
Perpetual Institutional Cash Management Trust

Annual Report
for the year ended 30 June 2023
ARSN 138 160 077

Perpetual Investment Management Limited
ABN 18 000 866 535 AFSL 234426

Perpetual 

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Annual Report

for the year ended 30 June 2023

Contents	Page
Directors' report	2
Lead auditor's independence declaration	5
Statement of comprehensive income	6
Balance sheet	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	26
Independent auditor's report to the unitholders	27

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 financial statements of Perpetual Institutional Cash Management Trust (the Scheme) for the year ended 30 June 2023 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:

A Apted (appointed 9 April 2020)
A Lo Proto (appointed 8 March 2022)
A Rozenauers (appointed 9 November 2022)
A Gazal (appointed 9 April 2020, resigned 9 November 2022)

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's assets were invested in accordance with the investment objective and guidelines 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:

	30 June 2023	30 June 2022
Profit/(loss) (\$'000)	<u>37,502</u>	<u>1,719</u>
Distributions paid and payable (\$'000)	<u>37,291</u>	<u>2,369</u>

In June 2023 an IT security incident impacted a unit registry system provided by the Responsible Entity's third-party unit registry provider that resulted in an extended outage of the administration services provided to the Scheme. Subsequent to the incident, the unit registry system was restored in a secure environment and processing of unitholders' applications and redemptions has re-commenced from 21 June 2023.

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 6 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.

Directors' report (continued)

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.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 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.

Likely developments and expected results of operations

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

The results of the Scheme's operations will be affected by a number of factors, including the performance of investment market in which the Scheme invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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 related parties

No fees were paid out of Scheme property to the Responsible Entity or its related parties during the year.

The number of interests in the Scheme held by the Responsible Entity or its related parties as at the end of the financial year are disclosed in note 12 to the financial statements.

Indemnity and insurance of officers and auditors

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

Rounding of amounts to the nearest thousand dollars

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

Directors' report (continued)

Lead auditor's independence declaration

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

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

A handwritten signature in black ink, appearing to be 'A. P.', written over a horizontal line.

Director

Sydney
20 September 2023



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

To the Directors of Perpetual Investment Management Limited as 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 Institutional Cash Management Trust for the financial year ended 30 June 2023 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

Andrew Reeves

Partner

Sydney

20 September 2023

Statement of comprehensive income

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Investment income			
Interest income	3	12,449	2,882
Net gains/(losses) on financial instruments at fair value through profit or loss	4	<u>25,053</u>	<u>(1,163)</u>
Total investment income/(loss)		<u>37,502</u>	<u>1,719</u>
Profit/(loss)		<u>37,502</u>	<u>1,719</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>37,502</u>	<u>1,719</u>

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

Balance sheet

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	10(b)	137,277	151,569
Financial assets at fair value through profit or loss	7	1,197,969	1,054,247
Receivables	8	<u>1,521</u>	<u>2,199</u>
Total assets		<u>1,336,767</u>	<u>1,208,015</u>
Liabilities			
Distributions payable	5	12,220	1,488
Payables	9	<u>-</u>	<u>57</u>
Total liabilities		<u>12,220</u>	<u>1,545</u>
Net assets attributable to unitholders - equity	6	<u>1,324,547</u>	<u>1,206,470</u>

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

Statement of changes in equity

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Total equity at the beginning of the year	6	1,206,470	963,221
Comprehensive income for the year			
Profit/(loss)		37,502	1,719
Other comprehensive income		-	-
Total comprehensive income for the year		<u>37,502</u>	<u>1,719</u>
Transactions with unitholders			
Applications	6	4,296,172	5,188,269
Redemptions	6	(4,202,051)	(4,945,236)
Units issued upon reinvestment of distributions	6	23,745	866
Distributions to unitholders	5, 6	<u>(37,291)</u>	<u>(2,369)</u>
Total transactions with unitholders		<u>80,575</u>	<u>241,530</u>
Total equity at the end of the year	6	<u>1,324,547</u>	<u>1,206,470</u>

