Financial Statements

For the year ended 30 June 2021

Perpetual Limited
ABN 86 000 431 827
And its controlled entities

Trust is earned.

Perpetual

Directors' Report for the year ended 30 June 2021

The Directors present their report together with the consolidated financial report of Perpetual Limited, (‘Perpetual’ or the ‘Company’) and its controlled entities (the ‘consolidated entity’), for the year ended 30 June 2021 and the auditor's report thereon.

Contents of the Directors' Report

Directors' Report for the year ended 30 June 2021 (continued)

Directors

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

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

Tony D'Aloisio has served in both executive and non-executive roles in commercial and government enterprises. He has held roles of Chief Executive, Chairman and Board member in local and international organisations involved in financial markets and professional services. Tony became Chairman of Perpetual Limited in May 2017, following his appointment as Independent Non-Executive Director in December 2016. Currently he is also a director of the Aikenhead Centre for Medical Discovery Ltd and President of the European Capital Markets Cooperative Research Centre.

Tony was appointed a 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 CEO and MD at the Australian Securities Exchange from 2004-2006. Tony was Chief Executive Partner at Mallesons Stephen Jaques between 1992-2004 having first joined the firm in 1977.

Tony has held a number of other non-executive directorships (most recently as Chairman of IRESS Ltd) and not for profit directorships.

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

Mona Aboelnaga Kanaan, Independent Director
BSc (Econ) MBA (Age 53)

Based in New York, USA, Ms Aboelnaga Kanaan is a seasoned director, entrepreneur and asset management executive having held leadership positions over a distinguished career spanning more than thirty years. She is currently the Managing Partner of K6 Investments LLC, an independent private equity firm which she founded in 2011.

Previously, Mona served as President and CEO of Proctor Investment Managers, a firm she co-founded in 2002 to acquire and scale traditional and alternative asset managers. Ms. Aboelnaga Kanaan sold the firm to National Bank of Canada in 2006, acquired affiliates managing nearly $14 billion in assets under management and continued as Proctor's President and CEO until 2013.

With expertise in public as well as private financial services firms, Ms Aboelnaga Kanaan is currently a Director of Sterling Bancorp (NYSE: STL), FinTech Acquisition Corp VI (Nasdaq: FTVI) and has served as a Board Member of a number of traditional and alternative asset managers in the United States including, Siguler Guff's BDC and Peridiem Global Investors. With a commitment to education and economic empowerment, she also has extensive non-profit board experience in those fields including as an investment committee member of sizeable educational endowments.

Ms Aboelnaga Kanaan holds a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania and an MBA from Columbia University's Graduate School of Business.

Listed company directorships held during the past three financial years:
- Sterling Bancorp (from May 2019 to present)
- Fintech Acquisition Corp. VI (from February 2021 to present)

Directors (continued)

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 currently the Chairman of Colonial First State Investments Limited and Avanteos Investments Limited (collectively known as CFS Group). Mr Cooper is a Non-executive Director of 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 AM, 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 Deputy Chairman of the Board of Taronga Conservation Society Australian until 2021, 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, Lawcover Pty Ltd, Mission Australia and Aspect Studios Pty Ltd. She is the Chair of 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 (Hons) FCA FCPA FAICD (Age 63)

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)

Directors (continued)

Fiona Trafford-Walker, Independent Director
BEc, M. Fin (Age 54)

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, Eclipx Group 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)
- Eclipx Limited (from July 2021 to present)

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.

Directors' Report for the year ended 30 June 2021 (continued)

Company secretary

Sylvie Dimarco
LLB, GradDipAppCorpGov, FGIA, GAICD

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. She is a member of the Perpetual Limited Continuous Disclosure Committee.

Ms Dimarco has over 14 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. Ms Dimarco is a Graduate of the Australian Institute of Company Directors course.

Directors' meetings

The number of Directors' meetings which Directors were eligible to attend (including meetings of Board Committees) and the number of meetings attended by each Director during the financial year to 30 June 2021 were:

Director	Board		Audit, Risk and Compliance Committee (ARCC)		People and Remuneration Committee (PARC)		Investment Committee		Nominations Committee	
	Eligible to attend	Attended	Member eligible to attend	Attended	Member eligible to attend	Attended	Member eligible to attend	Attended	Member eligible to attend	Attended
Tony D'Aloisio	12	12	-	-	-	-	-	-	1	1
Mona Aboelnaga Kanaan[1]	1	1	-	-	-	-	-	-	-	-
Gregory Cooper	12	12	6	6	7	7	5	5	-	-
Nancy Fox	12	12	6	6	7	7	-	-	1	1
Ian Hammond	12	12	6	6	-	-	5	5	1	1
Fiona Trafford-Walker	12	12	-	-	7	7	5	5	-	-
Craig Ueland	12	12	6	6	-	-	5	5	1	1
Rob Adams	12	12	-	-	-	-	-	-	-	-

[1] Mona Aboelnaga Kanaan was appointed as Director of Perpetual Limited on 28 June 2021.

Directors from time to time may and do attend committee meetings even though they may not be a member of that committee.

Directors' Report for the year ended 30 June 2021 (continued)

Corporate Governance Statement

Perpetual's Corporate Governance Statement, which meets the requirements of ASX Listing Rule 4.10.3, is located on the Corporate Governance page of Perpetual's website at https://www.perpetual.com.au/about/corporate-governance

Principal activities

The principal activities of the consolidated entity during the financial year were portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, accounting and tax services, investment administration and custody services.

Review of operations

A review of operations is included in the Operating and Financial Review section of the Annual Report.

For the financial year to 30 June 2021, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of $74.9 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the financial year to 30 June 2020 of $82.0 million.

For the financial year to 30 June 2021, Perpetual reported an underlying profit after tax (UPAT) attributable to equity holders of Perpetual Limited of $124.1 million compared to the UPAT attributable to equity holders of Perpetual Limited for the financial year ended 30 June 2020 of $98.6 million.

UPAT 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. UPAT 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 UPAT attributable to equity holders of Perpetual Limited for the financial year to 30 June 2021 is shown below. UPAT has been presented using the Company's new definition of UPAT and the prior year comparative have been represented to conform to this new definition.

	30 June 2021 $'000	30 June 2020 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**74,869**	**81,999**
Significant items after tax		
Operating model review costs	-	9,616
Transaction and integration costs[1]	32,081	1,858
Non-cash amortisation of acquired intangible assets[2]	13,611	4,130
Unrealised (gains) / losses on financial assets[3]	(6,731)	970
Accrued incentive compensation liability[4]	10,227	-
Underlying profit after tax attributable to equity holders of Perpetual Limited	**124,057**	**98,573**

[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 for regulatory purposes.

[4] This liability reflects the value of employee owned units in Barrow Hanley.

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.

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 continues to evaluate the ongoing 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 half-year financial statements at 31 December 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 interim financial 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 half year financial 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

Dividends paid or provided by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked[1]/ Unfranked	Date of payment
Declared and paid during the financial year 2021				
Final 2020 ordinary	50	28,234	Franked	25 Sep 2020
Interim 2021 ordinary	84	47,468	Franked	26 Mar 2021
Total		75,702		
Declared after the end of the financial year 2021				
After balance date, the Directors declared the following dividend:				
Final 2021 ordinary	96	54,310	Franked	24 Sep 2021
Total		54,310		

[1] All franked dividends declared or paid during the year were franked at a tax rate of 30% and paid out of retained earnings.

The financial effect of dividends declared after year end are not reflected in the 30 June 2021 financial statements and will be recognised in subsequent financial reports.

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 segment, 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

A final dividend of 96 cents per share fully franked was declared on 19 August 2021 and is to be paid on 24 September 2021.

At the date of approving these financial statements, the Directors are of the view the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of the financial statements (refer to Section 6-2), however COVID-19 and its associated economic impacts remain uncertain. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note that the situation is continuing to evolve.

On 12 August 2021, Perpetual announced the acquisition of Jacaranda Financial Planning Pty Ltd (Jacaranda), a leading Sydney and Melbourne based boutique wealth advisory firm focused on the high net worth market segment with funds under advice (FUA) of $915 million as at 30 June 2021.

The acquisition provides a fast-growing financial planning business with a high quality advice model and culture closely aligned to Perpetual's, providing Perpetual with an opportunity to help Jacaranda continue to scale efficiently and increase its overall share of the high net worth market on Australia's eastern seaboard. This transaction is entirely in-line with the strategy of bringing the industry's best advisers to Perpetual, providing an improved growth profile for both firms.

This acquisition will accelerate Perpetual Private's adviser growth strategy and complement its existing private client and family office offering.

Other than the matters noted above, 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.

Likely developments

Information about the business strategies and prospects for future financial years of the consolidated entity are included in the Operating and Financial Review. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity because the information is commercially sensitive.

Environmental regulation

The consolidated entity acts as trustee or custodian for a number of property trusts which have significant developments throughout Australia. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by State planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity or manager of each of these property trusts is responsible for compliance and reporting under the government legislation.

The consolidated entity is not aware of any material non-compliance in relation to these licence requirements during the financial year.

The consolidated entity has determined that it is not required to register to report under the *National Greenhouse and Energy Reporting Act 2007*, which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

Indemnification of Directors and officers

The Company and its controlled entities indemnify the current Directors and officers of the companies against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the consolidated entity, except where the liabilities arise out of conduct involving a lack of good faith. The Company and its controlled entities will meet the full amount of any such liabilities, including costs and expenses. The auditor of the Company is in no way indemnified out of the assets of the Company.

Insurance

In accordance with the provisions of the *Corporations Act 2001,* the Company has a directors and officers' liability policy which covers all Directors and officers of the consolidated entity. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Directors’ Report for the year ended 30 June 2021 (continued)

Directors’ interests in registered schemes

As at the date of this report, directors had the following relevant interests in registered schemes made available by the Company or a related body corporate of the Company.

