

20 February 2020

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

1H20 ASX Announcement

1H20 Results Briefing

✓ **Half Yearly Report and Accounts**

Operating and Financial Review – 31 December 2019

Yours faithfully,



Chris Green
Company Secretary
(Authorising Officer)

Perpetual Limited
ABN 86 000 431 827

FINANCIAL STATEMENTS

For the 6 months
ended 31 December 2019

Perpetual 

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 2019 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 70)

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)

Nancy Fox, Independent Director
BA JD (Law) FAICD (Age 63)

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 Chairman on Perpetual's People and Remuneration Committee and a member of the Audit, Risk and Compliance Committee and Nominations Committee.

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 (Hon) FCA FCPA FAICD (Age 61)

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)

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DIRECTORS' REPORT (continued)

Directors (continued)

P Craig Ueland, Independent Director
BA (Hons and Distinction) MBA (Hons) CFA (Age 61)

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 chairs 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.

Gregory Cooper, Independent Director
FIA, FIAA, BEc (Actuarial Studies) (Age 49)

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 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, OpenInvest Holdings, the Australian Indigenous Education Foundation and Kincoppal-Rose Bay School of Sacred Heart. 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.

Fiona Trafford-Walker, Independent Director
BEc, M. Fin (Age 52)

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 was most recently 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)

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DIRECTORS' REPORT (continued)

Directors (continued)

Rob Adams
Chief Executive Officer and Managing Director
BBus (Accounting) (Age 54)

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

Rob 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, Rob 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, Rob was Chief Executive of Challenger Funds Management, and was then previously CEO of First State Investments UK.

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

DIRECTORS WHO RETIRED DURING THE YEAR

Philip Bullock AO, Independent Director
BA MBA GAICD Dip Ed (Age 66)
INDEPENDENT DIRECTOR

Appointed Director in June 2010. On 17 October 2019, Mr Bullock retired as a Director of Perpetual Limited and as a member of the Audit, Risk and Compliance Committee and People and Remuneration Committee.

Sylvia Falzon, Independent Director
MIR (Hons) BBus FAICD SF Fin (Age 55)
INDEPENDENT DIRECTOR

Appointed Director in November 2012. On 17 October 2019, Ms Falzon retired as a Director of Perpetual Limited, as Chairman of the People and Remuneration Committee and as a member of the Investment Committee and Nominations Committee.

COMPANY SECRETARY

Christopher Green
BCom, LLB, MBA, MAICD

Appointed Company Secretary on 27 September 2019. Mr Green is Perpetual's Chief Financial Officer. Mr Green joined Perpetual in 2006 and has held the roles of General Manager Trust & Fund Services and from 2008, Group Executive Perpetual Corporate Trust. In addition, Mr Green was Interim Chief Executive Officer of Perpetual Limited from 1 July to 24 September 2018 and was then appointed the Chief Financial Officer in October 2018.

Before Perpetual, Mr Green was with JP Morgan where he spent nine years in London as Vice President of Intuition Trust Services and a year as head of that business for the Australasia region.

Mr Green is admitted as a solicitor in Queensland and England and Wales. He completed his MBA at London Business school and is currently completing a BA in Philosophy at the University of London.

Company secretary who resigned in the period

Eleanor Padman
BA (Hons) OXON, FGIA, FCIS, GAICD

Appointed Company Secretary on 31 July 2017. Mrs Padman resigned as Company Secretary of Perpetual Limited on 27 September 2019.

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DIRECTORS' REPORT (continued)

Review of operations

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

For the half-year ended 31 December 2019, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of \$51.6 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2018 of \$60.2 million.

For the half-year ended 31 December 2019, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of \$56.2 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2018 of \$60.2 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 deemed to be outside normal operating activities. Operating model review costs of \$4.6 million after tax were deemed to be outside of normal operating activities for the 6 month period ended 31 December 2019. 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 attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2019 is as follows:

	6 months ended	
	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	51,568	60,201
Significant items after tax: Operating model review costs	4,623	-
Underlying profit after tax attributable to equity holders of Perpetual Limited	56,191	60,201

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 audited 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 audited.

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DIRECTORS' REPORT (continued)

Dividends

On 20 February 2020, the Directors resolved to pay a fully franked interim dividend of \$1.05 per share (2019: \$1.25 per share).

