and the Scheme does not apply hedge accounting. As the Scheme's investments are all at fair value through profit or loss, the change in impairment rules will not have a material impact on the Scheme. The Scheme's cash and cash equivalents and receivables which had previously been classified as loans and receivables and measured at amortised cost under AASB 139 are now classified as amortised cost and continue to be measured at amortised cost under AASB 9 and the impact of any expected credit losses (ECL) is not material.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

New and amended accounting standards adopted by the Scheme (continued)

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single revenue recognition framework using a five-step model based on the transfer of goods and services and the consideration expected to be received in return for that transfer.

The Scheme's main source of income is investment income, in the form of gains on financial instruments at fair value as well as interest. All these income types are outside the scope of the standard. Accordingly, the adoption of new revenue recognition rules did not have a material impact on the Scheme's accounting policies or the amounts recognised in the financial statements.

AASB 15 has been applied retrospectively (without restating comparatives) by the Scheme from 1 July 2018 and it did not result in a material change in revenue recognition for the Scheme.

New accounting standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 1 January 2019. Management has made an assessment and concluded that none of these are expected to have a material impact on the financial statements.

(c) Financial instruments

(i) Classification

The Scheme classifies its investments based on its business model for managing those financial assets and their contractual cash flow characteristics. The Scheme's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme evaluates the information about its investments on a fair value basis together with other related financial information.

Derivatives are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however, they are neither held for collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Scheme's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

The Scheme holds financial assets and financial liabilities comprising debt securities which had previously been designated at fair value through profit or loss under AASB 139 prior to 1 July 2018. On adoption of AASB 9 from 1 July 2018, these securities continued to be measured at fair value but are now mandatorily classified as fair value through profit or loss.

(ii) Recognition/derecognition

The Scheme recognises financial assets and 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).

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement

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 in the period in which they arise.

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

Units are redeemable at 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 can be put back to the Scheme at any time for cash based on the redemption price, which is equal to a proportionate share of the Scheme's net assets attributable to unitholders. 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 Scheme.

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Scheme classifies the net assets attributable to unitholders as equity as they satisfy the following criteria:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and the class features are identical;
- no contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Scheme, and it is not a contract settled in the Scheme's own equity instrument; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

(e) Cash and cash equivalents

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

2 Summary of significant accounting policies (continued)

(f) Receivables

Receivables include accrued income, application monies receivables and receivables for securities sold. Amounts are generally received within 30 days of being accrued for.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Scheme shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

The amount of the impairment loss is recognised in profit or loss within other operating expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

(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.

(h) Investment income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities. Other changes in fair value for such instruments are recorded in accordance with the accounting policies described in note 2(c).

(i) Expenses

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

(j) Income tax

The Scheme is not subject to income tax provided the taxable income of the Scheme is attributed in full to its unitholders each financial year either by way of cash or reinvestment. Unitholders are subject to income tax at their own marginal tax rates on amounts attributable to them.

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

(k) Distributions

Distributions are payable as set out in the Scheme's Constitution. Such distributions are recognised as payable when they are determined by the Responsible Entity of the Scheme.

2 Summary of significant accounting policies (continued)

(l) Goods and Services Tax

The Goods and Services Tax (GST) is incurred on the cost of various services provided to the Scheme by third parties. The Scheme qualifies 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 sheet. Cash flows are included in the statement of cash flows on a gross basis.

3 Interest income

	30 June 2019 \$'000	30 June 2018 \$'000
Cash and cash equivalents	896	1,823
Money market securities	5,931	2,515
Debt securities	4,518	6,167
Total	<u>11,345</u>	<u>10,505</u>

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

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

	30 June 2019 \$'000	30 June 2018 \$'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	855	654
Net realised gains/(losses) on financial instruments at fair value through profit or loss	15,267	13,890
Net gains/(losses) on financial instruments at fair value through profit or loss	<u>16,122</u>	<u>14,544</u>

5 Other operating expenses

	30 June 2019 \$'000	30 June 2018 \$'000
Sundry expenses	-	4
Total	<u>-</u>	<u>4</u>

6 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2019	30 June 2019 Annualised income rate	30 June 2018	30 June 2018 Annualised income rate
	\$'000	(%)	\$'000	(%)
Distributions paid - September	7,289	2.14	5,910	1.87
Distributions paid - December	6,630	2.07	6,562	1.84
Distributions paid - March	6,831	2.10	6,037	1.90
Distributions paid - June*	129	-	-	-
Distributions payable - June	5,992	1.86	6,855	2.06
Total distributions	26,871		25,364	

*Distributions were paid when units were fully redeemed prior to quarter end.

