Perpetual Limited
ABN 86 000 431 827

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Australia

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18 February 2021

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Perpetual Half Year Financial Results

The following announcements to the market are provided:

Appendix 4D

1H21 ASX Announcement

1H21 Results Briefing

✓ **Half Yearly Report and Accounts**

Operating and Financial Review – 31 December 2020

Yours faithfully,

Sylvie Dimarco

Sylvie Dimarco
Company Secretary
(Authorising Officer)

Perpetual

Perpetual Limited

ABN 86 000 431 827

and its controlled entities

FINANCIAL STATEMENTS

For the half year
ended 31 Dec 2020

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

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PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated financial statements of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the half-year ended 31 December 2020 and the independent auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Tony D'Aloisio AM, Chairman and Independent Director
BA LLB (Hons) (Age 71)

Appointed Director and Chairman-elect in December 2016 and Chairman from 31 May 2017. Mr D'Aloisio was formerly Commissioner for the Australian Securities and Investments Commission (ASIC) in 2006 and Chairman in 2007 for a four-year term. He was Chairman of the (International) Joint Forum of the Basel Committee on banking supervision from 2009-2011. Prior to joining ASIC he was Chief Executive Officer and Managing Director at the Australian Securities Exchange from 2004-2006. He is currently Chairman of IRESS Limited, a Board member of Aikenhead Centre for Medical Discovery Ltd and President of the European Capital Markets Cooperative Research Centre. He is Chairman of Perpetual's Nominations Committee.

Mr D'Aloisio has close to 40 years' experience in both executive and non-executive roles in commercial and Government enterprises. He has held numerous senior positions in both local and international bodies and has extensive knowledge of the financial markets sector.

Listed company directorships held during the past three financial years:
- IRESS Limited (from June 2012 to present)

Gregory Cooper, Independent Director
FIA, FIAA, BEc (Actuarial Studies) (Age 50)

Appointed Director in September 2019. Mr Cooper has more than 26 years of global investment industry experience in the UK, Asia and Australia with a deep understanding of international funds management.

Mr Cooper brings strong financial services and strategy expertise to the Perpetual board predominantly gained from his executive career at Schroders Australia where he was the Chief Executive Officer from 2006 to 2018 with responsibility for Schroders' institutional business across Asia Pacific and then globally.

Mr Cooper currently serves as a Non-executive Director of NSW Treasury Corporation, where he also chairs the Investment Committee. He is a Non-executive Director of Colonial First State Investments Limited, Catholic Church Insurance, OpenInvest Holdings, the Australian Indigenous Education Foundation, Kincoppal-Rose Bay School of Sacred Heart and EdStart. Previously Mr Cooper acted as a Non-executive Director to the Financial Services Council and held the position of Chairman from 2014 to 2016.

Mr Cooper is a member of Perpetual's Audit, Risk and Compliance Committee, Investment Committee and People and Remuneration Committee.

Nancy Fox, Independent Director
BA JD (Law) FAICD (Age 64)

Appointed Director in September 2015. Ms Fox has more than 30 years' experience in financial services, securitisation and risk management gained in Australia, the US and across Asia. A lawyer by training, she was Managing Director for Ambac Assurance Corporation from 2001 to 2011 and previously Managing Director of ABN Amro Australia from 1997 to 2001. She is currently Chairman of Perpetual Equity Investment Company Limited, a Non-executive Director of ING Bank Australia and Lawcover Pty Ltd and Deputy Chairman of the Board of the Taronga Conservation Society Australia. She is the Chair of Perpetual's People and Remuneration Committee and a member of the Audit, Risk and Compliance Committee and Nominations Committee.

Directors (continued)

Nancy Fox, Independent Director (continued)

Ms Fox brings to the Board a deep knowledge of developing and leading successful financial services businesses and extensive experience with securitisation, regulatory frameworks, risk management and governance.

Listed company directorships held during the past three financial years:
- Perpetual Equity Investment Company Limited (from July 2017 to present)

Ian Hammond, Independent Director
BA (Hons) FCA FCPA FAICD (Age 62)

Appointed Director in March 2015. Mr Hammond was a partner at PricewaterhouseCoopers for 26 years and during that time held a range of senior management positions including lead partner for several major financial institutions. He has previously been a member of the Australian Accounting Standards Board and represented Australia on the International Accounting Standards Board. Mr Hammond is a Non-executive Director of Suncorp Group Limited and Venues NSW and a Board Member of not-for-profit organisations including Mission Australia and Chris O'Brien Lifehouse. He is Chairman of Perpetual's Audit, Risk and Compliance Committee and a member of Perpetual's Investment Committee and Nominations Committee.

Mr Hammond has a deep knowledge of the financial services industry and brings to the Board expertise in financial reporting and risk management.

Listed company directorships held during the past three financial years:
- Suncorp Group Limited (from October 2018 to present)

Fiona Trafford-Walker, Independent Director
BEc, M. Fin (Age 53)

Appointed Director in December 2019. Ms Trafford-Walker has 28 years of senior executive and business management experience within the investment industry, bringing extensive knowledge of investment management and a strong institutional and international perspective to the Perpetual board.

Ms Trafford-Walker began her career in institutional investment consulting in 1992, and until December 2019 was an Investment Director at Frontier Advisors (Frontier). At various times during her tenure, she was responsible for the original development and on-going management of Frontier's business, as well as providing investment and governance advice to a number of the firm's clients.

Currently Ms Trafford-Walker is a Non-executive Director of Victorian Funds Management Corporation, Prospa Group Ltd, Link Administration Holdings, and an Investment Committee Member of the Walter and Eliza Hall Institute.

Ms Trafford-Walker is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Listed company directorships held during the past three financial years:
- Prospa Group Limited (from March 2018 to present)
- Link Administration Holdings (from October 2015 to present)

DIRECTORS' REPORT (continued)

Directors (continued)

P Craig Ueland, Independent Director
BA (Hons and Distinction) MBA (Hons) CFA (Age 62)

Appointed Director in September 2012. Mr Ueland was formerly President and Chief Executive Officer of Russell Investments, a global leader in multi-manager investing. He previously served as Russell’s Chief Operating Officer, Chief Financial Officer, and Managing Director of International Operations, which he led from both London and the firm’s headquarters in the US. Earlier in his career he opened and headed Russell’s first office in Australia. Mr Ueland is a Committee member of the Endowment Investment Committee for The Benevolent Society, is a Board Member of the Stanford Australia Foundation and the Supervisory Board of OneVentures Innovation and Growth Fund II. He is Chairman of Perpetual’s Investment Committee and a member of Perpetual’s Audit, Risk and Compliance Committee and Nominations Committee.