Name	Registered Scheme	Relevant interest (units)
Tony D’Aloisio	Perpetual Credit Income Trust	227,000
	Perpetual Pure Microcap Fund Class A	65,608
	Perpetual Wholesale Industrial Share Fund	149,490
	Perpetual Share Plus Long Short Fund	71,721
	Perpetual Wholesale Global Share Fund	77,157
Ian Hammond	Perpetual Wholesale Geared Australian Fund	133,660
	Perpetual Wholesale Industrial Share Fund	252,942
	Eley Griffiths Group Small Companies Fund	152,591
Nancy Fox	Perpetual Credit Income Trust	11,000
	Perpetual Wholesale Ethical SRI Fund	38,176
	Perpetual Global Innovation Share Fund Class A	89,729
	Perpetual Ethical SRI Credit Fund	23,890
	Trillium Global Sustainable Opportunity Fund	29,746
Craig Ueland	Perpetual Wholesale Share Plus Long-Short Fund	197,211
	Perpetual Pure Credit Alpha Fund Class W	2,466,799
	Perpetual Global Innovation Share Fund Class A	4,054,313
	Perpetual Pure Equity Alpha Fund	948,243
Rob Adams	Perpetual Industrial Share Fund	47,743
	Perpetual Australian Share Fund	6,296
	Perpetual Wholesale Industrial Share Fund	154,919
	Perpetual Wholesale Plus Global Share Fund	149,981

Chief Executive Officer and Managing Director’s and Chief Financial Officer's declaration

The CEO and Managing Director, and the CFO declared in writing to the Board, in accordance with section 295A of the *Corporations Act 2001*, that the financial records of the Company for the financial year have been properly maintained, and that the Company's financial report for the year ended 30 June 2021 complies with accounting standards and presents a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Remuneration Report

Dear Shareholder,

On behalf of your Board, as always it gives me great pleasure to present to you our Remuneration Report for the financial year ended 30 June 2021 (FY21). Our Remuneration Report provides our shareholders and other stakeholders with a thorough and transparent explanation of how FY21 remuneration outcomes for our Key Management Personnel (KMP) align with our recent performance, long-term objectives, and reflect the current economic context.

Perpetual's performance in FY21

Despite the external environmental challenges, our Group Executives have done an important job in executing the Company's strategy and gaining lost ground from the impacts of the COVID-19 pandemic. Underlying profit after tax (UPAT) was $124.1 million for FY21, 26% higher than FY20 reflecting increased scale following the acquisitions of Barrow Hanley Global Investors (Barrow Hanley) and Trillium Asset Management (Trillium). Even with increased investment in distribution relative to prior years, Perpetual delivered improved performance, with underlying EPS growth of 6% on FY20.

FY21 was a critical year for our strategic positioning and growth opportunities. The acquisitions of Barrow Hanley and Trillium were truly transformational and delivered immediate and ongoing value to shareholders and clients. These significant acquisitions have repositioned Perpetual for future growth and long-term resilience.

In addition to the improved financial performance, Perpetual continues to deliver positive outcomes for customers, as demonstrated by substantially improved investment performance and a group Net Promoter Score (NPS) outcome of +44 in FY21 – achieving Perpetual's goal of maintaining NPS above +40 even during a period when COVID-19 has had a significant impact on client engagement.

FY21 variable remuneration outcomes

Perpetual continues to use a balanced scorecard that considers short, medium and long-term strategic priorities. For FY21, the scorecard was weighted 60% to financial performance measures and 40% to other strategically important non-financial measures that the Board considers to be key lead indicators of future business value creation.

To recognise the potential impact of the Barrow Hanley acquisition on remuneration outcomes, the Board determined to apply an additional EPS accretion gateway to two-fifths of the UPAT measure under the FY21 balanced scorecard, as well as increasing the FY21 UPAT target to reflect the anticipated additional profit associated with the acquisition. Both the gateway and revised UPAT target were achieved in FY21.

In arriving at the proposed Variable Incentive outcomes for executives in FY21, the Board weighed up financial performance, successful implementation of strategy, retention in a more competitive market for talent and shareholder alignment and returns. As outlined in the Chairman's letter, Perpetual is at an important time in its transformation and the Board considers that a fairly rewarded and incentivised senior team focused on execution is key. Consequently, the Board has determined to award the CEO a Variable Incentive award of 100% of target, or 57% of maximum opportunity, with individual outcomes for other Group Executives between 78% to 112% of target (average of 93%), or 44% to 64% of maximum (average of 54%).

During FY21, the deferred equity component of the FY18 Variable Incentive awards vested for participating executives. The vested value of the grants were, on average, 30% of the maximum (a reduction from the grant value of, on average, 44% of the maximum), reflecting Perpetual's share price performance over the two-year vesting period and aligning Group Executives' outcomes with shareholders' experience. The Board in exercising its discretion confirmed the vesting outcomes given they reflected the unhurdled design of the

FY18 grants, no material risk events were identified, and vested equity is subject to an additional two-year holding period.

COVID-19 and remuneration

The prolonged COVID-19 pandemic continues to present challenging economic and market conditions, whilst also significantly impacting the wider community.

In response to the uncertainty caused by the pandemic, the Group Executives and Non-executive Directors (NEDs) agreed to voluntary reductions of fixed pay and base Director fees respectively. For the first six months of FY21, the CEO and other Group Executives took fixed pay reductions of 20% and 10%, respectively. For the same period, the Chairman took a 20% reduction in base Director fees, with other Board members taking a 10% reduction.

Increases were made for two executives during the latter half of FY21 in recognition of broader responsibilities with reference to internal relativities and external market benchmarks (see Section 1.1).

Looking forward

No significant changes to our executive remuneration framework will take place for FY22, beyond some Group Executives receiving fixed remuneration increases (approximately 3% in aggregate) with effect from 1 September 2021. In addition, base Director fees for the Chairman and Non-executive Directors will increase effective 1 July 2021, which will be the first increase since FY16.

We will consider additional enhancements in the coming years to ensure our remuneration framework aligns with our strategy, emerging industry trends / better practice, and is compliant with upcoming regulatory changes, including the Financial Accountability Regime and APRA's draft remuneration prudential standard (CPS 511).

The Board is confident that Perpetual's remuneration framework remains aligned to our strategy, core values and desired culture, and continues to be supported by our robust risk management framework.

On behalf of the Board, I would like to thank shareholders and other stakeholders for your valuable feedback and ongoing dialogue on our remuneration approach. We look forward to continuing our engagement with you.

Yours sincerely,

Nancy Fox

Nancy Fox
Chairman, People and Remuneration Committee

Contents

Key Management Personnel

Name	Position	Term as KMP in FY21
CEO and Managing Director		
Rob Adams[1]	Chief Executive Officer and Managing Director	Full year
Current Executives		
Amanda Gillespie[2]	Group Executive, Perpetual Asset Management Aust.	Commenced 18 November 2020
Amanda Gazal	Chief Operating Officer	Full Year
Chris Green	Chief Financial Officer	Full year
David Lane	Group Executive, Perpetual Asset Management Int.	Full year
Richard McCarthy	Group Executive, Perpetual Corporate Trust	Full year
Sam Mosse	Chief Risk Officer	Full year
Mark Smith	Group Executive, Perpetual Private	Full year
Current Non-executive Directors		
Tony D'Aloisio	Chairman	Full year
Gregory Cooper	Independent Director	Full Year
Nancy Fox	Independent Director	Full year
Ian Hammond	Independent Director	Full year
Fiona Trafford-Walker	Independent Director	Full Year
Craig Ueland	Independent Director	Full year
Mona Aboelnaga Kanaan	Independent Director	Commenced 28 June 2021

1. Mr Adams was also acting in the role of Group Executive, Perpetual Investments from 19 August 2019 until 17 November 2020.

2. Ms Gillespie was promoted to the role of Group Executive, Perpetual Asset Management Australia, effective 18 November 2020. Prior to this she held the role of General Manager Perpetual Investments.

1.1 Summary of Key Outcomes for KMP

Group Executive and Non-Executive Director pay and fee reductions in FY21

As foreshadowed in the FY20 Remuneration Report, in response to the business impacts and uncertainty presented by COVID-19, the Executives and Non-executive Directors of Perpetual Limited voluntarily agreed to take fixed pay reductions and base fee reductions respectively for the first six months of FY21.

- The CEO took a 20% reduction in fixed remuneration and Group Executives took a 10% reduction in fixed remuneration.
- The Chairman took a 20% reduction in base Director fees, with the other Board members taking base Director fee reductions of 10% for the same period.

Group Executive remuneration changes during FY21

Amanda Gillespie was promoted to the position of Group Executive, Perpetual Asset Management Australia, effective 18 November 2020 and her remuneration was adjusted to reflect the new role at this time (and no 10% Fixed Remuneration reduction was applied).

As foreshadowed in the FY20 Remuneration Report, no changes to fixed remuneration were made as part of the July 2020 remuneration review. Increases to remuneration for two Executives were made during FY21 with an effective date of 1 January 2021. The aggregate impact of the two adjustments was a 3.2% increase to the overall GEC base for the Executive team during FY21[1].

[1] The total fixed pay reductions for the KMP (excluding Amanda Gillespie) in FY21 were an aggregate of 6.4%. Even when the two increases for the Executive team are considered for the second half, the total fixed remuneration paid to Group Executives was 4.8% lower than what would have been paid if no fixed pay reductions or increases were made in FY21.

Role / Group Executive	Fixed Pay Change	Variable Incentive Target Change	Rationale[1]
Chief Risk Officer, Sam Mosse	Increased from $495,000 to $550,000	Increase in target from $363,000 to $480,000	The increase reflects Ms Mosse's proven capability in the role and reflects the increasing complexity and responsibilities of managing a global business. The increase also better aligns total compensation to internal peers and to external market benchmarks.
Group Executive, PCT, Richard McCarthy	Increased from $430,196 to $520,000	Increase in target from $599,438 to $750,000	The increase reflects Mr McCarthy's proven capability in the role and better aligns total compensation to internal peers and to external market benchmarks. The increase also better reflects the increased size of PCT's financial profile as part of the broader group.

Variable Incentive awards FY21

Section 7 of the Remuneration Report summarises business performance and associated Group Executive Variable Incentive outcomes for FY21.

Arrangements for Executives who ceased in FY21

No Group Executives ceased during FY21.

Remuneration changes for FY22

Fixed Remuneration increases for some Executives will be implemented with an effective date of 1 September 2021. The approximate aggregate increase for the Executives will be 3%, with similar increases to target Variable Incentive opportunities for FY22 also applied. Further detail will be provided in the FY22 Remuneration Report.

1.2 Non-Executive Director Fee changes in FY21

To reflect the increased complexity, accountability and time commitment associated with the acquisitions of Trillium and Barrow Hanley, the annual fees for the Investment Committee of Perpetual Limited were increased as below, effective 1 January 2021.