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

Statement of cash flows

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Interest received		<u>11,669</u>	<u>2,141</u>
Net cash inflow/(outflow) from operating activities	10(a)	<u>11,669</u>	<u>2,141</u>
Cash flows from investing activities			
Proceeds from sale of investments		<u>10,121,029</u>	10,658,561
Payments for purchase of investments		<u>(10,239,698)</u>	<u>(10,874,049)</u>
Net cash inflow/(outflow) from investing activities		<u>(118,669)</u>	<u>(215,488)</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		<u>4,297,630</u>	5,186,811
Payments for redemptions by unitholders		<u>(4,202,108)</u>	<u>(4,945,179)</u>
Distributions paid		<u>(2,814)</u>	<u>(191)</u>
Net cash inflow/(outflow) from financing activities		<u>92,708</u>	<u>241,441</u>
Net increase/(decrease) in cash and cash equivalents		<u>(14,292)</u>	28,094
Cash and cash equivalents at the beginning of the year		<u>151,569</u>	<u>123,475</u>
Cash and cash equivalents at the end of the year	10(b)	<u>137,277</u>	<u>151,569</u>

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

1 General information

These financial statements cover 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.

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 financial statements were authorised for issue by the directors of the Responsible Entity on 20 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements 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 Scheme is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements also comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

Functional and presentation currency

The financial statements are 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. Estimates and associated assumptions are reviewed regularly and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the current changing market conditions are assessed and estimated. Actual results may differ from these estimates.

The use of estimates and critical judgements in fair value measurement that can have significant effect on the amounts recognised in the financial statements is described in note 13(d).

New standards, amendments and interpretations adopted by the Scheme

There are no new accounting standards, amendments and interpretations that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the financial statements of the Scheme.

New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2023 reporting period and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Scheme.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

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

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 both 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 classified as financial assets at 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).

(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 costs. Gains and losses arising from changes in the fair value measurement are recognised 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 13(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.

(c) 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 represents a proportionate share of the Scheme's net asset value. The carrying amount of these units at the redemption price represents the redemption amount payable at the reporting date if the unitholders exercise their right to put the units back to the Scheme.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

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 instruments entitle the holder to a pro-rata share of net assets in the event of the Scheme's liquidation;
- the puttable financial instruments are 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 instruments over the life are based substantially on the profit or loss.

(d) Cash and cash equivalents

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

(e) Receivables

Receivables include accrued income and application monies receivable.

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 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 expenses in profit or loss.

The carrying amount of receivables is a reasonable approximation of fair value due to their short term nature.

(f) Payables

Payables include redemption monies owing by the Scheme.

The carrying amount of payables is a reasonable approximation of fair value due to their short term nature.

2 Summary of significant accounting policies (continued)

(g) 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(b).

(h) 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. Unitholders are subject to income tax at their own marginal tax rates on amounts attributable to them.

(i) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes its distributable income and any other amounts determined by the Responsible Entity to unitholders by cash or reinvestment.

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.

(j) 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 (RITC); hence expenses have been recognised in profit or loss net of the amount of GST recoverable from the Australian Taxation Office. Payables are inclusive of GST. 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.

(k) Rounding of amounts

The Scheme is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the legislative instrument, unless otherwise indicated.

3 Interest income

	30 June 2023 \$'000	30 June 2022 \$'000
Cash and cash equivalents	4,088	181
Debt securities	<u>8,361</u>	<u>2,701</u>
Total	<u>12,449</u>	<u>2,882</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 2023 \$'000	30 June 2022 \$'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	198	(168)
Net realised gains/(losses) on financial instruments at fair value through profit or loss	<u>24,855</u>	<u>(995)</u>
Net gains/(losses) on financial instruments at fair value through profit or loss	<u>25,053</u>	<u>(1,163)</u>

5 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2023 \$'000	30 June 2023 Annualised income rate (%)	30 June 2022 \$'000	30 June 2022 Annualised income rate (%)
Distributions paid - September	5,627	1.79	193	0.07
Distributions paid - December	8,519	2.78	238	0.07
Distributions paid - March	10,925	3.36	450	0.13
Distributions payable - June	<u>12,220</u>	<u>3.71</u>	<u>1,488</u>	<u>0.49</u>
Total distributions	<u>37,291</u>		<u>2,369</u>	

6 Net assets attributable to unitholders

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

	30 June 2023 Units'000	30 June 2022 Units'000	30 June 2023 \$'000	30 June 2022 \$'000
Opening balance	1,207,070	963,171	1,206,470	963,221
Applications	4,296,172	5,188,269	4,296,172	5,188,269
Redemptions	(4,202,051)	(4,945,236)	(4,202,051)	(4,945,236)
Units issued upon reinvestment of distributions	23,745	866	23,745	866
Distributions to unitholders	-	-	(37,291)	(2,369)
Profit/(loss)	<u>-</u>	<u>-</u>	<u>37,502</u>	<u>1,719</u>
Closing balance	<u>1,324,936</u>	<u>1,207,070</u>	<u>1,324,547</u>	<u>1,206,470</u>

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.