Mr Ueland brings to the Board detailed knowledge of global financial markets and the investment management industry, gleaned from more than 20 years as a senior executive of a major investment firm, along with a strong commitment to leadership development and corporate strategy development and execution.

Rob Adams
Chief Executive Officer and Managing Director
BBus (Accounting) (Age 55)

Mr Adams joined Perpetual as Chief Executive Officer and Managing Director in September 2018.

Mr Adams is a proven financial services business leader with over 30 years’ experience locally and globally across funds management, financial advice and fiduciary services.

Before Perpetual, Mr Adams was Head of Pan-Asia and a member of the Global Executive Committee of Janus Henderson where he had been for six years. Prior to that, he was Chief Executive of Challenger Funds Management, and was previously CEO of First State Investments UK.

Mr Adams holds a Bachelor of Business degree (Accounting). He is Chairman of the Abbotsleigh Foundation.

COMPANY SECRETARY

Sylvie Dimarco
LLB, GradDipAppCorpGov, FGIA, MAICD

Appointed Company Secretary in April 2020. Ms Dimarco joined Perpetual in 2014 and is currently Head of Company Secretariat & Governance at Perpetual. She is also Company Secretary of Perpetual Equity Investment Company Limited (ASX: PIC) and all of Perpetual’s subsidiary boards.

Ms Dimarco has over 13 years’ experience in company secretariat practice and administration for listed and unlisted companies. Before Perpetual, she practiced as a commercial lawyer in Sydney and Canberra for 11 years, working in predominantly mid-sized law firms.

Ms Dimarco holds a Bachelor of Laws degree from the University of Sydney and has completed the Governance Institute of Australia’s Graduate Diploma of Applied Corporate Governance. She is a member of the Perpetual Limited Continuous Disclosure Committee.

Review of operations

A review of operations is included in the Operating and Financial Review (OFR).

For the half-year ended 31 December 2020, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of $29.2 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2019 of $51.6 million.

For the half-year ended 31 December 2020, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of $52.6 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2019 of $58.9 million.

Underlying profit after tax attributable to equity holders of Perpetual Limited excludes certain items, that are either significant by virtue of their size and impact on net profit after tax attributable to equity holders of Perpetual Limited, or are determined by the board and management to be outside normal operating activities. Underlying profit after tax attributable to equity holders of Perpetual Limited is disclosed as it is useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities.

The reconciliation of net profit after tax attributable to equity holders of Perpetual Limited to underlying profit after tax (UPAT) attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2020 is shown below, which has been represented using the Company’s new definition of UPAT.

	6 months ended	
	31 Dec 2020 $'000	**31 Dec 2019 $'000**
Net profit after tax attributable to equity holders of Perpetual Limited	**29,179**	**51,568**
Significant items after tax:		
Transaction and integration costs[1]	20,880	-
Non-cash amortisation of acquired intangible assets[2]	4,539	2,351
Unrealised (gains) / losses on financial assets[3]	(3,478)	400
Tax-effected fair value movements[4]	1,454	-
Operating model review costs	-	4,623
Underlying profit after tax attributable to equity holders of Perpetual Limited	**52,574**	**58,942**

[1] Relates to costs associated with the acquisitions of Trillium and Barrow Hanley. Costs include professional fees, administrative and general expenses and staff costs related to deal specific retention and performance grants.

[2] Relates to the amortisation expense on intangible assets acquired through business combinations. Comparative has been represented to align with the Company's new definition of UPAT.

[3] Relates to unrealised mark to market gains and losses on EMCF, seed fund investments and financial assets held against the Operational Risk Financial Requirements reserve for regulatory purposes.

[4] Relates to fair value movements on the accrued incentive compensation liability. This liability reflects the 25% of employee owned units in Barrow Hanley.

Underlying profit after tax (UPAT) attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the consolidated entity as determined by the Board and management. UPAT has been calculated in accordance with ASIC's *Regulatory Guide 230 - Disclosing non-IFRS financial information*. UPAT attributable to equity holders of Perpetual Limited has not been reviewed by our external auditors; however, the adjustments to net profit after tax attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been reviewed for the half-year.

COVID-19

COVID-19 continues to have an impact on global economies and financial markets, resulting in significant economic uncertainty and market volatility. It has also led to material structural shifts in the behaviour of the economy and unprecedented actions by financial markets, governments and regulators. The consolidated entity continues to monitor the impact of COVID-19 on its operations, control environment and financial reporting as developments arise.

With the recent acquisition of both Trillium and Barrow Hanley in the US, the consolidated entity has also evaluated the impact of COVID-19 on its US operations. Whilst the consolidated entity's business remains fully operational, there have been impacts on the working environment in the US, similar to that in Australia, with the majority of staff working remotely for the reporting period. All of the consolidated entity's businesses continue to operate in line with government regulations and guidance.

Consistent with the approach applied in the preparation of the annual financial statements at 30 June 2020, management has evaluated whether there were any additional areas of significant judgment or estimation uncertainty, assessed the impact of market inputs and variables potentially impacted by COVID-19 on the carrying values of its assets and liabilities, and considered the impact of COVID-19 on the consolidated entity's financial statement disclosures. As disclosed in the annual report, the consolidated entity's revenues have a high degree of exposure to market volatility which has the potential to lead to a material financial impact. The US operations are similarly exposed to market movements due to the nature of the business. Whilst this has been factored into the preparation of the financial report, the accounting policies and methodologies have been applied on a consistent basis to the 30 June annual report. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note the situation is continuing to evolve.

Dividends

On 18 February 2021, the Directors resolved to pay a fully franked interim dividend of $0.84 per share (2020: $1.05 per share).

State of affairs

On 17 November 2020, Perpetual acquired 75% of Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), a US based global investment management business. Refer note 2-1 for further details.

The acquisition of Barrow Hanley is considered transformational in nature and delivers on the consolidated entity's strategy to deliver sustained, quality growth by adding world class investment capabilities and establishing a global footprint.

In order to fund the acquisition, the consolidated entity raised equity via an institutional share placement and share purchase plan (SPP), refer to Section 3-3. In addition to raising equity the consolidated entity refinanced and entered into a new syndicated facility agreement, refer to Section 3-2.

The addition of Barrow Hanley has also resulted in management creating a new business unit, Perpetual Asset Management International (PAMI), refer to Section 1-1.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Events subsequent to reporting date

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in the financial statements that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

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

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' report for the half-year ended 31 December 2020.