State of affairs

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

Events subsequent to reporting date

On 31 January 2020, Perpetual announced its intention to acquire Trillium Asset Management (Trillium), a Boston-based specialist environmental, social and governance (ESG) investment firm. Perpetual will acquire 100% of Trillium for US\$36 million (A\$54 million), plus an earnout. The transaction will be funded by available cash. The transaction is expected to be completed by the end of the financial year, subject to Trillium obtaining regulatory and other customary approvals.

Other than the matters noted above, 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.

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

The Lead Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the half-year ended 31 December 2019.

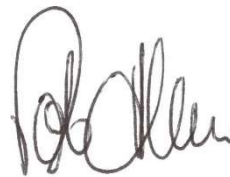
Rounding off

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 20th day of February 2020.



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 2019 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

20 February 2020

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2019

	Section	31 Dec 2019	31 Dec 2018
		\$'000	\$'000
Revenue	1-2	254,836	255,126
Expenses	1-3	(179,420)	(168,410)
Financing costs		(2,329)	(1,420)
Net profit before tax		73,087	85,296
Income tax expense	1-4	(21,519)	(25,095)
Net profit after tax		51,568	60,201
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(48)	133
Other comprehensive income, net of income tax		(48)	133
Total comprehensive income		51,520	60,334
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		51,520	60,334
Earnings per share			
Basic earnings per share – cents per share		111.2	130.5
Diluted earnings per share – cents per share		109.2	128.2

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 13 to 29.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
as at 31 December 2019

	Section	31 Dec 2019 \$'000	30 Jun 2019 \$'000
Assets			
Cash and cash equivalents	3-1	261,723	299,587
Receivables		98,703	99,774
Current tax assets		-	1,846
Structured products - EMCF assets	4-1	239,890	252,522
Other assets		14,441	14,538
Total current assets		614,757	668,267
Other financial assets		79,096	69,663
Property, plant and equipment		99,544	26,564
Intangibles		373,370	345,779
Deferred tax assets		29,028	31,512
Other assets		9,363	10,483
Total non-current assets		590,401	484,001
Total assets		1,205,158	1,152,268
Liabilities			
Payables		43,397	52,574
Structured products - EMCF liabilities	4-1	239,547	252,169
Current tax liabilities		6,643	-
Employee benefits		32,147	40,716
Lease liabilities		16,352	-
Provisions	2-2	1,630	4,652
Total current liabilities		339,716	350,111
Payables		3,659	3,659
Borrowings	3-2	87,000	87,000
Deferred tax liabilities		18,342	16,244
Employee benefits		9,554	15,352
Lease liabilities		76,669	-
Provisions	2-2	6,282	17,663
Total non-current liabilities		201,506	139,918
Total liabilities		541,222	490,029
Net assets		663,936	662,239
Equity			
Contributed equity	3-3	536,783	519,201
Reserves		14,065	20,008
Retained earnings		113,088	123,030
Total equity attributable to holders of Perpetual Limited		663,936	662,239
Total equity		663,936	662,239

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 13 to 29.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2019

\$000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	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 adjustment¹	-	-	-	-	(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

¹Adjustment 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 (refer to section 5-2).

\$000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2018	550,249	(41,576)	18,893	5,303	128,265	661,134	661,134
Opening Balance adjustment²	-	-	-	(5,031)	1,247	(3,784)	(3,784)
Total comprehensive income	-	-	-	133	60,201	60,334	60,334
Movement on treasury shares	(372)	12,821	(13,080)	-	631	-	-
Equity remuneration expense	-	-	8,199	-	-	8,199	8,199
Dividends paid to shareholders	-	-	-	-	(65,204)	(65,204)	(65,204)
Balance at 31 December 2018	549,877	(28,755)	14,012	405	125,140	660,679	660,679

²Adjustment to the opening balance of retained earnings to reflect the initial application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers* (net of tax) which came into effect from 1 July 2018.