7 Net assets attributable to unitholders

The Scheme classifies the net assets attributable to unitholders as equity from 1 July 2017 as the puttable financial instruments satisfy all the criteria set out under AASB 132 (refer to note 2(d)).

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

	30 June 2019 Units '000	30 June 2018 Units '000	30 June 2019 \$'000	30 June 2018 \$'000
Net assets attributable to unitholders				
Opening balance	1,378,956	1,319,415	1,378,882	1,319,660
Applications	5,692,918	5,404,735	5,692,918	5,404,735
Redemptions	(5,692,053)	(5,367,427)	(5,692,053)	(5,367,427)
Units issued upon reinvestment of distributions	25,369	22,233	25,369	22,233
Distributions to unitholders	-	-	(26,871)	(25,364)
Profit/(loss)	-	-	27,487	25,045
Closing balance	1,405,190	1,378,956	1,405,732	1,378,882

As stipulated within the Scheme's Constitution, each unit represents a right to an individual unit in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same 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. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and daily redemptions at the discretion of unitholders.

7 Net assets attributable to unitholders (continued)

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

8 Financial assets at fair value through profit or loss

	30 June 2019 \$'000	30 June 2018 \$'000
Mandatorily at fair value through profit or loss (2018: Held for trading)		
Futures	-	1
Mandatorily at fair value through profit or loss (2018: Designated at fair value through profit or loss)		
Money market securities	1,010,130	887,990
Debt securities	<u>236,712</u>	<u>307,290</u>
Total financial assets at fair value through profit or loss	<u>1,246,842</u>	<u>1,195,281</u>

9 Receivables

	30 June 2019 \$'000	30 June 2018 \$'000
Interest receivable	38	117
Applications receivable	-	48
Total receivables	<u>38</u>	<u>165</u>

10 Payables

	30 June 2019 \$'000	30 June 2018 \$'000
Redemptions payable	-	24
Total payables	<u>-</u>	<u>24</u>

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

	30 June 2019 \$'000	30 June 2018 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss)	27,487	25,045
(Increase)/decrease in interest receivable	79	11
Net (gains)/losses on financial instruments at fair value through profit or loss	<u>(16,122)</u>	<u>(14,544)</u>
Net cash inflow/(outflow) from operating activities	<u>11,444</u>	<u>10,512</u>
 (b) Components of cash and cash equivalents		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the balance sheet as follows:		
Cash at bank	84,494	153,803
Deposit at call	80,350	36,500
Margin accounts	-	12
Total cash and cash equivalents	<u>164,844</u>	<u>190,315</u>
 (c) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan		
	<u>25,369</u>	<u>22,233</u>

12 Remuneration of auditors

	30 June 2019 \$	30 June 2018 \$
Amount received or due and receivable by KPMG:		
Audit and review of financial report and compliance plan	<u>20,650</u>	<u>19,985</u>

Audit fees were paid or payable by the Responsible Entity.

13 Related party transactions

Responsible Entity

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

13 Related party transactions (continued)

Responsible Entity (continued)

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 were as follows:

D Lane (appointed 20 April 2017)

C Green (appointed 17 October 2018)

R Adams (appointed 17 October 2018)

G Larkins (appointed 7 January 2013, resigned 12 October 2018)

M Smith (appointed 3 November 2016, resigned 17 October 2018)

G Foster (appointed 25 January 2013, resigned 12 October 2018, Alternate for G Larkins)

(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 unitholders of the Scheme.

No key management personnel of the Responsible Entity held units in the Scheme as at 30 June 2019 (2018: 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 personally related entities at any time during the reporting period.