Rounding off

The Company is of a kind referred to in *ASIC Corporations Instruments 2016/191* dated 1 April 2016 and in accordance with that Class Order, amounts in the condensed consolidated half-year financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed on behalf and in accordance with a resolution of the Directors:

Tony D'Aloisio
Chairman

Rob Adams
Managing Director

Dated at Sydney this 18th day of February 2021.

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

To the Directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Perpetual Limited for the half-year ended 31 December 2020 there have been:

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

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Brendan Twining

Partner

Sydney

18 February 2021

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2020

	Section	31 Dec 2020	31 Dec 2019
		$'000	**$'000**
Revenue	1-2	285,837	254,836
Expenses	1-3	(234,861)	(179,420)
Financing costs		(4,604)	(2,329)
Net profit before tax		46,372	73,087
Income tax expense	1-4	(17,193)	(21,519)
Net profit after tax		**29,179**	**51,568**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(26,298)	(48)
Other comprehensive income, net of income tax		**(26,298)**	**(48)**
Total comprehensive income		**2,881**	**51,520**
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		2,881	51,520
Earnings per share[1]			
Basic earnings per share – cents per share	1-5	53.6	110.4
Diluted earnings per share – cents per share	1-5	53.0	108.4

[1] The weighted average number of ordinary shares used in the basic and diluted earnings per share calculation for the current and comparative period were adjusted retrospectively in accordance with AASB 133 Earnings per Share following the issues of new shares at a discount to market value during the period. When new shares are issued at a discount to market value ("bonus element"), there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 14 to 34.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
as at 31 December 2020

	Section	31 Dec 2020 $'000	30 Jun 2020 $'000
Assets			
Cash and cash equivalents	3-1	172,101	164,143
Receivables		117,550	92,016
Current tax assets		4,867	-
Structured products - EMCF assets	4-1	216,195	236,390
Other assets		13,010	13,134
Total current assets		**523,723**	**505,683**
Other financial assets		133,738	80,685
Property, plant and equipment		98,566	89,493
Intangibles	2-2	870,255	444,454
Deferred tax assets		30,618	39,973
Other assets		8,360	8,862
Total non-current assets		**1,141,537**	**663,467**
Total assets		**1,665,260**	**1,169,150**
Liabilities			
Payables		59,945	71,980
Structured products - EMCF liabilities	4-1	215,657	236,196
Current tax liabilities		-	13,291
Employee benefits		52,959	52,966
Accrued incentive compensation	2-4	8,519	-
Lease liabilities		13,280	13,783
Provisions	2-3	2,187	2,638
Other liabilities		11,962	-
Total current liabilities		**364,509**	**390,854**
Payables		15,980	18,241
Borrowings	3-2	219,416	-
Deferred tax liabilities		18,399	17,397
Employee benefits		26,071	13,160
Accrued incentive compensation	2-4	32,879	-
Lease liabilities		76,585	68,880
Provisions	2-3	5,289	6,282
Total non-current liabilities		**394,619**	**123,960**
Total liabilities		**759,128**	**514,814**
Net assets		**906,132**	**654,336**
Equity			
Contributed equity	3-3	820,799	539,807
Reserves		(10,908)	19,377
Retained earnings		96,241	95,152
Total equity attributable to holders of Perpetual Limited		**906,132**	**654,336**

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 14 to 34.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2020

$000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Foreign currency translation reserve	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2020	582,105	(42,298)	19,090	287	95,152	654,336	654,336
Total comprehensive income	**-**	**-**	**-**	**(26,298)**	**29,179**	**2,881**	**2,881**
Share Issue	271,281	-	-	-	-	271,281	271,281
Movement on treasury shares	(773)	10,484	(9,855)	-	144	-	-
Equity remuneration expense	-	-	5,868	-	-	5,868	5,868
Dividends paid to shareholders	-	-	-	-	(28,234)	(28,234)	(28,234)
Balance at 31 December 2020	**852,613**	**(31,814)**	**15,103**	**(26,011)**	**96,241**	**906,132**	**906,132**

$000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Foreign currency translation reserve	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2019	550,635	(31,434)	19,600	408	123,030	662,239	662,239
Opening Balance adjustment[1]	**-**	**-**	**-**	**-**	**(3,472)**	**(3,472)**	**(3,472)**
Repurchase of shares on market	-	(5,796)	-	-	-	(5,796)	(5,796)
Total comprehensive income	**-**	**-**	**-**	**(48)**	**51,568**	**51,520**	**51,520**
Share issue	11,400	-	-	-	-	11,400	11,400
Movement on treasury shares	2,988	8,990	(12,304)	-	326	-	-
Equity remuneration expense	-	-	6,409	-	-	6,409	6,409
Dividends paid to shareholders	-	-	-	-	(58,364)	(58,364)	(58,364)
Balance at 31 December 2019	**565,023**	**(28,240)**	**13,705**	**360**	**113,088**	**663,936**	**663,936**

[1]Adjustment to the opening balance of retained earnings to reflect the initial application of AASB 16 *Leases* (net of tax) which came into effect from 1 July 2019.

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 14 to 34.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2020

	Section	31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		309,631	275,771
Cash payments in the course of operations		(257,602)	(200,007)
Dividends received		26	47
Interest received		636	2,279
Interest paid		(2,391)	(2,332)
Income taxes paid		(26,625)	(11,578)
Net cash from operating activities		**23,675**	**64,180**
Cash flows from investing activities			
Payments for property, plant, equipment and software		(9,304)	(3,017)
Payments for investments		(73,709)	(18,979)
Payments for acquisition of business		(431,005)	(18,311)
Cash acquired as part of acquisition of business		2,026	-
Proceeds from the sale of investments		39,319	11,296
Net cash used in investing activities		**(472,673)**	**(29,011)**
Cash flows from financing activities			
Proceeds from issue of shares		275,066	-
Transaction costs related to issue of shares		(4,992)	-
Repurchase of shares on market		-	(5,796)
Receipt from borrowings		234,005	-
Transaction costs related to borrowings		(5,045)	-
Dividends paid		(27,025)	(58,364)
Lease financing costs		(8,741)	(8,873)
Net cash from / (used in) financing activities		**463,268**	**(73,033)**
Net increase / (decrease) in cash and cash equivalents		14,270	(37,864)
Cash and cash equivalents at 1 July		164,143	299,587
Effect of movements in exchange rates on cash held		(6,312)	-
Cash and cash equivalents at 31 December		**172,101**	**261,723**

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 14 to 34.