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 13 to 29.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2019

	Section	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		275,771	282,451
Cash payments in the course of operations		(200,007)	(211,222)
Dividends received		47	107
Interest received		2,279	3,646
Interest paid		(2,332)	(1,406)
Income taxes paid		(11,578)	(28,418)
Net cash from operating activities		64,180	45,158
Cash flows from investing activities			
Payments for property, plant, equipment and software		(3,017)	(12,614)
Payments for investments		(18,979)	(11,151)
Payments for acquisition of business		(18,311)	(13,095)
Proceeds from the sale of investments		11,296	16,429
Net cash used in investing activities		(29,011)	(20,431)
Cash flows from financing activities			
Repurchase of shares on market		(5,796)	-
Dividends paid	1-6	(58,364)	(65,204)
Lease financing costs		(8,873)	-
Net cash used in financing activities		(73,033)	(65,204)
Net decrease in cash and cash equivalents		(37,864)	(40,477)
Cash and cash equivalents at 1 July		299,587	320,237
Cash and cash equivalents at 31 December		261,723	279,760

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 13 to 29.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements
for the half-year ended 31 December 2019

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.

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 and Singapore and provides a diverse range of financial products and services including asset management, financial advice and trustee services via its three business segments, supported by Group Support Services.

Perpetual Investments	Supplies investment products and services to retail, corporate, superannuation and institutional clients.
Perpetual Private	Delivers a range of tailored wealth advice services to high net worth individuals, charities, not-for-profit and other philanthropic organisations. The comprehensive suite of financial advisory services includes financial advice, portfolio management, estate planning and administration, trustee services, as well as tax advice and accounting services provided by Fordham.
Perpetual Corporate Trust	Provides a broad range of products, including trustee, agency, custody and data analytics solutions to domestic and global banking and financial services clients in the debt capital markets and managed funds industry.
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 and Singapore. The majority of the consolidated entity's revenue and assets relate to operations in Australia. The Singapore operation is not material to the consolidated entity.

iii. Major customer

The consolidated entity does not rely on any major customer.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

1-1 Operating segments (continued)

	Perpetual Investments ¹ \$'000	Perpetual Private \$'000	Perpetual Corporate Trust \$'000	Total \$'000
31 December 2019				
Major service lines				
Equities	75,306	-	-	75,306
Cash and fixed income	15,597	-	-	15,597
Other FUM related	2,709	-	-	2,709
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	<u>95,780</u>	<u>93,478</u>	<u>60,773</u>	<u>250,031</u>
Interest revenue	31	37	38	106
Total revenue for reportable segment	<u>95,811</u>	<u>93,515</u>	<u>60,811</u>	<u>250,137</u>
Depreciation and amortisation ²	(1,405)	(7,109)	(5,536)	(14,050)
Financing costs ²	(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
31 December 2018				
Major service lines				
Equities	88,047	-	-	88,047
Cash and fixed income	12,759	-	-	12,759
Other FUM related	3,643	-	-	3,643
Market related	-	60,462	-	60,462
Non-market related	-	32,080	-	32,080
Income from structured products	3,924	38	-	3,962
Debt Market Services	-	-	28,899	28,899
Managed Funds Services	-	-	24,717	24,717
Total revenue by Major service line	<u>108,373</u>	<u>92,580</u>	<u>53,616</u>	<u>254,569</u>
Interest revenue	222	57	22	301
Total revenue for reportable segment	<u>108,595</u>	<u>92,637</u>	<u>53,638</u>	<u>254,870</u>
Depreciation and amortisation	(1,388)	(4,819)	(3,566)	(9,773)
Financing costs	-	-	-	-
Reportable segment net profit before tax	46,481	22,627	22,423	91,531
Reportable segment assets	302,853	215,612	276,027	794,492
30 June 2019				
Reportable segment assets	300,367	202,638	210,142	713,147

¹Segment information for Perpetual Investments includes the Exact Market Cash Funds, refer to section 4-1(i).

²Includes costs related to AASB16 which came into effect from 1 July 2019. Prior period comparatives have not been restated (refer to section 5-2).

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

1-1 Operating segments (continued)

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities		
Revenues		
Total revenue for reportable segments	250,137	254,870
Add: Group and Support Services revenue	4,613	19
Net realised gains on sale of investments	327	237
Unrealised losses on financial assets	(241)	-
Total revenue from continuing operations	<u>254,836</u>	<u>255,126</u>
Net profit before tax		
Total net profit before tax for reportable segments	82,051	91,531
Financing costs	(1,459)	(1,420)
Net realised gains on sale of investments	327	-
Group and Support Services expense	(7,832)	(4,815)
Net profit before tax	<u>73,087</u>	<u>85,296</u>
Total assets		
Total assets for reportable segments	728,952	794,492
Group and Support Services assets	476,206	395,468
Total assets	<u>1,205,158</u>	<u>1,189,960</u>