6 Net assets attributable to unitholders (continued)

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.

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.

7 Financial assets at fair value through profit or loss

	30 June 2023 \$'000	30 June 2022 \$'000
Money market securities	1,040,924	666,856
Debt securities	<u>157,045</u>	<u>387,391</u>
Total financial assets at fair value through profit or loss	<u>1,197,969</u>	<u>1,054,247</u>

8 Receivables

	30 June 2023 \$'000	30 June 2022 \$'000
Interest receivable	1,521	741
Applications receivable	<u>-</u>	<u>1,458</u>
Total receivables	<u>1,521</u>	<u>2,199</u>

9 Payables

	30 June 2023 \$'000	30 June 2022 \$'000
Redemptions payable	<u>-</u>	<u>57</u>
Total payables	<u>-</u>	<u>57</u>

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

	30 June 2023 \$'000	30 June 2022 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss)	37,502	1,719
(Increase)/decrease in interest receivable	(780)	(741)
Net (gains)/losses on financial instruments at fair value through profit or loss	(25,053)	1,163
Net cash inflow/(outflow) from operating activities	11,669	2,141
(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	12,077	151,569
Deposit at call	125,200	-
Total cash and cash equivalents	137,277	151,569
(c) Non-cash financing activities		
Distribution payments satisfied by the issue of units under the distribution reinvestment plan	23,745	866

11 Remuneration of auditors

	30 June 2023 \$	30 June 2022 \$
Amount received or due and receivable by KPMG:		
Audit of financial statements	19,052	18,319
Other regulatory assurance services	3,107	3,046
Total	22,159	21,365

Audit fees were paid or payable by the Responsible Entity.

12 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).

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 year or since the end of the year and up to the date of this report were as follows:

A Apted (appointed 9 April 2020)

A Lo Proto (appointed 8 March 2022)

A Rozenauers (appointed 9 November 2022)

A Gazal (appointed 9 April 2020, resigned 9 November 2022)

(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 the year or since the end of the 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 2023 (2022: 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.

12 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 2023

Unitholders	Number of units held '000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
ACRA Diversified Fund	11,827	0.9	9,909	7,730	313
Perpetual Active Fixed Interest Fund	96	-	121,335	121,300	51
Perpetual Australian Share Fund	9,736	0.7	198,939	189,300	373
Perpetual Balanced Growth Fund No.2	105,349	8.0	198,412	103,900	1,972
Perpetual Concentrated Equity Fund	48	-	4	300	1
Perpetual Conservative Growth Fund	25,041	1.9	46,653	57,800	855
Perpetual Credit Income Fund	898	0.1	550,054	574,400	671
Perpetual Diversified Growth Fund	4,758	0.4	25,100	21,200	144
Perpetual Diversified Income Fund	121,224	9.1	1,426,325	1,400,600	3,772
Perpetual Diversified Real Return Fund	511,481	38.6	249,607	168,100	14,573
Perpetual ESG Real Return Fund	111,605	8.4	136,527	222,603	2,819
Perpetual Exact Market Return Fund	73	-	2	-	2
Perpetual Global Allocation Alpha Fund	784	0.1	12,541	13,400	47
Perpetual Growth Alternative Pool Fund	1,000	0.1	5,000	4,000	13
Perpetual Growth Opportunities Fund	20,321	1.5	25,321	5,000	280
Perpetual High Grade Floating Rate Fund	5,177	0.4	44,410	40,700	43
Perpetual Income Opportunities Fund	4,457	0.3	2,643	2,000	94
Perpetual Industrial Share Fund	78,729	5.9	489,627	450,400	2,009
Perpetual Loan Fund	11,971	0.9	59,571	47,600	190
Perpetual Pure Credit Alpha Fund	64	-	216,827	221,100	112
Perpetual Pure Equity Alpha Fund	101,000	7.6	25,000	110,000	3,517
Perpetual Pure Value Share Fund	6,165	0.5	67,051	61,000	101
Perpetual SHARE-PLUS Long Short Fund	100	-	-	-	3
Perpetual Smaller Companies Fund	40,091	3.0	192,417	152,400	1,066
Perpetual WealthFocus Investment Advantage Fund	43,376	3.3	164,518	173,340	1,035
Perpetual WealthFocus Superannuation Fund	86,150	6.5	45,665	47,836	2,560
Perpetual's Select Superannuation Fund	23,415	1.8	6,459	6,042	675