Section 1 Group performance

This section focuses on the results and performance of Perpetual as a consolidated entity. On the following pages you will find disclosures explaining Perpetual's results for the period, segmental information, taxation, earnings per share and dividend information.

1-1 Operating segments

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components and for which discrete financial information is available. All operating segments' operating results are regularly reviewed by the consolidated entity's CEO to make decisions about resources to be allocated to the segment and assess their performance.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, income tax expenses, assets and liabilities.

During the period, the consolidated entity completed the acquisition of Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley) a US based global asset management business. Refer to Section 2-1. Together with Trillium, this resulted in management creating a new segment, Perpetual Asset Management International (PAMI).

The following summary describes the operations in each of the reportable segments:

i. Services provided

Perpetual is an independent Australian wealth manager operating in Australia, United States of America (USA) and Singapore and provides a diverse range of financial products and services including asset management, financial advice and trustee services via its four business segments, supported by Group Support Services.

Perpetual Asset Management, Australia	Provides investment products and services to domestic retail, corporate, superannuation and institutional clients, with investment capabilities spanning Australian equities, credit and fixed Income, multi-asset and global equities.
Perpetual Asset Management, International	Provides investment products and services to global retail and institutional clients, including a distribution presence in the United States and Hong Kong. Investment management firm, Barrow Hanley, and boutique ESG investment management firm, Trillium, form part of this operating segment to offer a breadth of high-quality global investment capabilities to our clients.
Perpetual Private	Is an advisory services business focused on the comprehensive needs of families, businesses and communities. Support for clients spreads across financial advice, portfolio management, risk, estate administration, trustee services and tax and accounting. The business is focused on client service excellence and attracting and retaining exceptional talent to meet those standards in our chosen segments.

1-1 Operating segments (continued)

i. Services provided (continued)

Perpetual Corporate Trust	Provides a broad range of products to the debt capital markets and managed funds industries both domestically and internationally from our business lines. Debt Market Services includes trustee, document custodian, agency, trust management, accounting, standby servicing, and reporting solutions. It also includes Data & Analytics Solutions (Perpetual Digital), which provides data services, industry roundtables, and our new software as a service (Perpetual Business Intelligence) digital platform business supporting the banking and financial services industry. Managed Funds Services includes responsible entity, wholesale trustee, custodian, investment management and accounting. Singapore products include SREIT trustee, trustee, and agency.
Group Support Services	Comprising Group Investments, Finance, Corporate Affairs, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Operations, Product and People functions.

ii. Geographical information

The consolidated entity operates in Australia, USA, Singapore and Hong Kong. The majority of the consolidated entity's revenue and assets relate to operations in Australia and USA. The USA operations are represented by Perpetual Asset Management, International. The Singapore and Hong Kong operations do not meet the definition of an operating segment as at balance date.

iii. Major customer

The consolidated entity does not rely on any major customer.

1-2 Operating segments (continued)

	Perpetual Asset Management, Australia[1] $'000	Perpetual Asset Management, International[2] $'000	Perpetual Private $'000	Perpetual Corporate Trust $'000	Total $'000
31 December 2020					
Major service lines					
Equities	61,750	32,711	-	-	94,461
Cash and fixed income	14,659	5,475	-	-	20,134
Other AUM related	2,169	-	-	-	2,169
Other non-AUM related	46	-	-	-	46
Market related	-	-	61,147	-	61,147
Non-market related	-	-	28,096	-	28,096
Income from structured products	1,478	-	6	-	1,484
Debt Market Services	-	-	-	36,831	36,831
Managed Funds Services	-	-	-	28,447	28,447
Total revenue by Major service line	80,102	38,186	89,249	65,278	272,815
Interest revenue	3	80	1	359	443
Total revenue for reportable segment	80,105	38,266	89,250	65,637	273,258
Depreciation and amortisation	(2,579)	(4,062)	(6,523)	(6,118)	(19,282)
Financing costs	(52)	(86)	(486)	(231)	(855)
Reportable segment net profit before tax	18,841	(16,727)	14,285	29,478	45,877
Reportable segment assets	256,423	794,250	220,750	207,150	1,478,573
Reportable segment liabilities	(230,074)	(133,152)	(17,932)	(11,474)	(392,632)
31 December 2019					
Major service lines					
Equities	75,313	-	-	-	75,313
Cash and fixed income	14,277	-	-	-	14,277
Other AUM related	2,711	-	-	-	2,711
Market related	-	-	62,783	-	62,783
Non-market related	-	-	30,687	-	30,687
Income from structured products	2,168	-	8	-	2,176
Debt Market Services	-	-	-	33,214	33,214
Managed Funds Services	-	-	-	27,559	27,559
Total revenue by Major service line	94,469	-	93,478	60,773	248,720
Interest revenue	31	-	37	38	106
Total revenue for reportable segment	94,500	-	93,515	60,811	248,826
Depreciation and amortisation	(3,286)	-	(7,467)	(5,730)	(16,483)
Financing costs	(81)	-	(502)	(287)	(870)
Reportable segment net profit before tax	37,211	-	17,362	27,478	82,051
Reportable segment assets	287,964	-	233,532	207,456	728,952
Reportable segment liabilities	(307,553)		(27,056)	(69,671)	(404,280)
30 June 2020					
Reportable segment assets	385,156	-	225,520	206,059	816,735
Reportable segment liabilities	(302,447)	-	(31,771)	(12,679)	(346,897)

[1]Segment information for Perpetual Asset Management, Australia includes the Exact Market Cash Funds, refer to section 4-1(i).

[2]Perpetual Asset Management, International is a new segment following the acquisition of Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley).