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
1-2 Revenue		
Revenue from contracts with customers	247,922	251,239
Income from structured products	2,176	3,962
Dividends	48	83
Interest and unit trust distributions	4,604	9,728
Net realised gains on sale of investments	327	237
Unrealised gains/(losses) on financial assets	(241)	(10,123)
	<u>254,836</u>	<u>255,126</u>

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
1-3 Expenses		
Staff related expenses excluding equity remuneration expense	89,923	90,207
Occupancy expenses	2,508	9,074
Administrative and general expenses	55,403	51,546
Distributions and expenses relating to structured products	1,334	2,805
Equity remuneration expense	5,792	4,890
Depreciation and amortisation expense	17,856	9,888
Operating model review costs	6,604	-
	<u>179,420</u>	<u>168,410</u>

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
1-4 Income taxes		
Current period tax expense		
Current period tax expense	21,790	19,746
Write back of tax provision - prior periods	12	(84)
Adjustment for prior periods	-	(468)
Research and development tax incentives from prior periods	(440)	(144)
Total current tax expense impacting income taxes payable	<u>21,362</u>	<u>19,050</u>
Deferred tax expense		
Adjustment for prior periods	119	414
Temporary differences	38	5,631
Total deferred tax expense	<u>157</u>	<u>6,045</u>
Total income tax expenses	<u><u>21,519</u></u>	<u><u>25,095</u></u>
Profit before tax for the period	73,087	85,296
Prima facie income tax expense calculated at 30% (2018: 30%) on profit for the period	21,926	25,589
– Recognition of previously unrecognised capital and revenue losses	(316)	(242)
– Prior period adjustments	(309)	(282)
– Other non-taxable income and tax credits	115	(195)
– Other non-deductible expenses	103	225
Total	<u><u>21,519</u></u>	<u><u>25,095</u></u>
Effective tax rate (ETR)	29.4%	29.4%
	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
Income taxes payable at the beginning of the period	(1,846)	5,984
Income taxes payable for the financial period	21,362	40,914
Less: tax paid during the period	(11,578)	(48,784)
Less: refund receivable for prior period	(1,291)	-
Other	(4)	40
Income taxes payable/(receivable)at the end of the period	<u><u>6,643</u></u>	<u><u>(1,846)</u></u>

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

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 and Singapore. The Singapore operation is not material to the consolidated entity and has no material impact on the calculation of the ETR.

Explanation of variance to the legislated 30% tax rate

The consolidated entity's effective tax rate for the period was 29.4% (2019: 29.4%). The 0.6% reduction in the effective tax rate compared to the legislated 30% is mainly attributed to prior period adjustments relating to the Research and Development tax concession.

Capital tax (gains)/losses calculated at 30% tax in Australia

The total tax benefits of realised capital losses are \$27,773,703 (30 June 2019: \$27,872,955), comprising \$3,000,000 (30 June 2019: \$3,000,000) recognised in deferred tax assets and \$24,773,703 (30 June 2018: \$24,872,955) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior period and are available to be utilised by the Australian income tax consolidated group in future periods.

	31 Dec 2019	31 Dec 2018
	Cents per share	
1-5 Earnings per share		
Basic earnings per share	111.2	130.5
Diluted earnings per share	109.2	128.2
	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	51,568	60,201

	31 Dec 2019	31 Dec 2018
	Number of shares	
Weighted average number of ordinary shares (basic)	46,375,031	46,139,279
Effect of dilutive potential ordinary shares (including those subject to performance rights)	861,093	816,473
Weighted average number of ordinary shares (diluted)	47,236,124	46,955,752

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

1-6 Dividends

	Cents per share	Total amount \$'000	Franked / Unfranked	Date of payment
31 December 2019				
Final 2019 ordinary	125	58,364	Franked	30 Sept 2019
Total amount	125	58,364		
31 December 2018				
Final 2018 ordinary	140	65,204	Franked	8 Oct 2018
Total amount	140	65,204		

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 2020 ordinary	105	49,205	Franked	27 Mar 2020

¹Calculation based on the ordinary shares on issue as at 31 December 2019.

The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2019 and will be recognised in subsequent financial reports. There are no tax consequences.