13 Related party transactions (continued)

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 2019

Unitholders	Number of units held '000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
Perpetual Active Fixed Interest Fund	98	-	216,383	219,100	103
Perpetual Australian Share Fund	123,737	8.8	419,423	457,200	2,649
Perpetual Balanced Growth Fund No.2	35,729	2.5	242,207	219,200	230
Perpetual Cash Management Fund	49,379	3.5	16,977	23,500	1,015
Perpetual Charitable and Community Investor Fund	15,823	1.1	6,236	5,000	235
Perpetual Charitable Endowment Fund	3,870	0.3	3,037	2,000	40
Perpetual Credit Income Fund	35,051	2.5	459,474	504,750	1,124
Perpetual Defensive Alternative Pool Fund	49,390	3.5	10,763	-	887
Perpetual Diversified Income Fund	70,957	5.0	917,146	993,900	2,258
Perpetual Diversified Real Return Fund	63,034	4.5	134,263	98,600	943
Perpetual Exact Market Cash Fund	35,037	2.5	128,268	93,570	197
Perpetual Growth Alternative Pool Fund	59,019	4.2	9,019	-	1,178
Perpetual Growth Opportunities Fund	9,162	0.7	159	-	186
Perpetual High Grade Treasury Fund	3,780	0.3	178,808	180,800	107
Perpetual Income Opportunities Fund	3,748	0.3	66	-	76
Perpetual Industrial Share Fund	152,328	10.8	945,669	913,900	1,984
Perpetual Private Balanced Fund	6,978	0.5	7,124	10,042	106
Perpetual Private Conservative Fund	989	0.1	1,147	998	17
Perpetual Private Credit Pooled Fund	15,272	1.1	272	-	309
Perpetual Private Diversified Fund	1,512	0.1	1,115	52	18
Perpetual Private Duration Fixed Income Fund	13,236	0.9	236	-	268
Perpetual Private Fixed Income Fund	33,294	2.4	25,294	-	431
Perpetual Private Geared High Growth Fund	487	-	208	100	10
Perpetual Private Growth Fund	2,025	0.1	42	9	41
Perpetual Private Impact Pool Fund	1,518	0.1	1,518	-	25
Perpetual Pure Credit Alpha Fund	37	-	373,747	443,200	627
Perpetual Pure Equity Alpha Fund	100,000	7.1	-	-	2,043
Perpetual Pure Value Share Fund	54,123	3.8	281,480	277,100	1,028
Perpetual WealthFocus Investment Advantage Fund	75,612	5.4	292,033	287,498	1,225
Perpetual Wholesale Concentrated Equity Fund	35,682	2.5	310,353	309,700	827
Perpetual Wholesale Conservative Growth Fund	22,901	1.6	76,735	54,000	199
Perpetual Wholesale Diversified Growth Fund	3,024	0.2	26,650	25,700	44
Perpetual Wholesale SHARE-PLUS Long Short Fund	100	-	-	-	2
Perpetual Wholesale Smaller Companies Fund	132,579	9.4	546,031	483,468	2,546
Perpetual Wholesale Split Growth Fund	42	-	1	-	-
The Trust Company Philanthropy Fund	5,243	0.4	5,057	4,000	60
Australian Eligible Rollover Fund	28,412	2.0	587	31	576
Perpetual WealthFocus Superannuation Fund	98,026	6.9	49,777	58,599	2,095
Perpetual's Select Superannuation Fund	63,957	4.4	30,852	25,907	1,160

13 Related party transactions (continued)

Related party unitholdings (continued)