1-1 Operating segments (continued)

	31 Dec 2020 $'000	31 Dec 2019 $'000
Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities		
Revenues		
Total revenue for reportable segments	273,258	248,826
Add: Group and Support Services revenue	7,235	5,924
Net realised gains on sale of investments	56	327
Unrealised gains / (losses) on financial assets	5,288	(241)
Total revenue from continuing operations	285,837	254,836
Net profit before tax		
Total net profit before tax for reportable segments	45,877	82,051
Financing costs	(3,749)	(1,459)
Net realised gains on sale of investments	56	327
Group and Support Services revenue / (expense)	4,188	(7,832)
Net profit before tax	46,372	73,087
Total assets		
Total assets for reportable segments	1,478,573	728,952
Group and Support Services assets	186,687	476,206
Total assets	1,665,260	1,205,158
Total liabilities		
Total liabilities for reportable segments	392,632	404,280
Group and Support Services liabilities	366,496	136,942
Total liabilities	759,128	541,222

1-2 Revenue

	31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue from contracts with customers	271,156	247,922
Income from structured products	1,484	2,176
Dividends	35	48
Interest and unit trust distributions	7,818	4,604
Net realised gains on sale of investments	56	327
Unrealised gains/(losses) on financial assets	5,288	(241)
	285,837	254,836

1-3 Expenses

	31 Dec 2020 $'000	31 Dec 2019 $'000
Staff related expenses excluding equity remuneration expense	133,605	89,923
Occupancy expenses	3,713	2,508
Administrative and general expenses	71,027	55,403
Distributions and expenses relating to structured products	677	1,334
Equity remuneration expense	5,925	5,792
Depreciation and amortisation expense	19,914	17,856
Operating model review costs	-	6,604
	234,861	179,420

	31 Dec 2020 $'000	31 Dec 2019 $'000

1-4 Income taxes

	31 Dec 2020 $'000	31 Dec 2019 $'000
Current period tax expense		
Current period tax expense	11,684	21,790
Adjustment to prior periods	(2,864)	12
Research and development tax incentives from prior periods	-	(440)
Total current tax expense impacting income taxes payable	8,820	21,362
Deferred tax expense		
Adjustment to prior periods	2,569	119
Temporary differences	5,804	38
Total deferred tax expense	8,373	157
Total income tax expenses	17,193	21,519
Profit before tax for the period	46,372	73,087
Prima facie income tax expense calculated at 30% (2019: 30%) on profit for the period	13,912	21,926
– Recognition of previously unrecognised capital and revenue losses	(646)	(316)
– Prior period adjustments	(295)	(309)
– Other non-taxable income and tax credits	(315)	115
– Other non-deductible expenses	4,537	103
Total	17,193	21,519
Effective tax rate (ETR)	37.1%	29.4%

	31 Dec 2020 $'000	30 Jun 2020 $'000
Income taxes payable/(receivable) at the beginning of the period	13,291	(1,846)
Income taxes payable for the financial period	8,820	41,690
Less: tax paid during the period	(26,625)	(26,138)
Other	(353)	(415)
Income taxes (receivable)/payable at the end of the period	(4,867)	13,291

1-4 Income taxes (continued)

Basis of calculation of ETR

The ETR is calculated as income tax expense divided by net profit before tax for the period.

The consolidated entity operates in Australia, USA and Singapore. The Singapore operation is not material to the consolidated entity and has no material impact on the calculation of the ETR. The USA operations have no material impact on the calculation of the ETR for this half year end. This is expected to change going forward given the size of the most recent US acquisition, Barrow Hanley.

Explanation of variance to the legislated 30% tax rate
The consolidated entity's effective tax rate for the year was 37.1% (2020: 29.4%). The increase of 7.1% in the effective tax rate compared to the legislated 30% is mainly attributed to non-deductible expenses arising from overseas acquisitions and due diligence costs.

Capital tax (gains)/losses calculated at 30% tax in Australia
The total tax benefits of realised capital losses are $26,517,454 (30 June 2020: $26,521,502), comprising $3,000,000 (30 June 2020: $3,000,000) recognised in deferred tax assets and $23,517,454 (30 June 2020: $23,521,502) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior year and are available to be utilised by the Australian income tax consolidated group in future years.

	31 Dec 2020	31 Dec 2019
	Cents per share	
1-5 Earnings per share[1]		
Basic earnings per share	53.6	110.4
Diluted earnings per share	53.0	108.4
	$'000	**$'000**
Net profit after tax attributable to equity holders of Perpetual Limited	29,179	51,568

	31 Dec 2020	31 Dec 2019
	Number of shares	
Weighted average number of ordinary shares (basic)[1]	54,476,959	46,715,358
Effect of dilutive potential ordinary shares (including those subject to performance rights)	539,490	861,093
Weighted average number of ordinary shares (diluted)[1]	55,016,449	47,576,451

[1] The weighted average number of ordinary shares used in the basic and diluted earnings per share calculation for the current and comparative period were adjusted retrospectively in accordance with AASB 133 Earnings per Share following the issues of new shares at a discount to market value during the period. When new shares are issued at a discount to market value ("bonus element"), there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

1-6 Dividends

	Cents per share	Total amount $'000	Franked / Unfranked	Date of payment
31 December 2020				
Final 2020 ordinary	50	28,234	Franked	25 Sept 2020
Total amount	50	28,234		
31 December 2019				
Final 2019 ordinary	125	58,364	Franked	30 Sept 2019
Total amount	125	58,364		

All franked dividends declared or paid during the period were franked at a tax rate of 30 per cent and paid out of retained earnings.

The Company's Dividend Reinvestment Plan (DRP) is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs. Shareholders can elect to participate in or terminate their involvement in the DRP at any time.

Since the end of the financial period, the Directors declared the following dividend.

	Cents per share	Total amount[1] $'000	Franked / Unfranked	Date of payment
Interim 2021 ordinary	84	47,468	Franked	26 Mar 2021

[1]Calculation based on the ordinary shares on issue as at 31 December 2020.

The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2020 and will be recognised in subsequent financial reports. There are no tax consequences.

Dividend franking account	31 Dec 2020 $'000	31 Dec 2019 $'000
Amount of franking credits available to shareholders for subsequent financial periods	33,164	32,793

The above available amounts are based on the balance of the dividend franking account at 31 December 2020 adjusted for the refund of current tax assets and franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the half-year end.

Section 2 Operating assets and liabilities

This section shows the assets used to generate Perpetual's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 3.

2-1 Business Combinations

Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley)

On 17 November 2020, Perpetual acquired 75% of Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), a US based global investment management business with AUM predominantly held in US, global and emerging markets equities and fixed income strategies.

The acquisition of Barrow Hanley is part of the consolidated entity's strategy to deliver sustained, quality growth by adding world class investment capabilities and establishing a global footprint. The acquisition is considered to be transformational in nature and forms part of the newly created Perpetual Asset Management International (PAMI) business unit.

For the period post acquisition and ending 31 December 2020, Barrow Hanley contributed revenue of $22.3 million and profit (before tax) of $3.3 million to the Group's results. If the acquisition had occurred on 1 July 2020, management estimates that consolidated revenue would have been $348.1 million and consolidated profit (before tax) for the year would have been $72.7 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2020.

The below summarises the total consideration and the recognised amounts of assets acquired and liabilities assumed at the acquisition date in Australian dollars.