Dividend franking account	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Amount of franking credits available to shareholders for subsequent financial periods	32,793	47,841

The above available amounts are based on the balance of the dividend franking account at 31 December 2019 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.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

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

Priority Life

On 13 November 2019, Perpetual acquired the business and business assets relating to Priority Life, a Melbourne based specialist advisory business. This strategic acquisition strengthens Perpetual Private's segment expertise and capability nationwide.

Whilst this was a strategic acquisition, it was not material to the Group's assets or results.

Fair values measured on a provisional basis

As at 31 December 2019 the acquisition accounting balances were provisional and have been accounted for in these half-year financial statements on that basis. These balances may be revised up to 12 months from the acquisition date in accordance with Australian Accounting Standards Board AASB 3 – *Business Combinations*.

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
<hr/>		
2-2 Provisions		
Current		
Insurance and legal provision	37	53
Operational process review provision	1,465	3,083
Make good and other occupancy related provisions	99	1,486
Other provisions	29	29
	1,630	4,652
Non-current		
Make good and other occupancy related provisions	6,282	17,663
	6,282	17,663

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

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 2019	30 Jun 2019
	\$'000	\$'000

3-1 Cash and cash equivalents

Bank balances	116,693	136,044
Short-term deposits	145,030	163,543
	261,723	299,587

Short-term deposits represent rolling 60-90 day term deposits.

In accordance with the consolidated entity's Group Policy - Treasury, the consolidated entity holds cash and cash equivalents to support its regulatory capital requirements of \$157.9 million as at 31 December 2019 (\$156.7 million as at 30 June 2019).

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000

3-2 Borrowings

The consolidated entity has access to the following line of credit:

Total facility used	87,000	87,000
Facility unused	43,000	43,000
Total facility	130,000	130,000

The \$43 million unused bank facility may be drawn at any time at the discretion of the consolidated entity. The floating rate bank bill facility is unsecured and had a floating interest rate of 2.26 per cent at 31 December 2019, inclusive of the undrawn line fee (30 June 2019: 2.67 per cent).

The consolidated entity has agreed to various debt covenants including shareholders' funds as a specified percentage of total assets, a minimum amount of shareholders' funds, a maximum ratio of gross debt to EBITDA, a minimum interest cover and a maximum amount of structured product liabilities. The consolidated entity is in compliance with the covenants at 31 December 2019. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

The consolidated entity's bank facility is subject to annual review, and during the period the facility was refinanced. Repayment of the \$87 million is due 31 October 2021.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
3-3 Contributed equity		
Fully paid ordinary shares 46,861,837 (30 June 2019: 46,574,426)	565,023	550,635
Treasury shares 248,107 (30 June 2019: 348,813)	(28,240)	(31,434)
	536,783	519,201

	31 Dec 2019		30 Jun 2019	
	Number of shares	\$'000	Number of shares	\$'000
Movements in share capital				
Balance at beginning of period/year	46,225,613	519,201	46,013,857	508,673
Shares issued:				
- Movement on treasury shares	388,117	17,582	211,756	10,528
Balance at end of period/year	46,613,730	536,783	46,225,613	519,201

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.

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000

3-4 Contingencies

Contingent liabilities

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 Investments Commission in relation to the provision of responsible entity services and custodial services	10,000	10,000
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,612	1,612
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	644	644
	13,256	13,256

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

3-4 Contingencies (continued)

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.

Banksia

All proceedings against The Trust Company (Nominees) Limited have been dismissed. This matter was closed in the prior period.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

Section 4 Other disclosures

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

	31 Dec 2019	30 Jun 2019
	\$'000	\$'000
4-1 Structured products assets and liabilities		
i. Exact Market Cash Funds		
Current assets		
Perpetual Exact Market Cash Fund	166,526	176,610
Perpetual Exact Market Cash Fund No. 2	73,364	75,912
	<u>239,890</u>	<u>252,522</u>
Current liabilities		
Perpetual Exact Market Cash Fund	166,336	176,410
Perpetual Exact Market Cash Fund No. 2	73,211	75,759
	<u>239,547</u>	<u>252,169</u>

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 2019: \$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 2019: \$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.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

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 2019. 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 2019				
Financial assets				
Listed equity securities	1,531	-	-	1,531
Unlisted unit trusts	-	77,563	-	77,563
Structured products - EMCF assets	11,160	228,730	-	239,890
	<u>12,691</u>	<u>306,293</u>	<u>-</u>	<u>318,984</u>