- New Investment Committee Chairman fee: $25,000 (an increase of $7,500).
- New Investment Committee Member fee: $13,000 (an increase of $3,000).

As disclosed to the market on 28 June 2021, Mona Aboelnaga Kanaan was nominated to join the Perpetual Limited Board as an independent Non-executive Director commencing in June 2021. On Ms Aboelnaga Kanaan's placement, a detailed review of Non-executive Directors fees was undertaken, and three changes were agreed (as detailed in the table below).

- Base fees for the Chairman and Non-executive Directors will increase effective 1 July 2021. This represents the first change to Chairman and Non-executive Director fees of the Perpetual Limited Board since FY16.

[1] Perpetual practice has been to initially position executives at the lower end of market benchmarks and internal relativities and to adjust pay upwards once experience and performance warrants change. Although this practice may necessitate more material pay adjustments for a number of years post-employment/promotion, we believe it is a prudent and appropriate approach to expense management.

- A market-based premium will be applied to independent US-based Non-executive Directors.
- An additional fee will be payable to Non-executive Directors each time they are required to travel long haul for Board matters. The fee will be a flat $10,000 per trip and paid in the respective currency.

Non-executive Directors' fees	FY20 AUD	FY21 AUD	FY22 AUD	FY22 USD[3]
Chairman[1]	300,000	300,000	340,000	
Directors[1]	150,000	150,000	165,000	180,000
Audit, Risk and Compliance Committee Chairman	35,000	35,000	35,000	
Audit, Risk and Compliance Committee member	17,000	17,000	17,000	17,000
People and Remuneration Committee Chairman	35,000	35,000	35,000	
People and Remuneration Committee member	17,000	17,000	17,000	17,000
Investment Committee Chairman[2]	17,500	25,000	25,000	
Investment Committee member[2]	10,000	13,000	13,000	13,000
Nominations Committee member	Nil	Nil	Nil	Nil
Overseas travel allowance per trip (long-haul)[4]			10,000	10,000

1. Increases are effective 1 July 2021.
2. Increases were effective 1 January 2021.
3. Apply to US based Directors only.
4. Paid per overseas trip of at least 8 hours duration to reflect the time commitment associated with long-haul travel.

Further detail is available in section 9 of the Remuneration Report.

2. Governance

2.1 The People and Remuneration Committee

The People and Remuneration Committee (PARC) is a committee of the Board and is comprised of independent Non-executive Directors. Operating under delegated authority from the Board, the PARC evaluates and monitors people and remuneration practices to ensure that the performance of Perpetual is optimised with an appropriate level of governance while balancing the interests of shareholders, clients and employees. The PARC's terms of reference are available on our website[1]. The terms of reference are intentionally broad, encompassing remuneration as well as the key elements of Perpetual's people and culture strategy. This enables the PARC to focus on ensuring high quality talent management, succession planning and leadership development at all levels of Perpetual.

The PARC met seven times during the year, with attendance details set out on page 5 of this Annual Report. A standing invitation exists to all Directors to attend PARC meetings. At the PARC's invitation, the CEO and the Executive General Manager People and Culture attended meetings, except where matters associated with their own performance evaluation, development or remuneration were considered. The PARC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration advisers where considered appropriate.

2.2 Use of external advisers

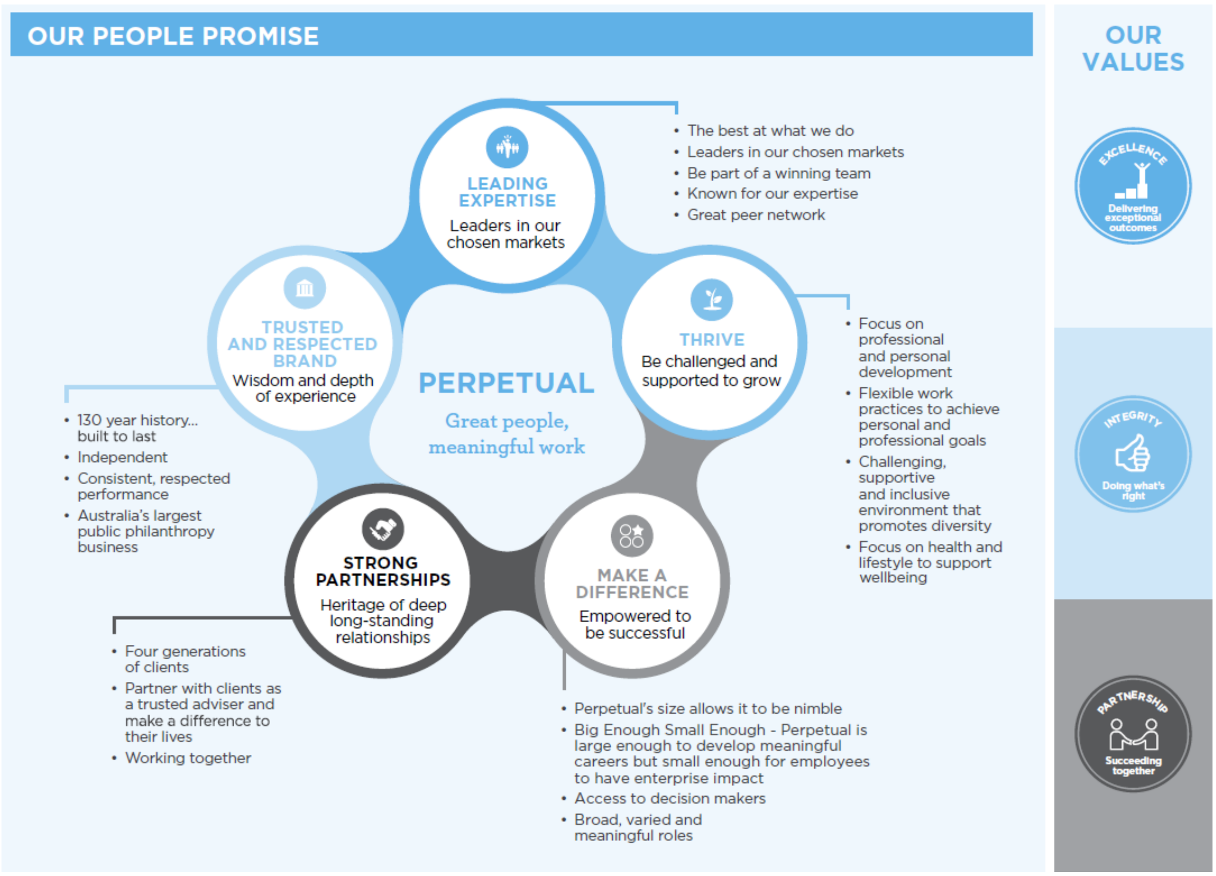
PricewaterhouseCoopers (PwC) is the PARC's specialist provider of advice on Executive remuneration and other Group-wide remuneration matters. During the year, PwC provided limited general information to the PARC in respect of Executive and Non-executive Director remuneration practices and trends. This

[1] https://www.perpetual.com.au/~/media/perpetual/pdf/shareholders/role-of-the-board/people_and_remuneration_committee_terms_of_reference_document.ashx

information did not include any specific recommendations in relation to the remuneration or fees paid to KMP.

3. Our people

Our people strategy, a key enabler of our business strategy, is focused on attracting and retaining the best talent. The goal of our people strategy is to enable business growth by building the capabilities we need for the future and creating an environment in which our people can thrive.



3.1 Diversity and Inclusion

At Perpetual, we're committed to building diverse and inclusive teams to support our high-performance culture. We believe that an inclusive culture will enable growth and will deliver better outcomes for our people, clients and shareholders.

The Perpetual Board is responsible for endorsement of Perpetual's Diversity and Inclusion (D+I) Policy, and the PARC has oversight and ongoing responsibility of implementation. Our D+I strategy has been developed by our D+I Council. In February 2021, a new four-year D+I strategy was endorsed by the Board focusing on inclusion, equity and identity.

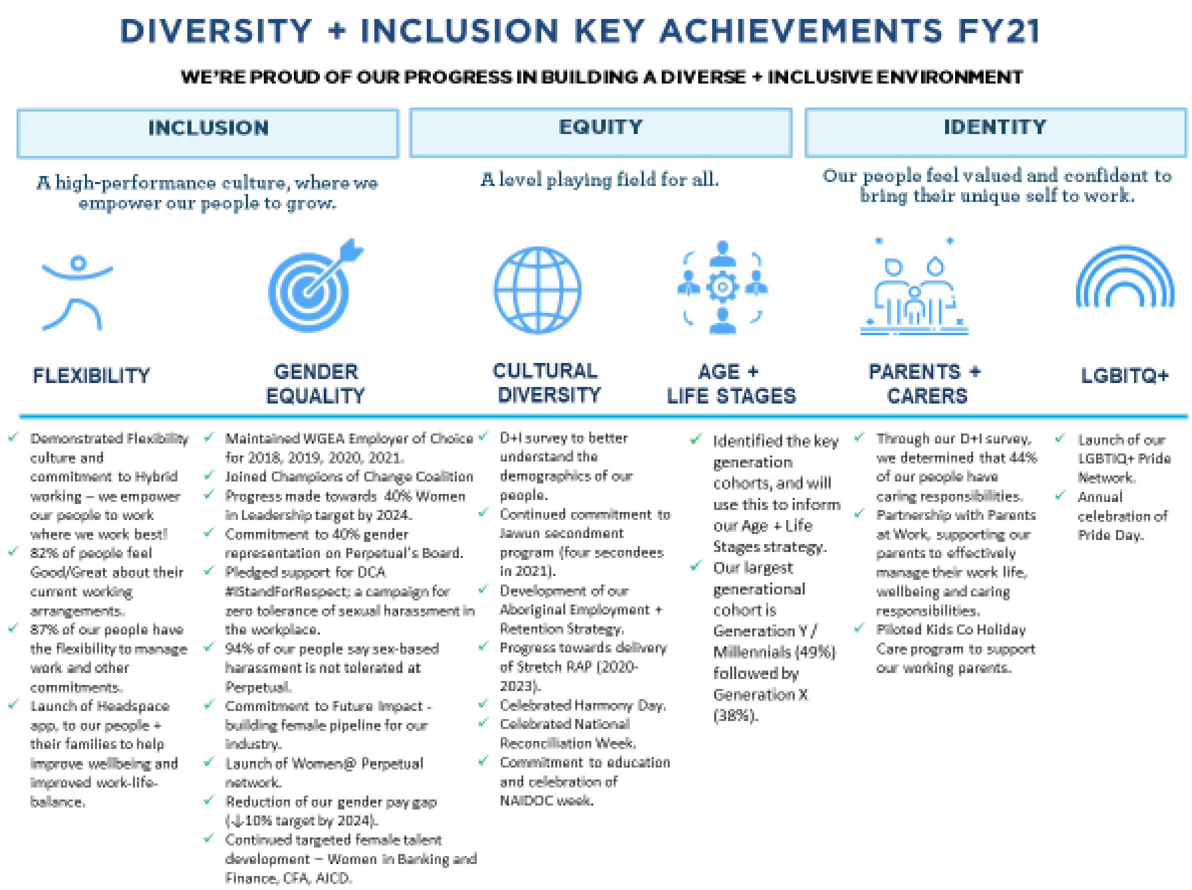
The Perpetual Executive Committee, the PARC and the Perpetual Board regularly review the progress of the D+I strategy, as well as key diversity metrics for the organisation and business unit level. These include:

- gender equality metrics (such as women in senior leadership, women in key business line roles, gender representation in talent and development programs, mobility and turnover);
- flexibility utilisation;
- gender pay gap analysis; and
- key employee demographics such as cultural and religious diversity, sexual orientation and disability.