In accordance with Australian Accounting Standards Board AASB 3 – Business Combinations (AASB 3), the consideration was calculated as the fair value of the assets transferred by the acquirer and the liabilities incurred by the acquirer to former owners of the acquiree.

As per AASB 3, if the initial accounting for a business is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts. Further, there is a measurement period, which shall not exceed a year, in which the acquirer can reassess or recognise additional assets or liabilities if new information is obtained about facts and circumstance that existed as of acquisition date.

At 31 December 2020, the acquisition accounting balances are provisional. Accounting for the acquisition may be revised in accordance with AASB 3.

The fair value of the consideration was calculated on the settlement date of 17 November 2020 when the initial consideration was transferred. The deferred consideration consists of a net working capital adjustment and contingent consideration. The contingent consideration is dependent upon the achieving of additional client consents in a defined period after the acquisition date.

Consideration transferred	**$'000**
Cash consideration	400,432
Fair value of deferred consideration	20,859
Total consideration transferred	**421,291**

2-1 Business Combinations (continued)

Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley) (continued)

Identifiable assets acquired and liabilities assumed	**$'000**
Cash and cash equivalents	2,026
Receivables	31,913
Other assets	41,686
Property, plant and equipment	17,993
Intangibles	273,832
Payables	(7,835)
Employee benefits	(62,672)
Accrued incentive compensation	(40,158)
Lease liabilities	(17,212)
Other liabilities	(2,540)
Total identifiable assets acquired and liabilities assumed	**237,033**

All trade receivables were expected to be recovered at the acquisition date.

The goodwill created by this acquisition is attributable mainly to the skills and technical talent of the acquiree's work force and the synergies expected to be achieved from Barrow Hanley leveraging the consolidated entity's distribution capabilities. The goodwill recognised is expected to be deductible for tax purposes under US tax legislation.

Goodwill	**$'000**
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	421,291
Less provisional value of identifiable net assets	(237,033)
Total goodwill acquired	**184,258**

The consolidated entity incurred acquisition and integration related costs of $19.2 million after tax which are included in expenses in the consolidated entity's statement of profit and loss and other comprehensive income.

Trillium

On 30 June 2020, Perpetual acquired 100% of Trillium Asset Management, LLC (Trillium), a Boston based specialist environmental, social and governance (ESG) investment firm.

The acquisition of Trillium is part of the consolidated entity's strategy of expanding its international asset management capabilities. The acquisition gives Perpetual a presence in the USA and expands the portfolio of products to socially responsible investors.

The below summarises the total consideration and the recognised amounts of assets acquired and liabilities assumed at the acquisition date in Australian dollars.

In accordance with AASB 3, the consideration was calculated as the fair value of the assets transferred by the acquirer and the liabilities incurred by the acquirer to former owners of the acquiree.

As per AASB 3, if the initial accounting for a business is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report provisional amounts. Further, there is a measurement period, which shall not exceed a year, in which the acquirer can reassess or recognise additional assets or liabilities if new information is obtained about facts and circumstance that existed as of acquisition date.

2-1 Business Combinations (continued)

Trillium (continued)

At 31 December 2020, the acquisition accounting balances are provisional. Accounting for the acquisition may be revised in accordance with AASB 3.

The fair value of the consideration was calculated on the settlement date of 30 June 2020 when the initial consideration was transferred. A portion of the deferred consideration is contingent upon achieving client consent and assets under management and a revenue hurdle. As at 31 December 2020, there is only one earn out that has yet to be met. The remaining earn out is contingent upon the achieving of a revenue hurdle in a future period.

Consideration transferred	**$'000**
Cash consideration	32,109
Fair value of deferred consideration	42,892
Total consideration transferred	**75,001**

Identifiable assets acquired and liabilities assumed	**$'000**
Cash and cash equivalents	3,387
Receivables	1,733
Other assets	760
Property, plant and equipment	5,506
Intangibles	25,549
Payables	(960)
Employee benefits	(4,774)
Lease liabilities	(6,484)
Total identifiable assets acquired and liabilities assumed	**24,717**

All trade receivables were expected to be recovered at the acquisition date.

During the period the consolidated entity has made immaterial adjustments to the total identifiable assets and liabilities assumed as allowed under AASB 3.

The goodwill created by this acquisition is attributable mainly to the skills and technical talent of the acquiree's work force and the synergies expected to be achieved from integrating Trillium into the consolidated entity.

Goodwill	**$'000**
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	75,001
Less value of identifiable net assets	(24,717)
Total goodwill acquired	**50,284**

The consolidated entity incurred acquisition and integration related costs of $1.4 million (30 June 2020: $1.9 million) after tax which are included in expenses in the consolidated entity's statement of profit or loss and other comprehensive income.

2-2 Intangibles

	Goodwill	Intangible assets				
$'000		**Customer contracts**	**Capitalised software**	**Project work in progress**	**Other**	**Total**
Balance as at 31 December 2020						
At cost	547,414	317,159	90,443	11,195	54,530	1,020,741
Foreign exchange movement	(14,569)	(13,241)	-	-	(3,086)	(30,896)
Accumulated amortisation	-	(52,086)	(65,025)	-	(2,479)	(119,590)
Carrying amount	532,845	251,832	25,418	11,195	48,965	870,255
Balance at 1 July 2020	361,328	40,932	21,829	12,065	8,300	444,454
Additions	-	-	163	7,281	-	7,444
Additions through business combinations	186,086	229,309	-	-	44,523	459,918
Foreign exchange movement	(14,569)	(13,241)	-	-	(3,086)	(30,896)
Transfers	-	-	8,151	(8,151)	-	-
Amortisation expense	-	(5,168)	(4,725)	-	(772)	(10,665)
Balance as at 31 December 2020	532,845	251,832	25,418	11,195	48,965	870,255
Balance as at 30 June 2020						
At cost	361,328	87,850	82,129	12,065	10,007	553,379
Accumulated amortisation	-	(46,918)	(60,300)	-	(1,707)	(108,925)
Carrying amount	361,328	40,932	21,829	12,065	8,300	444,454
Balance at 1 July 2019	289,790	21,344	28,928	5,217	500	345,779
Additions	-	-	-	8,417	-	8,417
Additions through business combinations	71,538	25,488	7	-	7,850	104,883
Transfers	-	-	1,569	(1,569)	-	-
Amortisation expense	-	(5,900)	(8,675)	-	(50)	(14,625)
Balance as at 30 June 2020	361,328	40,932	21,829	12,065	8,300	444,454