30 June 2018

Unitholders	Number of units held '000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
Perpetual Active Fixed Interest Fund	2,815	0.2	173,951	184,300	88
Perpetual Australian Share Fund	161,514	11.7	476,920	431,700	2,637
Perpetual Balanced Growth Fund No.2	12,722	0.9	211,854	221,500	222
Perpetual Cash Management Fund	55,902	4.1	29,528	35,100	1,102
Perpetual Charitable and Community Investor Fund	14,587	1.1	272	-	278
Perpetual Charitable Endowment Fund	2,833	0.2	53	-	54
Perpetual Credit Income Fund	80,327	5.8	564,005	555,300	1,385
Perpetual Defensive Alternative Pool Fund	38,626	2.8	35,067	-	156
Perpetual Diversified Income Fund	147,711	10.7	716,372	678,300	2,375
Perpetual Diversified Real Return Fund	27,371	2.0	142,826	138,700	383
Perpetual Exact Market Cash Fund	339	-	76,038	106,100	163
Perpetual Growth Alternative Pool Fund	50,000	3.6	50,000	-	114
Perpetual Growth Opportunities Fund	9,003	0.7	9,000	-	16
Perpetual High Grade Treasury Fund	5,772	0.4	176,607	185,300	92
Perpetual Income Opportunities Fund	3,682	0.3	3,504	-	10
Perpetual Industrial Share Fund	120,559	8.7	924,449	928,100	2,961
Perpetual Private Balanced Fund	9,896	0.7	200	1,046	199
Perpetual Private Conservative Fund	840	0.1	30	1,256	25
Perpetual Private Credit Pooled Fund	15,000	1.1	15,000	-	33
Perpetual Private Diversified Fund	449	-	54	4,055	35
Perpetual Private Duration Fixed Income Fund	13,000	0.9	13,000	-	29
Perpetual Private Fixed Income Fund	8,000	0.6	8,000	-	18
Perpetual Private Geared High Growth Fund	379	-	302	-	2
Perpetual Private Growth Fund	1,992	0.1	45	509	43
Perpetual Pure Credit Alpha Fund	69,490	5.0	349,460	296,100	542
Perpetual Pure Equity Alpha Fund	100,000	7.3	20,000	50,000	2,605
Perpetual Pure Value Share Fund	49,743	3.6	262,721	275,300	827
Perpetual WealthFocus Investment Advantage Fund	71,077	5.2	282,819	275,721	1,351
Perpetual Wholesale Concentrated Equity Fund	35,029	2.5	289,261	318,200	1,027
Perpetual Wholesale Conservative Growth Fund	166	-	46,131	73,000	207
Perpetual Wholesale Diversified Growth Fund	2,074	0.2	21,450	21,800	61
Perpetual Wholesale SHARE-PLUS Long Short Fund	100	-	85,000	85,900	379
Perpetual Wholesale Smaller Companies Fund	70,016	5.1	371,716	378,100	1,692
Perpetual Wholesale Split Growth Fund	41	-	1	-	1
The Trust Company Philanthropy Fund	4,186	0.3	3,065	3,500	63
Australian Eligible Rollover Fund	27,856	2.0	529	31	531
Perpetual WealthFocus Superannuation Fund	106,848	7.8	53,572	73,157	2,218
Perpetual's Select Superannuation Fund	59,012	4.3	14,168	45,352	1,440

14 Financial risk management

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

A risk management framework has been established by the Responsible Entity of the Scheme to 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 the investment activities. The Scheme is permitted to use derivative products. However, the use of derivatives must be consistent with the investment strategy and restrictions specified in the Scheme's governing documents.

All securities investments present a risk of loss of capital. The maximum loss of capital on debt securities 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 Scheme's asset managers aim to manage these risks through the use of consistent and carefully considered investment strategy and guidelines specifically tailored for the Scheme's investment objectives. Risk management techniques are used in the selection of investments. These include periodic stress testing for fixed income securities. Asset 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 Scheme uses different methods to measure different types of risks to which it is 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 Scheme did not have any significant direct 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's exposure to interest rate risk arises from cash and cash equivalents and units in cash management trusts, which earn/charge a floating rate of interest.

14 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Floating interest rate \$'000	Fixed interest rate \$'000	Total \$'000
30 June 2019			
Financial assets			
Cash and cash equivalents	164,844	-	164,844
Money market securities	-	1,010,130	1,010,130
Debt securities	236,712	-	236,712
	Floating interest rate \$'000	Fixed interest rate \$'000	Total \$'000
30 June 2018			
Financial assets			
Cash and cash equivalents	190,315	-	190,315
Money market securities	-	887,990	887,990
Debt securities	307,290	-	307,290
Derivatives	-	1	1

The table presented in note 14(a)(iv) summarises sensitivity analysis to interest rate risk. This analysis assumes that all other variables, in particular foreign currency exchange rates remain constant.

(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 Scheme predominantly invests in money market securities and highly liquid debt securities. As a result, the price risk arising from the Scheme's investments is impacted by movements in interest rates and is reflected in note 14(a)(ii).

14 Financial risk management (continued)

(a) Market risk (continued)

(iv) Sensitivity analysis

The following table summarises the sensitivity of the profit and net assets attributable to unitholders to interest rate 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 interest rates of the Scheme's 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 performance of the economies, markets and securities in which the Scheme invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Sensitivity rates	Impact on profit/net assets attributable to unitholders	
		30 June 2019 \$'000	30 June 2018 \$'000
Interest rate risk	+0.5%	1,077	
	-0.5%	(1,077)	
	+1%		2,951
	-1%		(2,951)

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due. The main concentration of counterparty credit risk, to which the Scheme is exposed to, arises predominantly from the Scheme's investments in debt securities. The Scheme is also 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.

The Scheme determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers relevant, historical analysis and forward looking information in determining any expected credit loss. At the reporting date, all receivables and cash and cash equivalents are held with approved counterparties and are either callable on demand or due within 30 days. Management consider the probability of default to be low, as a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Scheme.

(i) Debt securities

Investment management processes include the consideration of counterparty risk. The asset managers may refer to the credit ratings issued by rating agencies 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 monitors the credit ratings of debt securities on a regular basis.