At 30 June 2019

Financial assets

Listed equity securities	2,383	-	-	2,383
Unlisted unit trusts	-	66,758	-	66,758
Structured products - EMCF assets	50,582	201,940	-	252,522
	<u>52,965</u>	<u>268,698</u>	<u>-</u>	<u>321,663</u>

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.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

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 2019		30 Jun 2019	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Current				
Structured products – EMCF liabilities	239,547	239,890	252,169	252,522

4-3 Events subsequent to balance date

On 31 January 2020, Perpetual announced its intention to acquire Trillium Asset Management (Trillium), a Boston-based specialist environmental, social and governance (ESG) investment firm. Perpetual will acquire 100% of Trillium for US\$36 million (A\$54 million), plus an earnout. The transaction will be funded by available cash. The transaction is expected to be completed by the end of the financial year, subject to Trillium obtaining regulatory and other customary approvals.

Other than the matters noted above, 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 AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

Section 5 ***Basis of preparation***

5-1 Reporting entity

Perpetual Limited ("the Company") is a company domiciled in Australia. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2019 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 2019 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 2019.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 20 February 2020.

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.

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 2019.

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 2019.

The changes in accounting policies are also expected to be reflected in the consolidated entity's consolidated financial statements as at and for the year ending 30 June 2020.

The consolidated entity has initially adopted AASB 16 from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the consolidated entity's financial statements.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

5-2 Significant accounting policies (continued)

(a) AASB 16 Leases

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the consolidated entity as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The consolidated entity has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as previously reported under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below.

a. Definition of a lease

Previously, whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease* was determined at contract inception. A contract is now assessed whether it is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the consolidated entity elected to apply the practical expedient to grandfather the assessment of which transactions are leases. AASB 16 was only applied to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the consolidated entity allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of premises in which the consolidated entity is a lessee, the consolidated entity has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

b. As a lessee

The consolidated entity primarily leases property for use as premises and offices. As a lessee, previously leases were classified as operating or finance leases based on an assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the consolidated entity recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Right-of-use assets are presented in 'Property, plant and equipment.' Lease liabilities are presented in 'Other liabilities' in the Statement of Financial Position.

i. Significant accounting policies

A right-of-use asset and a lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Generally, the incremental borrowing rate is used.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Management has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether such options are reasonably certain to be exercised impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use asset recognised.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

5-2 Significant accounting policies (continued)

(a) AASB 16 Leases (continued)

b. As a lessee (continued)

ii. Transition

Previously, the consolidated entity classified premise and property leases as operating leases under AASB 117. At transition, for leases classified as operating leases under AASB117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the consolidated entity's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at their carrying amount as if AASB16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The consolidated entity used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c. As a lessor

The consolidated entity sub-leases some of its premises. Under AASB 117, the head lease and sub-lease contracts were classified as operating leases. On transition to AASB 16, the right-of-use assets recognised from the head leases are presented in property, plant and equipment, and measured at fair value on transition to AASB 16. The sub-lease contracts are classified as operating leases under AASB 16.

d. Impacts on financial statements on transition

On transition, the consolidated entity recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact of transition is summarised below.

At transition, the consolidated entity recognised lease liabilities of \$100.3 million as a part of Other liabilities and right-of-use assets of \$82.3 million as a part of property, plant and equipment. After adjusting related amounts previously recorded on the balance sheet, this resulted in a reduction to retained earnings of \$3.5 million.

When measuring lease liabilities for leases that were classified as operating leases, the consolidated entity discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied was 2.29%

	1 July 2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in the Consolidated entity's consolidated financial statements	104,580
Discounted using the incremental borrowing rate at 1 July 2019	93,931
- Extension options reasonably certain to be exercised	6,332
Lease liabilities recognised at 1 July 2019	100,263

5-3 New Standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations have been issued but are yet not mandatory. The consolidated entity has not early adopted any of these new standards or amendments in this financial report.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2019

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 9 to 29 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 2019 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 20th day of February 2020.



Independent Auditor's Review Report

To the shareholders of Perpetual Limited

Report on the Half-year Financial Report

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 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Consolidated Entity's** financial position as at 31 December 2019 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 2019;
- 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.

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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility 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. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 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*.

As the auditor of Perpetual Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

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



KPMG



Brendan Twining
Partner

Sydney

20 February 2020

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