	31 Dec 2020 $'000	30 Jun 2020 $'000

2-3 Provisions

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current		
Insurance and legal provision	390	434
Operational process review provision	425	2,181
Make good and other occupancy related provisions	1,349	-
Other provisions	23	23
	2,187	2,638
Non-current		
Make good and other occupancy related provisions	5,289	6,282
	5,289	6,282

2-4 Accrued Incentive Compensation

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current		
Accrued incentive compensation	8,519	-
	8,519	-
Non-current		
Accrued incentive compensation	32,879	-
	32,879	-

Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), a Group Subsidiary, has established a profit-sharing plan (the Plan). Under the Plan, Barrow Hanley may award annual bonuses to key employees, a portion of which may be paid to the eligible employees through the issuance of unit interests. The awards of unit interests have a three-year vesting period from the grant date, and the value is determined at grant date based on a predetermined formula of five times trailing 12-month earnings of Barrow Hanley in excess of $25 million, as defined in the Plan. Under the provisions of the Plan, these awards contain a feature whereby shares may be put back to the Parent of Barrow Hanley (Perpetual US Holding Company, Inc) in the future at the then five times trailing 12-month earnings in excess of $25 million, as defined in the Plan.

The grant date value and the repurchase date value of the unit interests are determined by multiplying Barrow Hanley's previous twelve month net income in excess of $25 million, excluding amortisation of intangibles, appreciation or depreciation in previously granted or purchased equity interest of Barrow Hanley, the impact of any deferred bonus, taxes and other operating charges, by five.

Compensation costs associated with awards under the Plan are recognised based on the proportionate amount of the awards fair value that has been earned through service to date. An increase to staff related expenses is recorded to reflect the fair value adjustment related to the fair value of the liability, with the corresponding increase to the liability included in accrued incentive compensation. The liability is re-measured each period until settlement.

Units interests are also entitled to distributions, which are accrued at each reporting date. An increase to staff related expenses is recorded with the corresponding increase to the liability included in employee benefits.

Section 3 Capital management and financing

This section outlines how Perpetual manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets. Perpetual's objectives when managing capital are to safeguard its ability to continue as a going concern, to continue to provide returns to shareholders and benefits to other stakeholders, and to reduce the cost of capital.

	31 Dec 2020 $'000	**30 Jun 2020 $'000**
3-1 Cash and cash equivalents		
Bank balances	117,774	158,775
Short-term deposits	54,327	5,368
	172,101	164,143

Short-term deposits represent rolling 90 day term deposits.

3-2 Borrowings

The consolidated entity has access to the following credit facilities:

	31 Dec 2020	30 Jun 2020
Total facility used	219,416	-
Facility unused	128,564	50,000

During the period, the consolidated entity refinanced and entered into new syndicated facility arrangements. The arrangements consist of a multi-currency term loan with a maximum commitment of $117 million USD or equivalent (Facility A1), a multi-currency revolving loan facility with a maximum commitment of $78 million USD (Facility A2), a multi-currency revolving loan facility with a maximum commitment of $100 million AUD or equivalent (Facility B) and a bank guarantee facility with a maximum commitment of $135 million AUD (Facility C). Facilities A1 and A2 attract an interest rate equal to LIBOR plus a margin, Facility B has an interest rate of BBSY plus a margin and Facility C is at a flat rate. All the facilities have a term of three years.

During the period the consolidated entity utilised Facilities A1 and A2 to fund the purchase of Barrow Hanley and the balance sheet as at 31 December 2020 reflects the amount to be repaid under these facilities. The loans are held in USD. The consolidated entity relies on bank guarantees issued under Facility C to meet its regulatory capital requirements (refer to Section 3-4).

In establishing the new syndicated facility arrangement, the consolidated entity incurred costs of $5.5 million (including underwriting fees). These costs have been capitalised and net off against the total facility used. Costs will be released to profit and loss over the term of the facility.

3-2 Borrowings (continued)

The consolidated entity has agreed to various debt covenants including shareholders' funds as a specified percentage of total assets, a maximum ratio of gross debt to EBITDA and a minimum interest cover. The consolidated entity is in compliance with the covenants at 31 December 2020 and anticipates being compliant going forward. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

	31 Dec 2020 $'000	30 Jun 2020 $'000
3-3 Contributed equity		
Fully paid ordinary shares 56,509,004 (30 June 2020: 47,388,608)	852,613	582,105
Treasury shares 421,398 (30 June 2020: 673,858)	(31,814)	(42,298)
	820,799	539,807

	31 Dec 2020		30 Jun 2020	
	Number of shares	$'000	Number of shares	$'000
Movements in share capital				
Balance at beginning of period/year	46,714,750	539,807	46,225,613	519,201
Shares issued:				
- Issue of ordinary shares[1]	9,120,396	271,281	814,182	28,435
- Movement on treasury shares	252,460	9,711	(325,045)	(7,829)
Balance at end of period/year	56,087,606	820,799	46,714,750	539,807

[1]During the period the consolidated entity issued 7,425,743 shares under an institutional share placement and a further 1,652,315 under a Share Purchase Plan (SPP) in order to fund the Barrow Hanley acquisition. Costs of $5.0 million were offset against proceeds of $275.1 million. An additional 42,338 ($1.2 million) shares were issued in September 2020 to satisfy Dividend Re-investment Plan requirements.

The Company does not have authorised capital or par value in respect of its issued shares.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any surplus capital.

3-4 Contingencies

Contingent liabilities

	31 Dec 2020 $'000	30 Jun 2020 $'000
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of the Australian Securities and Investment Commission in relation to the provision of responsible entity services and custodial or depository services	129,500	129,500
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,551	1,612
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	644	644
	132,695	132,756

In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against entities in the consolidated entity. The consolidated entity does not consider that the outcomes of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

Section 4 Other disclosures

This section contains other miscellaneous disclosures that are required by accounting standards.

4-1 Structured products assets and liabilities

i. Exact Market Cash Funds

	31 Dec 2020 $'000	30 Jun 2020 $'000
Current assets		
Perpetual Exact Market Cash Fund	149,401	166,297
Perpetual Exact Market Cash Fund No. 2	66,794	70,093
	216,195	236,390
Current liabilities		
Perpetual Exact Market Cash Fund	148,910	166,217
Perpetual Exact Market Cash Fund No. 2	66,747	69,979
	215,657	236,196

The Exact Market Cash Funds' current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds' investors. The difference between the current assets and current liabilities balance is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The Perpetual Exact Market Cash Fund (EMCF 1) was established with the purpose of providing an exact return that matched the Bloomberg AusBond Bank Bill Index (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of $3 million (30 June 2020: $3 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity and credit risks.