14 Financial risk management (continued)

(b) Credit risk (continued)

(i) Debt securities (continued)

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

30 June 2019	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	NON- RATED \$'000	Total \$'000
Money market securities	-	1,010,130	-	-	1,010,130
Debt securities	<u>101,102</u>	<u>50,935</u>	-	<u>84,675</u>	<u>236,712</u>
	<u>101,102</u>	<u>1,061,065</u>	-	<u>84,675</u>	<u>1,246,842</u>

30 June 2018	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	NON- RATED \$'000	Total \$'000
Money market securities	630,003	257,987	-	-	887,990
Debt securities	<u>266,599</u>	<u>40,691</u>	-	-	<u>307,290</u>
	<u>896,602</u>	<u>298,678</u>	-	-	<u>1,195,280</u>

Debt securities that are not rated by Standard & Poor's may be rated by other rating agencies.

(ii) Derivative financial instruments

The risk of counterparty default in a derivative transaction 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 are put in place with counterparties.

(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).

(c) Liquidity risk

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

The Scheme is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives.

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

In order to manage the Scheme's overall liquidity, asset managers will only purchase securities (including derivatives) which meet the Scheme's investment criteria, including the assessment of saleability in different market conditions. The Scheme's investment strategy generally defines a minimum liquidity level for the Scheme which is 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 Scheme did not reject or withhold any redemption during the reporting period.

14 Financial risk management (continued)

(c) Liquidity risk (continued)

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

30 June 2019	Carrying amount \$'000	Contractual cash flows	
		At call \$'000	less than 6 months \$'000
Non-derivative financial liabilities			
Distributions payable to unitholders of the Scheme	5,992	-	5,992
Total	5,992	-	5,992

30 June 2018	Carrying amount \$'000	Contractual cash flows	
		At call \$'000	less than 6 months \$'000
Non-derivative financial liabilities			
Distributions payable to unitholders of the Scheme	6,855	-	6,855
Payables	24	-	24
Total	6,879	-	6,879

(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:

- 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.

14 Financial risk management (continued)

(d) Fair value measurement (continued)

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

Listed securities and exchange traded derivatives are valued at the last traded price.

(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.

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.

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

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs (level 3) at 30 June 2019 and 30 June 2018.

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

30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets mandatorily at fair value through profit or loss				
Money market securities	-	1,010,130	-	1,010,130
Debt securities	-	236,712	-	236,712
Total	-	1,246,842	-	1,246,842
30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets held for trading:				
Futures	1	-	-	1
Financial assets designated at fair value through profit or loss:				
Money market securities	-	887,990	-	887,990
Debt securities	-	307,290	-	307,290
Total	1	1,195,280	-	1,195,281

14 Financial risk management (continued)

(d) Fair value measurement (continued)

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 2019 and 30 June 2018.

15 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 table below:

The Scheme did not hold any financial assets or liabilities subject to offsetting arrangements as at 30 June 2019.

	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Amounts subject to master netting arrangements	Net amounts
30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Margin accounts	12	-	12	-	12
Derivative financial instruments	1	-	1	-	1
Total	13	-	13	-	13

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 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.

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 currency exchange rates, 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 Scheme's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

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

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

The Scheme held the following derivative instrument during the year:

Futures

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

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 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 Scheme disclosed in the balance sheet as at 30 June 2019 or on the results and cash flows of the Scheme 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 2019 and 30 June 2018.

Directors' declaration

In the opinion of the directors of Perpetual Investment Management Limited, the Responsible Entity of Perpetual Institutional Cash Management Trust:

- (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 and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (c) 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
11 September 2019



Independent Auditor's Report

To the unitholders of Perpetual Institutional Cash Management Trust

Opinion

We have audited the **Financial Report** of the Perpetual Institutional Cash Management Trust (the Scheme).

In our opinion, the accompanying **Financial Report** of the Perpetual Institutional Cash Management Trust 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 2019, 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 **Financial Report** comprises the:

- Balance sheet as at 30 June 2019
- Statement of comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' declaration.

Basis for opinion

We conducted our audit 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 opinion.

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

We are independent of the Scheme in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in the Perpetual Institutional Cash Management Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' report. The Directors of Perpetual Investment Management Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, 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 Directors for the Financial Report

The Directors of Perpetual Investment Management Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control 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 the Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Scheme or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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 this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Jessica Davis

Partner

Sydney

11 September 2019

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