A key component to Perpetual's gender equality strategy is the commitment to reduce our organisation-wide gender pay gap (GPG). GPG refers to the difference between women's and men's average weekly full-time earnings. GPG remains a challenge for our broader industry. In Australia, the Financial and Insurance Services industry reports the second largest industry gender pay gap (23.6%)[1].

Over the past few years, Perpetual has taken action to reduce our GPG, and pleasingly it is on a downward trajectory. Perpetual has also committed to a GPG reduction target of 10% by 2024.

Key diversity and inclusion achievements in FY21 are outlined below.



4. Our remuneration philosophy and structure

Perpetual's remuneration philosophy is designed to enable the achievement of our business strategy, ensure that remuneration outcomes are aligned with our shareholder, client and community best interests

[1] WGEA February 2021

and are market competitive. To that end, we have created a set of guiding principles that direct our remuneration approach.

4.1 Remuneration principles

Our remuneration policy is designed around six guiding principles, which aim to:

1. Attract, motivate and retain the desired talent within Perpetual;
2. Balance value creation for shareholders, clients and employees;
3. Facilitate the accumulation of equity or investments in product to drive an ownership mentality and long-term alignment of interests;
4. Embed and encourage sound risk management, behaviours and conduct;
5. Be simple, transparent, equitable and easily understood and administered; and
6. Be supported by a governance framework that avoids conflicts of interest and ensures proper controls are in place.

4.2 Remuneration policy and practice

CEO and Executive remuneration

Perpetual has implemented a transparent remuneration model that is aligned to our business strategy and supports the attraction and retention of talent. The core elements of our Executive remuneration framework in FY21 are unchanged from FY20 and include both fixed and variable incentives as follows[1].

<table>
<tr><td>Fixed</td><td>Fixed remuneration</td><td>Set in consideration of the total target remuneration package and the desired remuneration mix for the role, taking into account the remuneration of market peers, internal relativities and the skill and expertise brought to the role.

Calculated on a “total cost to company” basis, consisting of cash salary, pension, and in Australia, packaged employee benefits and associated fringe benefits tax (FBT).</td><td rowspan="2">Paid as cash</td></tr>
<tr><td>Variable Incentive (if payable)</td><td>Cash</td><td>Each participant has a Variable Incentive target, expressed as a defined $ target amount.

Annual Variable Incentive outcomes are linked to performance against key business metrics directly linked to our strategy.

The Variable Incentive is awarded as a mix of cash and equity.</td></tr>
</table>

[1] Any other contracts are at arm's length in the normal course of business and on normal commercial terms consistent with other employees and clients. Those transactions may involve investments in Perpetual managed funds and financial advice by Perpetual Private.

<table>
<tr><td rowspan="2"></td><td>Unhurdled Equity</td><td rowspan="2">Equity must be retained for at least four years. The Unhurdled Equity component is awarded as Share Rights, which vest after two years into Restricted Shares for a further two years.

The Hurdled Equity component is awarded in the form of Performance Rights (subject to performance hurdles of absolute total shareholder return) which vests equally over three and four years (with any vested equity tested after three years restricted for a further year).

The emphasis on equity ensures that Variable Incentive outcomes are linked to shareholder experience through reinforcing long-term ownership of Perpetual shares.</td><td rowspan="2">Awarded as equity</td></tr>
<tr><td>Hurdled Equity</td></tr>
</table>

Asset Manager remuneration

During the year, Perpetual announced the successful acquisition of Trillium and Barrow Hanley, as well as the establishment of a UK-based ESG Global Equities investment team as part of the Trillium business.

Perpetual seeks to align asset manager remuneration with longer-term value creation for our clients, which in turn is expected to benefit shareholder outcomes. The remuneration arrangements for asset managers are typically structured to recognise and reward strong investment outcomes to our clients and subsequent alignment to the growth in revenue or manageable profit of the strategies they support.

PAMI Asset Manager Remuneration

PAMI asset manager remuneration policies align to Perpetual’s performance-based remuneration philosophy and principles. Asset management staff within Trillium, including its UK-based ESG Global Equities team, and Barrow Hanley receive performance based variable remuneration linked to overall business earnings and individual performance.

Trillium operates a bonus plan that is determined with reference to the financial performance of the business, with adjustments also made for investment performance, growth goals and other strategic focus areas (which includes risk overlays). Further, to align the interests of key staff with investors, effective 2021 senior Trillium staff will be eligible to receive deferred variable incentives as units in Trillium funds that they manage or as Perpetual shares.

Barrow Hanley operates a bonus plan which is funded primarily via reference to the pre-bonus manageable profit of the boutique. Most investment employees participate in the bonus plan, whereby a set percentage of payments are made in cash and the remaining portion is distributed as shares in Barrow Hanley.

PAMA Asset Manager Remuneration

PAMA asset manager (portfolio manager and investment analyst) remuneration policies align to Perpetual’s performance-based remuneration philosophy and principles.

PAMA asset managers typically have a portion of their variable remuneration determined by performance against investment targets, which is generally assessed over one, two and three years. Portfolio managers managing mature funds and those who are growing businesses may have a portion of their remuneration aligned to other business measures. For example, Perpetual's Australian Equities portfolio managers have their long-term incentives determined through a revenue share that provides a team-based goal and focus.

PAMA asset managers have a portion of their variable remuneration awarded as either deferred, short-term incentives (STI) or long-term incentives (LTI) each year. These awards vest over a range of timeframes; principally after three years. This cycle of rolling awards ensures retention arrangements are in place and avoids cliff vesting events. For most asset managers, deferred incentives can be invested into either Perpetual equity or units in Perpetual funds[1], further aligning asset managers to client outcomes and shareholder interests.

General employee remuneration

Employees receive salary, a competitive retirement and benefit offering and are commonly eligible to receive an STI or bonus.

Performance against the group balanced scorecard and other factors determines the size of the bonus pool for the financial year. Relative divisional performance against a range of inputs then determines the distribution of the bonus pool to each division. An individual's performance rating is determined based on performance against objectives agreed at the commencement of the performance year. An individual's bonus outcome is generally based on this performance rating, which is reflective of performance against targets in an individual scorecard, delivery of goals against Perpetual's "The Way We Work" behavioural framework and an employee's approach to the management of risk.

Some senior employees are also eligible to participate in a long-term incentive plan. All other Australian-based employees are eligible to participate in the One Perpetual Share Plan whereby eligible employees can be awarded annual grants of up to $1,000 of Perpetual shares subject to Perpetual meeting our group profit target. This scheme is limited to Australian-based staff due to the legal and tax environments in other geographies. In addition, Perpetual offers a comprehensive range of employee benefits across wealth, health and lifestyle categories in the geographies where staff are employed.

5. Managing risk within Perpetual

Risk management continues to be a fundamental focus within our business, with the Perpetual Board having the responsibility and commitment to ensure that Perpetual has a sound risk management framework in place. Perpetual's Risk Group is a centralised corporate function, managed by the Chief Risk Officer, who reports directly to the CEO. The Risk Group has developed risk measurement systems and practices that are utilised when determining "at risk" remuneration. To this effect, risk management is a key performance metric at a group, divisional and individual level.

Risk and behavioural performance

The Board, the PARC and people leaders have a range of mechanisms available to adjust remuneration and incentive outcomes to reflect behavioural, risk or compliance outcomes (both strong and weak) at a group, divisional and individual level. The table below summarises the range of mechanisms available and their intended operation.

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[1] Subject to meeting eligibility criteria, including the ASIC requirement to be classified as a "Sophisticated Investor"

Mechanism	Description / intention of the mechanism
Risk dashboards (apply at a Group or divisional level)	Incentive funding can be adjusted (upwards or downwards) following a combined Audit, Risk and Compliance Committee (ARCC) and PARC review of group and divisional risk "dashboards", which are produced by the Risk and Internal Audit functions throughout the year as well as leading into financial year-end.
Behavioural ratings – The Way We Work and Risk Ratings	Behavioural and risk assessments are collected for most employees at Perpetual – noting that recently acquired businesses often operate their own risk and behavioural frameworks. The behavioural and risk components of the scorecard effectively moderate employee performance outcomes. Behavioural ratings are provided across a four-point scale and can result in either upward or downward adjustments to performance ratings and reward outcomes. Additionally, a discrete risk assessment is undertaken for most employees using a consistent framework covering a range of risk measures and expectations across various seniority levels of the organisation.
Malus provisions or international equivalents (apply to all deferred STI and long-term incentive plans)	These allow for the Board to adjust or lapse any unvested incentive awards where, in the opinion of the Board, the participant has acted fraudulently and/or dishonestly, has breached his or her obligations to the Group, where outcomes have been misstated, or where the Board determines at its sole discretion that outcomes are inappropriate.
Clawback provisions or international equivalents (apply to all deferred STI and long-term incentive plans)	These allow for the Board to reclaim (or "claw back") vested incentives where, in the opinion of the Board, vesting occurred as a result of fraud, dishonesty, a breach of obligations or where outcomes have been misstated. This applies to both current and former employees.
Board discretion (all incentive plans)	Overriding the above mechanisms, the Board, and in some instances management, has discretion to adjust proposed incentive or vesting outcomes, subject to the applicable rules governing each incentive plan. The discretion to vary incentive outcomes from the agreed formulas range from absolute unfettered discretions to more limited discretions which may only be applied in specific circumstances.