12 Related party transactions (continued)

Related party unitholdings (continued)

30 June 2022

Unitholders	Number of units held '000	Interest held %	Number of units acquired '000	Number of units disposed '000	Distributions paid/payable \$'000
ACRA Diversified Fund	9,648	0.8	277	-	18
Perpetual Active Fixed Interest Fund	61	-	113,302	113,400	2
Perpetual Australian Share Fund	97	-	315,315	342,400	29
Perpetual Balanced Growth Fund No.2	10,837	0.9	161,335	197,600	97
Perpetual Cash Management Fund	-	-	12,724	54,801	22
Perpetual Charitable and Community Investor Fund	-	-	2	5,090	1
Perpetual Concentrated Equity Fund	344	-	65,602	74,600	5
Perpetual Conservative Growth Fund	36,188	3.0	75,316	55,800	40
Perpetual Credit Income Fund	25,244	2.1	472,041	472,900	64
Perpetual Diversified Growth Fund	858	0.1	12,202	18,900	3
Perpetual Diversified Income Fund	95,499	7.9	1,105,836	1,178,100	228
Perpetual Diversified Real Return Fund	429,974	35.6	431,899	141,500	648
Perpetual ESG Real Return Fund	197,681	16.4	710,081	512,400	404
Perpetual Exact Market Return Fund	71	-	79,308	95,000	5
Perpetual Global Allocation Alpha Fund*	1,643	0.1	7,701	6,600	2
Perpetual High Grade Floating Rate Fund	1,467	0.1	145,610	161,500	13
Perpetual Income Opportunities Fund	3,814	0.3	4	-	7
Perpetual Industrial Share Fund	39,502	3.3	601,504	594,462	94
Perpetual Private Impact Pool Fund	-	-	-	537	-
Perpetual Pure Credit Alpha Fund	4,337	0.4	208,605	232,700	24
Perpetual Pure Equity Alpha Fund	186,000	15.4	-	-	356
Perpetual Pure Value Share Fund	114	-	52,404	61,000	3
Perpetual SHARE-PLUS Long Short Fund	100	-	-	-	-
Perpetual Smaller Companies Fund	74	-	286,779	313,964	26
Perpetual WealthFocus Investment Advantage Fund	52,198	4.3	265,068	252,561	68
Perpetual WealthFocus Superannuation Fund	88,321	7.3	56,193	49,008	166
Perpetual's Select Superannuation Fund	22,998	1.9	10,027	10,413	44

*Formerly known as Perpetual Wholesale Split Growth Fund.

13 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 investment securities present a risk of loss of capital. The maximum loss of capital on investment securities is generally limited to the fair 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 objective. Risk management techniques are used in the selection of investments. These include periodic stress testing for debt 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 Value at Risk ("VaR") analysis in the case of market 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 assets and liabilities 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 and not currency risk. However, management monitors the exposures on all foreign currency denominated assets and liabilities.

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

Currency risk is managed as part of price risk and measured using VaR analysis.

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

30 June 2023	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	137,277	-	-	137,277
Money market securities	-	1,040,924	-	1,040,924
Debt securities	157,045	-	-	157,045

13 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

30 June 2022	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	151,569	-	-	151,569
Money market securities	-	666,856	-	666,856
Debt securities	387,391	-	-	387,391

Interest rate risk is managed as part of price risk and measured using VaR analysis.

(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, whether those changes are caused by factors specific to the individual instruments or factors affecting all instruments in the market.

The asset manager uses a number of quantitative techniques to assess the impact of market risk including credit events, changes in interest rates, credit spreads and recovery values on the Scheme's investment portfolio.

The asset manager calculates VaR as an indicator of the sensitivity of the Scheme's investment portfolio valuation to changes in market prices and rates. VaR is a statistical framework that supports the quantification of market risk within a portfolio at a specified confidence interval over a defined holding period. VaR seeks to quantify the expected dollar losses that may result from the interactive behaviour of all material market prices, spreads, volatilities, and rates based on the historically observed relationships between these markets. The VaR measure is limited by its assumptions.

The VaR measure for the Scheme is estimated using a confidence level of 95%, of the potential portfolio losses, if the current market risk positions were to be held unchanged for 21 days.