The Perpetual Exact Market Cash Fund No. 2 (EMCF 2) was established to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of $1.5 million (30 June 2020: $1.5 million) to be called upon in the event that Perpetual does not meet its obligations.

The underlying investments of the funds are valued on a hold to maturity basis for unit pricing purposes, which is consistent with the way in which Perpetual manages the portfolios.

4-2 Financial instruments

Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 31 December 2020. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability that are not based on observable market data.

Consolidated

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2020				
Financial assets				
Listed equity securities	16,459	-	-	16,459
Unlisted unit trusts	-	117,277	-	117,277
Structured products - EMCF assets	11,956	204,239	-	216,195
	28,415	321,516	-	349,931
At 30 June 2020				
Financial assets				
Listed equity securities	1,533	-	-	1,533
Unlisted unit trusts	-	79,150	-	79,150
Structured products - EMCF assets	5,999	230,391	-	236,390
	7,532	309,541	-	317,073

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the last traded price. Marketable shares included in other financial assets are traded in an organised financial market and their fair value is the current quoted last traded price for an asset. The carrying amounts of bank term deposits and receivables approximate fair value. The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The estimates of fair value where valuation techniques are applied are subjective and involve the exercise of judgement. Changing one or more of the assumptions applied in valuation techniques to reasonably possible alternative assumptions may impact on the amounts disclosed.

4-2 Financial instruments (continued)

The carrying amount of financial assets and financial liabilities, less any impairment, approximates their fair value, except for those outlined in the table below, which are stated at amortised cost.

	31 Dec 2020		30 Jun 2020	
	Carrying amount $'000	Fair Value $'000	Carrying amount $'000	Fair Value $'000
Current				
Structured products – EMCF liabilities	215,657	216,195	236,196	236,390

4-3 Events subsequent to balance date

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Section 5 Basis of preparation

5-1 Reporting entity

Perpetual Limited ("the Company") is a company domiciled in Australia, with operations in Australia, USA and Singapore. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2020 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interests in associates.

The Company is a for-profit entity and primarily involved in funds management, portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, investment administration and custody services.

The consolidated annual financial statements for the consolidated entity as at and for the year ended 30 June 2020 are available at www.perpetual.com.au.

a. Statement of compliance

The condensed consolidated half-year financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001, and with IAS 34 Interim Financial Reporting.

The condensed consolidated half-year financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the consolidated entity for the year ended 30 June 2020.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 18 February 2021.

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and in accordance with the Class Order, amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

b. Use of judgements and estimates

The preparation of the half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

COVID-19 continues to have an impact on global economies and financial markets, resulting in significant economic uncertainty and market volatility. It has also led to material structural shifts in the behaviour of the economy and unprecedented actions by financial markets, governments and regulators. The consolidated entity continues to monitor the impact of COVID-19 on its operations, control environment and financial reporting as developments arise.

With the recent acquisition of both Trillium and Barrow Hanley in the US, the consolidated entity has also evaluated the impact of COVID-19 on its US operations. Whilst the consolidated entity's business remains fully operational, there have been impacts on the working environment in the US, similar to that in Australia, with the majority of staff working remotely for the reporting period. All of the consolidated entity's businesses continue to operate in line with government regulations and guidance.

5-1 Reporting entity (continued)

b. Use of judgements and estimates (continued)

Consistent with the approach applied in the preparation of the annual financial statements at 30 June 2020, management has evaluated whether there were any additional areas of significant judgment or estimation uncertainty, assessed the impact of market inputs and variables potentially impacted by COVID-19 on the carrying values of its assets and liabilities, and considered the impact of COVID-19 on the consolidated entity's financial statement disclosures. As disclosed in the annual report, the consolidated entity's revenues have a high degree of exposure to market volatility which has the potential to lead to a material financial impact. The US operations are similarly exposed to market movements due to the nature of the business. Whilst this has been factored into the preparation of the financial report, the accounting policies and methodologies have been applied on a consistent basis to the 30 June annual report. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note the situation is continuing to evolve.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to and are described in the consolidated financial statements as at and for the year ended 30 June 2020.

5-2 Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the consolidated entity's financial statements as at and for the year ended 30 June 2020.

a. Hedge accounting

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the consolidated entity. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the consolidated entity's functional currency, which causes the amount of the net investment to vary in the consolidated financial statements. This risk may have a significant impact on the consolidated entity's financial statements. The consolidated entity's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory capital ratios of the Company and its subsidiaries.

The hedged risk in the net investment hedge is the variability in the US dollar exchange rate against the Australian dollar that will result in a reduction in the carrying amount of the consolidated entity's net investment in the subsidiaries. An economic relationship exists between the hedged net investment and hedging instrument due to the shared foreign currency risk exposure.

The consolidated entity uses foreign currency denominated debt as a hedging instrument. The consolidated entity assesses effectiveness by comparing past changes in the carrying amount of the debt that are attributable to a change in the spot rate with past changes in the investment in the foreign operation due to movement in the spot rate (the offset method).

The consolidated entity's policy is to hedge the net investment only to the extent of the debt principal; therefore, the hedge ratio is established by aligning the principal amount of the debt with the carrying amount of the net investment that is designated. There are no sources of ineffectiveness because changes in the spot exchange rate are designated as the hedged risk.

b. Foreign currency translation reserve

The Foreign Currency Translation Reserve (FCTR) records the foreign currency differences from the translation of the financial information of foreign operations that have a functional currency other than Australian dollars.

5-3 New Standards and interpretations not yet adopted

There are no new standards, amendments to standards, and interpretations effective for the first time in the current financial period that would have a material impact to the consolidated entity.

Directors' Declaration

In the opinion of the Directors of Perpetual Limited ("the Company"):

1. the condensed consolidated financial statements and notes set out on pages 10 to 34 are in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

2. there are reasonable grounds to believe that Perpetual Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Tony D'Aloisio
Chairman

Rob Adams
Managing Director

Dated at Sydney this 18th day of February 2021.

Independent Auditor's Review Report

To the shareholders of Perpetual Limited

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Perpetual Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Perpetual Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Condensed Consolidated Statement of Financial Position as at 31 December 2020;
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the Half-year ended on that date;
- Notes (Sections 1 – 5) comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Consolidated Entity*** comprises Perpetual Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG.

KPMG

Brendan Twining
Partner

Sydney

18 February 2021

Perpetual

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