In addition to the above mechanisms, Perpetual:

- performs detailed scenario testing on potential outcomes under any new or changed incentive plans;
- reviews the alignment between proposed remuneration outcomes and performance achievement for incentive plans on an annual basis; and

- delivers a significant portion of variable remuneration as deferred incentives (for more senior employees) in equity or investments in products to align remuneration outcomes with longer term shareholder and client value.

Link between risk and reward

An employee’s approach to managing risk is a key factor when considering his or her yearly performance. Risk management performance measures are overlaid in employee scorecards as per the graphic below. These measures are considered when assessing overall performance and incentive payments.

FY21 risk performance

Divisional Risk Dashboards continue to demonstrate stable risk behaviours across the group over the last 12 months, with a significant majority of metrics within agreed risk appetite levels. FY21 risk assessment results indicate a continued risk focus across the group and are considered positive given the extent of organisational change that has occurred over the last 12 months.

Whilst achievement of some metrics have been challenged throughout the year as a result of the changed working environment caused by COVID-19 and execution of numerous strategic projects occurring across the group, this has been closely monitored by the Executive Committee and appropriate action has been taken where required.

When considered collectively, the Board agreed that no risk adjustments would apply to divisional bonus pools or to individual Executive Variable Incentive outcomes for FY21. Further, it was determined that no malus or clawback would be applied to KMP remuneration outcomes or equity holdings in FY21.

Minimum shareholding guideline

A minimum shareholding guideline applies to Executives. The purpose of this guideline is to strengthen the alignment between Executives’ and shareholders’ interests related to the long-term performance of Perpetual. Under this guideline, Executives are expected to establish and hold a minimum shareholding to the value of:

- CEO: 1.5 times fixed remuneration
- Executives: 0.5 times fixed remuneration

The value of each vested Restricted Share still held under restriction for the Executive is treated as being equal to 50% of actual value, as this approximates the value of the share in the hands of the Executive after allowing for tax. Unvested shares or rights do not count towards the target holding.

A five-year transition period from the date of appointment to an Executive role gives Executives reasonable time to meet their shareholding guideline. Where the guideline is not met after the required time period, the CEO and Executives may be restricted from trading vested shares.

As at 30 June 2021, progress towards the minimum shareholding target for each Executive was as follows.

	Value of eligible shareholdings as at 30 June 2021[1]	Value of minimum shareholding guideline	Target date to meet minimum shareholding guideline	Guideline met[2]
	$	$		
Executives				
R Adams	852,665	1,953,945	24 September 2023	
A Gazal	194,923	242,500	7 April 2025	
C Green	379,093	325,073	1 October 2013	✓
D Lane	369,181	276,068	10 April 2022	✓
R McCarthy	129,522	260,000	15 October 2023	
S Mosse	-	275,000	18 February 2024	
M Smith	702,417	315,740	19 November 2017	✓
A Gillespie	89,712	237,500	18 November 2025	

1. Value is calculated through reference to the closing Perpetual share price at 30 June 2021 of $40.05.
2. Executives have a five year transition period to meet their shareholding requirement.

Hedging and share trading policy

Consistent with Corporations Act obligations, Perpetual's Share Trading Policy prohibits employees and Directors from entering into hedging arrangements in relation to Perpetual shares.

Share dealing approval

Perpetual has a policy for trading in Perpetual shares which stipulates certain trading black-out periods and requires all employees to seek pre-trade approval via an automated platform. A copy of the policy has been lodged with the ASX and appears on Perpetual's website[1].

[1] https://www.perpetual.com.au/about/corporate-governance/informed-market-and-share-dealings.

6. Aligning Perpetual group performance and reward

6.1 Alignment of Performance and Reward to Strategy

In September 2019, Perpetual launched our five-year strategy and purpose of "Enduring Prosperity". Successful delivery of the strategy is defined by clear client, people, strategic and financial measures which link our annual targets with our long-term strategic objectives; that is, balancing short-term financial outcomes with the necessary investments for long-term sustainable growth.

- For our clients, enduring prosperity means pursuing a strategy that is focused on delivering exceptional products and outstanding service.
- For our people, enduring prosperity means empowering them to deliver high performance and to explore new capabilities and establish a global footprint.
- For our shareholders, enduring prosperity means delivering quality, sustainable growth and returns over the short, medium and longer term.
- For the community, enduring prosperity means delivering a positive contribution to the sustainability of society.

In our view, this is best achieved by having highly engaged people creating superior client outcomes, which in turn delivers underlying earnings growth for shareholders.

Variable remuneration is designed to reward Executives for their performance over the course of the year, provided they have achieved performance standards based on financial and non-financial measures focused on delivering short and long-term value. The variable remuneration structure is designed to drive business strategy with outcomes being aligned to shareholders.

6.2 Features of the Executive Variable Incentive Plan

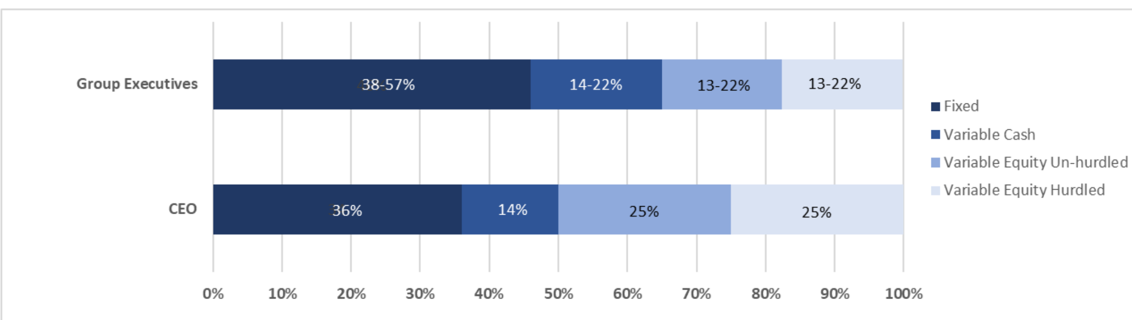
FY21 is the second year where Executives' variable remuneration arrangements were aligned with those of the CEO under the Executive Variable Incentive Plan. The Variable Incentive plan has a cash component and an equity component split into three parts, unhurdled Share Rights and two tranches of hurdled Performance Rights with three and four year performance testing and vesting schedules. All equity is restricted from sale for a four-year period.

Under the Variable Incentive Plan, the full Variable Incentive is subject to a holistic assessment of group, divisional and individual Executive performance at year-end, of which the annual group balanced scorecard is a key input.

Remuneration mix

Executives have a significant portion of their remuneration linked to performance and at risk, with the Board able to risk adjust remuneration if required. There is a strong alignment to long-term incentives for Executives, as Perpetual believes in meaningful equity ownership for this key group.

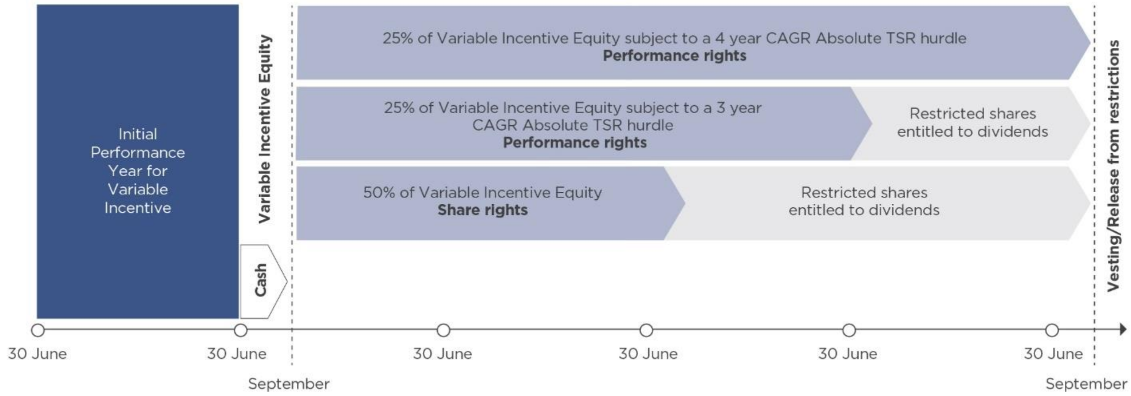
Total remuneration continues to be determined using a range of factors including Perpetual's market peers. The table below shows the FY21 on-target remuneration mix (using full time equivalent remuneration) for the Executives under the CEO and Executive Variable Incentive plans.[1]



Equity components of the Variable Incentive Plan

[1] Actual remuneration mix will vary from year to year due to promotions and remuneration changes.

The diagram below summarises the structure and vesting schedules of the Executive Variable Incentive plan awards for FY21.



The absolute three and four-year TSR performance hurdles will be aligned to the following achievement scale.

Compound annual growth in TSR	Percentage of relevant tranche of Performance Rights that vest
Less than 7% per annum	0%
7% to 10% per annum	Straight-line vesting from 50% to 100%
10% or above per annum	100%

Malus and Clawback provisions give the Board the discretion to claw back vested and unvested equity. The number of Performance Rights granted for FY21 performance will be determined by dividing the relevant variable incentive award dollar amount by the five-day VWAP[1] prior to the grant date. This approach is consistent with the practice adopted every year for Executive awards.

6.3 Approval processes

The Board, through the Chairman of the Board, conducts a formal review of the performance of the CEO and Executives on an annual basis.

For Executives, the CEO makes recommendations to the PARC on Variable Incentive allocations for the Executives. Once recommendations are reviewed and endorsed, the PARC makes recommendations for the Executives to the Board for final approval.

For the CEO, the Chairman, in consultation with the PARC, makes recommendations directly to the Board for approval of the Variable Incentive allocation.

Termination of employment

Treatment on termination of employment is as follows.

[1] The Volume Weighted Average share price provides the average price that a security has traded at throughout the day or agreed period.