In estimating VaR, the asset manager makes certain assumptions in relation to expected returns, correlations volatilities, future prices, yields and other micro and macroeconomic variables. These assumptions are often based on historically observed relationships or subjective assessments. The actual outcome may differ materially from the estimate.

	30 June 2023		30 June 2022	
	VaR \$'000	% of Net Assets	VaR \$'000	% of Net Assets
Perpetual Institutional Cash Management Trust	3,576	0.27	1,086	0.09

(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 and money market securities. The Scheme is also exposed to counterparty credit risk on derivative financial instruments and cash and cash equivalents. 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.

13 Financial risk management (continued)

(b) Credit risk (continued)

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 both historical analysis and forward looking information in determining any expected credit loss. Management considers 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 and money market 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 asset managers monitor the credit ratings of debt and money market securities on a regular basis.

The table below sets out the analysis of debt and money market securities by credit ratings as issued by Standard & Poor's or other rating agencies:

30 June 2023	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to B- \$'000	NON- RATED \$'000	Total \$'000
Money market securities	837,989	28,890	-	-	174,045	1,040,924
Debt securities	<u>110,068</u>	<u>36,970</u>	-	-	<u>10,007</u>	<u>157,045</u>
	<u>948,057</u>	<u>65,860</u>	-	-	<u>184,052</u>	<u>1,197,969</u>
30 June 2022	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	BB+ to B- \$'000	NON- RATED \$'000	Total \$'000
Money market securities	602,051	64,805	-	-	-	666,856
Debt securities	<u>166,891</u>	<u>220,500</u>	-	-	-	<u>387,391</u>
	<u>768,942</u>	<u>285,305</u>	-	-	-	<u>1,054,247</u>

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a high grade credit rating.

(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.

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.

13 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 2023	Carrying amount \$'000	At call \$'000	Contractual cash flows		
			less than 6 months \$'000	6-12 months \$'000	more than 12 months \$'000
Non-derivative financial liabilities					
Distributions payable	12,220	-	12,220	-	-
Total	12,220	-	12,220	-	-

30 June 2022	Carrying amount \$'000	At call \$'000	Contractual cash flows		
			less than 6 months \$'000	6-12 months \$'000	more than 12 months \$'000
Non-derivative financial liabilities					
Distributions payable	1,488	-	1,488	-	-
Payables	57	-	57	-	-
Total	1,545	-	1,545	-	-

(d) Fair value measurement

The Scheme classifies fair value measurement of its financial assets and liabilities by level of the following fair value hierarchy:

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

(i) Fair value in an active market (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.

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.

13 Financial risk management (continued)

(d) Fair value measurement (continued)

(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.

Valuation models use observable data to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in the assumptions for these factors could affect the reported fair value of financial instruments. 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.

Debt securities are generally valued using broker quotes. 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. Management monitors credit spreads closely and conducts regular review to ensure any estimates and assumptions used in the valuation model remain appropriate.

The Scheme did not hold any financial instruments with fair value measurements using significant unobservable inputs (level 3) at 30 June 2023 and 30 June 2022.

Recognised fair value measurements

The following tables present the Scheme's financial assets and liabilities by fair value hierarchy levels:

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Money market securities	-	1,040,924	-	1,040,924
Debt securities	-	157,045	-	157,045
Total	-	1,197,969	-	1,197,969

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Money market securities	-	666,856	-	666,856
Debt securities	-	387,391	-	387,391
Total	-	1,054,247	-	1,054,247

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 as at 30 June 2023 and 30 June 2022.

14 Events occurring after the reporting period

No significant events have occurred since the reporting date which would have an impact on the financial position of the Scheme as at 30 June 2023 or on the results and cash flows of the Scheme for the year ended on that date.

15 Contingent assets, liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2023 and 30 June 2022.

Directors' declaration

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

- (a) the financial statements and notes, set out on page 6 to 25, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2023 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 as issued by the International Accounting Standards Board.

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



Director

Sydney
20 September 2023



Independent Auditor's Report

To the unitholders of Perpetual Institutional Cash Management Trust

Opinion

We have audited the **Financial Report** of 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 2023 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:

- Balance sheet as at 30 June 2023
- 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 to the financial statements 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 ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report 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 Perpetual Institutional Cash Management Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's 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 an audit opinion or 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 the 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
- 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 the 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: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Andrew Reeves

Partner

Sydney

20 September 2023

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