EVENT	UNPAID VARIABLE INCENTIVE	RIGHTS	RESTRICTED SHARES
• Resignation • Termination for poor performance	No further variable incentive is payable in respect of the current or prior performance years as at the date of notice.	Forfeited	Retained under the plan with restriction periods continuing to apply.
• Termination by Perpetual on notice	A pro-rated variable incentive based on the period of the performance year completed (excluding notice paid in lieu) and full year performance score will be delivered at the normal time. The Performance Tested Equity Component will be granted as Performance Rights (subject to normal terms and conditions) and the remaining incentive will be paid in cash.	Retained under the plan with restriction periods and hurdles (where applicable) continuing to apply	Retained under the plan with restriction periods continuing to apply.
• Summary dismissal	No further variable incentive is payable in respect of the current or prior performance years as at the date of notice of termination.	Forfeited	Forfeited
• Death	A pro-rated variable incentive based on the period of the performance year completed (excluding notice paid in lieu) and full year performance score will be delivered at the normal time. The Performance Tested Equity Component will be granted as Performance Rights (subject to normal terms and conditions) and the remaining incentive will be paid in cash.	Immediate vesting (subject to Board approval).	Immediate conversion to unrestricted shares (subject to Board approval).
• Mutual agreement • Retirement (requires Board approval)[1] • Redundancy • Total and permanent disablement (TPD)	A pro-rated variable incentive based on the period of the performance year completed (excluding notice paid in lieu) and full year performance score will be delivered at the normal time. The Performance Tested Equity Component will be granted as Performance Rights (subject to normal terms and conditions) and the remaining incentive will be paid in cash.	Retained under the plan with restriction periods and hurdles (where applicable) continuing to apply.	Retained under the plan with restriction periods continuing to apply.

This approach to treatment of incentives on termination of employment in conjunction with the broader plan design strengthens the alignment of interests between Executives and shareholders over the long term. The extended vesting and restriction periods encourage Executives to make decisions that are in the long-term interests of shareholders, with implications of those decisions extending beyond an Executive's tenure at Perpetual while they continue to have shares retained in the plan.

6.4 Dilution Limits for share plans

Shares awarded under Perpetual's employee share plans may be purchased on market or issued subject to Board discretion and the requirements of the *Corporations Act 2001* and the ASX Listing Rules.

[1] In circumstances where the Board concludes at its absolute discretion that a participant is retiring. The Board needs to be satisfied that the Executive does not intend to engage in any work similar to their role at Perpetual. Six months after retirement, the Executive must provide a signed declaration affirming that this requirement has been adhered to, subject to the approval of the Board, otherwise all rights will lapse. The Board may also decide to delay payment of any unpaid variable incentive until this requirement has been satisfied. Restricted shares under the Variable Incentive Plan are not impacted by the six month declaration requirement and will convert to unrestricted shares in accordance with the terms of the Variable Incentive Plan.

As at 30 June 2021, the proportion of unvested shares and Performance Rights (excluding unallocated shares as a result of forfeitures) held in Perpetual's employee share plans as a percentage of issued shares was 2.24%. This has remained flat compared to last year.

7. Variable Reward

7.1 FY21 Variable Incentive Outcomes

In determining annual Variable Incentive outcomes for the Executives, the Board seeks to balance shareholder and client outcomes, while encouraging and rewarding Executives for creating sustainable shareholder value. Performance, risk (including retention risk) and reward are considered within the context of the longer-term business strategy. The table below provides the total Variable Incentive outcome (both cash and equity portions) received by the Executives for the FY21 performance year.

The Variable Incentive outcomes determined by the Board for the CEO and Executives for FY21 are, in the Board's overall judgement, appropriate. These decisions were made in consideration of business performance as measured against the company scorecard, divisional and individual performance and the most recent achievements in the US which have delivered, and are expected to continue to deliver, value for shareholders for years to come.

Name	Variable Incentive Cash	Variable Incentive Unhurdled Equity[1]	Variable Incentive Hurdled Equity[2]	Total Variable Incentive	FY21 Variable Incentive Target	FY21 Variable Incentive (as % of Target)[3]	Maximum Opportunity @ 175% of target[4]	FY21 Variable Incentive (as % of Maximum VI Target)
	$	$	$	$	$	%	$	%
Current Executives								
R Adams	500,000	888,943	888,943	2,277,886	2,277,886	100%	3,986,301	57%
A Gazal	116,350	116,350	116,350	349,050	390,000	90%	682,500	51%
C Green	281,125	307,367	307,367	895,860	1,035,676	87%	1,812,433	49%
D Lane	336,000	276,855	276,855	889,710	794,384	112%	1,390,172	64%
R McCarthy	250,800	227,141	227,141	705,082	674,720	105%	1,180,760	60%
S Mosse	136,285	136,285	136,285	408,855	421,500	97%	737,625	55%
M Smith	229,174	282,112	282,112	793,399	1,023,740	78%	1,791,545	44%
A Gillespie[5]	102,945	102,945	102,945	308,835	369,864	83%	647,262	48%
Total	**1,952,679**	**2,337,998**	**2,337,999**	**6,628,677**	**6,987,770**	**94%**	**12,228,598**	**54%**

1. 50% of the Variable Incentive equity value is awarded as Share Rights with tenure based hurdles only.
2. 50% of the Variable Incentive equity value is awarded as Performance rights with an absolute Total Shareholder Return hurdle.
3. Represents the total Variable Incentive outcome for FY21 as a percentage of target Variable Incentive.
4. Maximum opportunity Executives may earn under the CEO and Group Executive Variable Incentive Plan.
5. Amounts reflect Ms Gillespie's time working in her KMP role only. Total Variable Incentive for the full year is $372,090, which represents 83% achievement of her full year target of $445,616.

7.2 FY21 Performance Highlights

In FY21, Perpetual delivered improved financial performance, whilst also delivering meaningful progress against its stated longer-term strategic objectives:

- Despite the challenges presented by COVID-19, Perpetual delivered improved financial performance in FY21, with UPAT exceeding target by approximately 11% and prior year by approximately 26%, reflecting increased scale following the acquisitions of Barrow Hanley Global Investors (Barrow Hanley) and Trillium Asset Management (Trillium). Our financial performance has translated into shareholder outcomes, with one-year absolute TSR of 40% and Underlying EPS growth of 6.2% in FY21.
- The successful closing of the transformational acquisition of Barrow Hanley in FY21 delivered important diversification by geography, asset class and client channel for Perpetual. As announced to the market in July 2020, the acquisition of Barrow Hanley was expected to deliver Underlying EPS accretion of more than 20%

on an annualised basis from the date of completion. As at 30 June 2021, the acquisition was tracking ahead of the annualised underlying EPS accretion target of 20%. Further, both near-term and longer-term investment performance remains strong for Barrow Hanley and recent improvements in the performance of our strong value investment style more broadly provide a robust platform for growth leading into FY22.

- Trillium, which closed at the end of FY20, continues to deliver strong financial, ESG and investment outcomes for both shareholders and clients. Trillium is a market leader in ESG investing with a storied history of positively influencing social and environmental change, primarily in the US. In FY21, the establishment of its UK-based ESG Global Equities team has provided a platform for the business to positively influence ESG outcomes on a global scale. This milestone demonstrates Perpetual's strategy to provide the expertise and resources to drive scale and future growth for acquired businesses. Trillium's total AUM is up 37% since closing on 30 June 2020, driven by positive net flows, substantial investment out-performance and positive equity markets.
- The build-out of Perpetual's global distribution team continued in FY21, with key placements being made in the US, Europe and Australia. In particular, the second half of FY21 saw early validation of the distribution team's strategy, with an improvement in net flows for Perpetual Asset Management Australia, alongside continued acceleration of net flows within Trillium and key rating agency upgrades in the US. The increased investment in Perpetual's global distribution capability during FY21 is another critical element of our strategy to provide the expertise and resources to drive scale and future growth for acquired businesses.
- Finally, Perpetual's existing businesses delivered solid outcomes for clients and shareholders in FY21. Perpetual Corporate Trust continued to deliver strong profit and new business growth across all business lines, Perpetual Private delivered a 16th consecutive half of positive net inflows and continued to execute on its adviser growth and enhanced family office strategy, whilst an improvement in investment performance and net flows within Perpetual Asset Management Australia again provides a platform for future growth.
- On balance, the Board considered average VI outcomes of 93% of target for Executives (53% of maximum) and 100% of target for the CEO (57% of maximum) and overall 94%, fairly reflect the contribution and important strategic turn-around executed by the team during FY21. Importantly, the results have translated into improved shareholder outcomes in FY21.

7.3 FY21 Company Scorecard Performance

In FY21, the Perpetual scorecard was weighted 60% to financial measures and 40% to non-financial measures that are designed to deliver value in current and future years, within appropriate risk tolerance levels. We set our balanced scorecard each year based on the business and financial plan approved by the Board that is aligned to our strategy. For FY21, on announcement of the intention to acquire Barrow Hanley in July 2020, the Board revised all relevant targets to reflect the addition of this business to the expected profile of Perpetual in FY21.

Under our Variable Incentive plan, our balanced scorecard acts as the starting basis for evaluating current and future value creation with a risk management overlay. This section explains the performance outcomes delivered for FY21.

Strategic Measure	Weighting	Full Year Performance	
Financial		**Outcome**	**Comments**
UPAT[1]	50%	Target: $112.0m[2]	• FY21 UPAT is $12.1m (11%) above plan and $25.5m (or 26%) above last year's actual outcome of $98.6m.

[1] Perpetual reports profit on both a statutory basis (NPAT) and on an underlying (UPAT) basis. As disclosed, 27 July 2020 UPAT adjusts NPAT for significant items that are material in nature and do not reflect the normal operating activities and excludes the non-cash tax-effected amortisation of acquisition intangibles. Adjusted items are clearly defined, consistently applied and disclosed in accordance with ASIC Regulatory Guide – 230 – Disclosing "Non IFRS information". UPAT is provided as it is considered useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities. This measure is an appropriate metric for assessing business and Executive performance within the context of the global business strategy.

[2] For FY21, on announcement of the intention to acquire Barrow Hanley in July 2020, the Board revised the UPAT target upward to reflect the additional underlying profit anticipated to be delivered because of this acquisition in FY21.

<table>
<tr><th>Strategic Measure</th><th>Weighting</th><th colspan="2">Full Year Performance</th></tr>
<tr><td>A further gateway applied to two-fifths of the UPAT weighting requiring annualised underlying EPS accretion attributable to the Barrow Hanley deal to exceed the stated target of at least 20% (on a currency neutral-basis).</td><td></td><td>Actual: $124.1m
Above plan
Annualised underlying EPS accretion gateway
Achieved</td><td>• Out-performance vs. plan for FY21 was driven by higher-than-expected revenue within PCT, PAMA and PAMI. Expenses were maintained within the market guidance of 1-3% despite the acceleration of investment in key growth initiatives such as technology, distribution and new investment strategies. UPAT growth, on an absolute basis relative to prior year, was driven primarily by the acquisition of Barrow Hanley and Trillium, which have both performed above plan in FY21.
• The FY21 UPAT outcome is above the result delivered in FY20 (approx. $98.6m), demonstrating a reversal of successive years of declining UPAT.
• The gateway of delivering at least 20% annualised underlying EPS accretion attributable to the Barrow Hanley acquisition was on track to be met in November 2021. Further, Perpetual's underlying EPS growth for FY21 was 6.2%, reversing a recent trend of declining underlying EPS.</td></tr>
<tr><td>Clients</td><td></td><td>Outcome</td><td>Comments</td></tr>
<tr><td>Maintain client advocacy – external net promoter score (NPS) performance</td><td>5%</td><td>Target: Maintain above 40
Actual: 44
At plan</td><td>• The group NPS outcome for FY21 is 44, achieving Perpetual's goal of maintaining NPS above 40. The FY21 outcome was driven by a strong improvement in PAMA (26 to 38), partially offset by declines in PCT (62 to 58) and PP (46 to 37). This was achieved through a period when client engagement was heavily impacted due to COVID-19.
• While the headline score remains an important indicator of client satisfaction, management and the Board review the underlying data and responses obtained as part of the survey to ensure the headline outcome is also supported by underlying actions to address any concerns identified and further build on the positive feedback received. Further, in response to the NPS survey results, each division develops agreed action plans aimed at continuously improving our client experience.</td></tr>
<tr><td>PAMA Investment Performance – % of Funds in first and second quartile over 1, 2 and 3 years.

PAMI investment performance - % of funds (over 12 months):
Equities: 1.0% or more above benchmark
FI: 0.5% or more above benchmark</td><td>5%</td><td>Target: 70%
Actual: 82%
Above plan

Target: 70%
Actual: 65%
Below plan</td><td>• PAMA: full-year investment performance numbers of funds in first and second quartile reveal both near-term and longer-term investment performance has materially improved across all PAMA capabilities. Investment performance delivered during the year was strong, particularly in Australian Equities. The Australian equities team has remained true-to-label despite a long challenging environment for value managers. Performance for both the Credit and Fixed Income and Multi-Asset teams remains strong over all time horizons.
o 1-year (95%): 19 of 20 funds in Q1 or Q2 over 12 months
o 2-year (80%): 16 of 20 funds
o 3-year (70%): 14 of 20 funds
• PAMI: although the percentage of funds above benchmark was slightly below plan, full-year investment performance numbers reveal strong outcomes relative to agreed benchmarks. Most Barrow Hanley equity funds have delivered outcomes substantially above their benchmarks over the year, positively impacting all time horizons.
Equities
• 1-year (72%): 13 of 18 funds are at least 1.0% (gross) above benchmark, noting that 10 of 12 Barrow Hanley equity funds are more than 1.0% above, 9 are more than 5.0% above and 6 are more than 10% above benchmark. 3 of 6 Trillium funds are 1.0% above benchmark and 2 are more than 8.0% above benchmark.
Fixed Income
• 1-year (54%): 7 of 13 funds are at least 0.5% (gross) above benchmark, with 4 more than 2.0% above benchmark.</td></tr>
<tr><td>People & Projects</td><td></td><td>Outcome</td><td>Comments</td></tr>
</table>

Strategic Measure	Weighting	Full Year Performance	
Assessment of Cultural Health – Employee sentiment	5%	Target: Board Assessment Actual: Achieved **At Plan**	• Employee sentiment data, as tracked by the group mood monitor, a regular staff sentiment survey[1], indicated a similar proportion of employees feeling optimistic and content over the course of the mood monitor collection period, despite the impact of COVID-19. Further, results show that Perpetual employees are feeling increased pride in Perpetual’s brand, our market performance and in the direction and momentum of our business.
Group Women in Leadership		Target: % women in senior roles – 38% Actual: 36% **Below plan**	• Group Women in Senior Leadership as categorised by WGEA classifications was 36% as at June 30 – below the target of 38%. Despite a number of achievements on the diversity front, this result requires continued focus in FY22.
High perf. turnover		Target: < 11% Actual: 4% **Above Plan**	• Turnover of top talent was substantially lower than the FY21 target of 11% and below last year’s full-year outcome of 6%. This result was considered above plan given the increasingly competitive external talent environment that emerged in the second half of FY21.
Delivery of key projects	5%	Board assessment **At Plan**	• Of nine formally funded projects planned to be delivered in FY21, seven were delivered, with each assessed as meeting business objectives (based on objective implementation review outcomes). Further, the seven delivered projects came in broadly in-line with the agreed budgets at the outset of the project. • The two projects not commenced in FY21 have been rescheduled for delivery in FY22.
Strategy		**Outcome**	**Comments**
Execution on M&A Agenda • Successful closing of BH transaction • Retention of key BH staff & AUM vs. acquisition plan • Execution of on-going M&A and “bolt-on” agenda • Develop & implement Global Distribution Strategy • Develop Day 2 of Global Operating Model	20%	Target: As assessed by Board **At Plan**	• The post-acquisition performance of Barrow Hanley has exceeded forecasts made prior to the purchase of this business. AUM is tracking ahead of the merger model driven by significant investment out-performance relative to value-benchmarks in key strategies as well as substantial market appreciation since acquisition. This combination has resulted in full-year underlying profit before tax for Barrow Hanley being above-plan for FY21. Barrow Hanley business performance has been assisted by the more supportive investment environment for value investing, reflecting the judicious timing of this acquisition but also the team’s strong out-performance relative to value benchmarks. • Within Trillium, the successful establishment of a UK-based ESG Global Equities team (as announced to the market in the Q3 business update on 23 April 2021) demonstrates execution of Perpetual’s strategy to provide the expertise and resources to drive scale and future growth for acquired businesses. Early interest in this capability and the track-record of the team further validate this strategy. Further “bolt-on” opportunities have been progressed during FY21. • The build-out of Perpetual’s global distribution team continued in FY21, with key placements being made in the US, Europe and Australia. In particular, the second half of FY21 saw early validation of the distribution team’s strategy, with an improvement in net flows for Perpetual Asset Management Australia, alongside record net flows of A$361m from Trillium in Q4 and key rating agency upgrades in the US, including the Trillium Global Equities Fund being upgraded to 5-star by Morningstar.

[1] During FY21, four individual Mood Monitor staff sentiment surveys were undertaken with responses to key questions tracked over the course of the year.

Strategic Measure	Weighting	Full Year Performance	
Growth		Outcome	Comments
Perpetual Corporate Trust (PCT) – New business revenue	10%	Target: $12.4m Actual: $14.6m **Above plan**	• PCT delivered an above-plan outcome of $14.6m, driven by key client wins across all business lines. • This outcome represents an above plan outcome for revenues and new business and translated into Underlying Profit Before Tax growth of approximately $5m (or 8%) relative to prior year. • PCT continues to deliver on a clear growth strategy, which includes organic growth, new products and revenue streams, and exploration of appropriate inorganic growth opportunities.
Perpetual Asset Management Australia (PAMA) – Annualised Net Revenue (ANR)		Target: -$7.6m Actual: -$21.6m **Below plan**	• The PAMA full year outcome on new revenues (and as a consequence on UPAT) was below plan and prior year, due to higher net outflows than targeted, particularly in the first half. A notable slowing in outflow and subsequent ANR occurred in the second half, due in part to a rotation back to the value style of investing and materially improved investment performance. Importantly, PAMA recorded slightly positive net flows in the final quarter of FY21, driven substantially by positive flows into the Multi Asset business, partially offset by continued outflow in Australian Equities[1].
Trillium Investment Management Annualised Net Revenue (ANR)		Target: $1.9m Actual: $3.0m **Above plan**	• The "above plan" full-year Trillium ANR outcome was driven by consistent growth in the second half, including a particularly strong final quarter which delivered record net flows of US$274m, driven by increasingly strong interest in Trillium's ESG-focused style of investing.
Perpetual Private (PP) – Net Flows		Target: $1,285m Actual: $782.8m **Below plan**	• The full-year outcome of $783m, while below the stretch target, is 24% up on the FY20 outcome of $631m. FY21 represented the 8th consecutive year of positive net flows for Perpetual Private. Importantly, as at 30 June 2021, Funds Under Advice for Perpetual Private was $17.0b, up substantially on prior year (30 June 2020: $14.3b).

7.3 FY21 CEO Variable Incentive Commentary

Individual Variable Incentive awards are determined through an assessment of performance against the group balanced company scorecard, divisional performance against agreed priorities and individual performance, which includes an assessment of behavioural expectations for all Executives. Executives must also meet risk and compliance requirements to be eligible to receive a Variable Incentive payment.

In line with our primary focus on delivering strong group outcomes for our shareholders, the weightings for the CEO and Executives are 70% Perpetual group performance and 30% divisional/individual performance. This combined focus on Perpetual group and divisional/individual performance ensures shared accountability for overall Perpetual performance amongst Executives, balanced with the need to deliver on divisional priorities.

	Perpetual performance	Divisional performance	Individual performance
CEO	70%	0%	30%
Executives	70%	30%	

FY21 CEO performance and reward outcomes

The Board has considered the individual contribution of Mr Adams for FY21 with reference to progress against key strategic and individual priorities agreed at the commencement of the performance year. Pleasingly, in

[1] As outlined in Perpetual's Q4 business update released to the market on 23 July 2021.

addition to the progress demonstrated against these priorities, the CEO had a number of achievements which are highlighted below:

- The successful closing of the transformational acquisition of Barrow Hanley Global Investors in FY21 delivered important diversification by geography, asset class and client channel for Perpetual. The CEO's leadership in the timing and execution of this deal were key factors considered in respect of his performance in FY21.
- The build-out of Perpetual's global distribution team continued in FY21, with key placements being made in the US, Europe and Australia. The second half of FY21 delivered early validation of the distribution team's strategy, with an improvement in net flows for PAMA, alongside continued acceleration of net flows within Trillium. Given the criticality of this program to the success of the Trillium and Barrow Hanley deals and future business growth, the important early progress of this work was considered as part of the CEO's performance assessment in FY21.
- Throughout a difficult year with lockdowns, uncertainty and limitations on travel to develop relationships with newly acquired businesses, the CEO has been able to obtain strong support from clients, investors, employees, his leadership team and from the Board.
- Other specific and value adding initiatives include the ongoing assessment of Perpetual's approach to investor management, continued focus on building a cohesive and aligned executive team and maintaining a robust potential acquisition pipeline within each of the four businesses.

The Board has determined to award the CEO an overall incentive outcome of 100% of target, or 57% of the maximum, in respect of FY21, reflective of both strong group and individual performance.

7.4 Alignment of Variable Incentive outcomes to five-year group performance

One of Perpetual's guiding principles for remuneration is that the remuneration structure should balance value creation for our shareholders, clients and employees. This section displays the degree of alignment between Perpetual group performance and remuneration outcomes for Executives over the last five years. The table below shows Perpetual's five-year performance across a range of metrics and corresponding incentive outcomes.

		FY17	FY18	FY19	FY20	FY21
		30 June 2017	**30 June 2018**	**30 June 2019**	**30 June 2020**	**30 June 2021**
Underlying profit after tax - UPAT	$m	136.9	139.0	115.9	98.6	124.1
Earnings per share - UPAT	cps	293	297	246	208	221
Total dividends paid/payable per ordinary share[1]	cps	**265**	**275**	**250**	**155**	**180**
Closing share price	$	55.9	41.6	42.24	29.67	40.05
1-year TSR	%	42	-21	8	-26	40
3-year CAGR TSR	%	10	-1	7	-13	4
4-year CAGR TSR	%	16	2	2	-1	-3
5-year CAGR TSR	%	23	8	3	-3	5
CEO - Variable Incentive as % of target[2,3,4]	%	79	34	65	60	100
CEO - Variable Incentive as % of maximum target[2,3,4]	%	45	19	37	34	57
GE - Average Variable Incentive as % of target[2]	%	91	76	56	48	93
GE - Average Variable Incentive as % of maximum target[2]	%	52	43	32	27	53
CEO % of Variable Incentive Equity awarded as hurdled[5]	%	0	NA	50	100	50
GE % of Variable Incentive Equity awarded as hurdled[5]	%	0	0	0	100	50

1. Dividends paid are for the respective financial year.

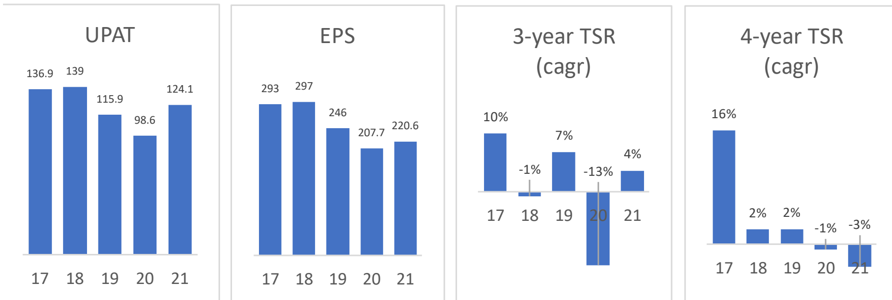
2. CEO variable incentive outcomes for FY17 - FY18 are for Perpetual's previous CEO, Mr Lloyd.

3. Mr Lloyd ceased employment with Perpetual in FY18, and therefore FY18 represents variable incentive cash only given the forfeiture of variable incentive equity for FY18.

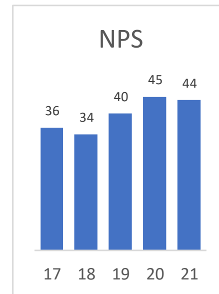
4. FY19-FY21 variable incentive outcomes are for Mr Adams.

5. Excludes sign on grants.

Shareholders



Clients



Three and four-year CAGR TSR disclosed to align with the performance hurdle period of the CEO and Group Executives for FY21.
NPS FY19 rebased from 39 to 40 to reflect new target markets.

7.5 Vesting outcomes of prior year equity awards

In September 2020, Variable Incentive Unhurdled Equity outcomes awarded for the FY18 financial year vested for eligible Executives. These awards are now held under restriction for an additional two year period, aligning Executives to shareholder outcomes for a full four-year period. The current Hurdled Equity structure was introduced for the CEO in FY19 and for the broader Executive team for FY20.

Consistent with plan design at the time, the equity component of the grants made to Executives for FY18 were awarded entirely as Unhurdled Equity. The value of this equity at vesting was, on average, 53% of the original Executive's Variable Incentive equity targets (or 30% of the original maximum equity target). The overall outcome of 53% of target (or 30% of maximum) occurred despite initial grants being positioned at, on average, 76% of Variable Incentive targets (or 44% of maximum), however a change to the Perpetual share price over the vesting period significantly reduced vesting outcomes for Executives. Importantly, when the original change was made to introduce the combined Variable Incentive structure (in FY16), overall target variable incentive opportunities were reduced to reflect the removal of the longer term hurdle from the structure.

The Board believes this outcome provides appropriate alignment between Executive remuneration and the shareholder experience. The Board did not believe it was necessary to adjust FY18 equity vesting outcomes given no hurdle was originally applied to vesting of outcomes, no material risk events were identified and Executives are required to continue to hold the equity for an additional two-year restriction period.

8. Data disclosures – Executives

	Short-term benefits				Post-employment benefits		Equity-based benefits[5]			Termination payments	Total
	Cash salary[1]	Variable Incentive Cash[2]	Non-monetary benefits[3]	Other[4]	Superannuation	Other long- term benefits[6]	Variable Incentive Equity[7]	Shares	Performance rights		
Name	$	$	$	$	$	$	$	$	$	$	$
Current Executives											
R Adams											
2021	**1,147,498**	**500,000**	**-**	**26,867**	**25,000**	**21,721**	**417,575**	**161,993**	**-**	**-**	**2,300,654**
2020	1,277,776	-	-	1,651	24,976	37,438	158,139	327,001	-	-	1,826,981
A Gazal											
2021	**435,750**	**116,350**	**-**	**9,143**	**25,000**	**8,087**	**25,660**	**189,136**	**-**	**-**	**809,126**
2020	108,160	-	-	384	6,250	1,883	-	79,712	-	-	196,389
C Green											
2021	**592,639**	**281,125**	**-**	**(12,352)**	**25,000**	**10,840**	**270,691**	**-**	**-**	**-**	**1,167,943**
2020	625,146	-	-	1,651	24,976	6,196	308,315	-	-	-	966,284
D Lane											
2021	**493,544**	**336,000**	**6,123**	**5,880**	**25,000**	**9,208**	**171,161**	**-**	**-**	**-**	**1,046,916**
2020	487,802	-	40,757	3,695	24,976	26,488	175,867	7,801	-	-	767,386
R McCarthy											
2021	**428,566**	**250,800**	**-**	**(2,349)**	**25,000**	**(33,206)**	**119,882**	**-**	**54,657**	**-**	**843,350**
2020	405,146	-	-	1,651	24,976	(4,881)	74,037	-	95,657	-	596,586
S Mosse											
2021	**472,816**	**136,285**	**-**	**(23,269)**	**25,000**	**10,418**	**56,241**	**75,835**	**-**	**-**	**753,326**
2020	470,146	-	-	-	24,976	11,093	18,958	148,133	-	-	673,306
M Smith											
2021	**575,045**	**229,174**	**-**	**(17,784)**	**25,000**	**10,531**	**212,860**	**-**	**-**	**-**	**1,034,826**
2020	606,626	-	-	1,651	24,976	43,024	269,425	-	-	-	945,702
A Gillespie[8]											
2021	**278,825**	**102,945**	**-**	**(10,824)**	**15,411**	**8,544**	**22,704**	**-**	**80,168**	**-**	**497,773**
2020	-	-	-	- -	-	- -	-	-	-	-	
Total 2021	**4,424,683**	**1,952,679**	**6,123**	**(24,688) -**	**190,411**	**46,143 -**	**1,296,774**	**426,964**	**134,825 -**	**- -**	**8,453,914**
Total 2020	3,980,802	-	40,757	10,683 -	156,106	121,241 -	1,004,741	562,647	95,657 -	- -	5,972,634

1. Cash salary is the ordinary cash salary received in the year including payment for annual, long service, sick or other types of paid leave taken.
2. Variable Incentive cash payments consist of cash payments to be made in September 2021 for the CEO and Group Executives.
3. Non-monetary benefits represents those amounts salary sacrificed from fixed remuneration to pay for benefits such as leased motor vehicles, car parking, and purchased leave.

4. Other short-term benefits relate to:
- salary continuance and death and total and permanent disability insurance provided as part of the remuneration package; and
- the value of accrued annual leave for FY21 less leave taken which is depicted as cash salary.

5. Share-based remuneration has been valued using the binomial method, which considers the performance hurdles relevant to each issue of equity instruments. The value of each equity instrument has been provided by PricewaterhouseCoopers. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including earnings per share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as total shareholder return hurdles, the number of shares expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements (except if service conditions are not met). The accounting treatment of non-market and market conditions are in accordance with accounting standards.

6. The value of accrued long service leave for FY21 less leave taken, which is depicted as cash salary.

7. Variable incentive equity includes costs incurred in FY21 for the FY17, FY18, FY19, FY20 Variable Incentive equity grants.

8. FY21 remuneration of Ms Amanda Gillespie reflects part-year service in the role, commencing 18 November 2020.

Executive Remuneration received FY21

The table below represents the actual remuneration received by the Executives during FY21. This table differs to the statutory remuneration table on page 36 that has been prepared in accordance with the Corporations Act and Australian Accounting Standards. The difference between the two tables is predominantly due to the accounting treatment of the share-based payments.

Name	Total fixed remuneration[1]	Variable Incentive cash[2]	Equity vested during year[3]	Dividends paid on unvested shares during year[4]	Sign-on and relocation benefits	Payments made on termination	Total
	$	$	$	$	$	$	$
Current Executives							
R Adams	1,174,311	-	299,508	19,709	-	-	1,493,527
A Gazal	462,432	-	142,019	8,955	-	-	613,406
C Green	619,290	-	294,656	-	-	-	913,946
D Lane	530,547	-	216,790	-	-	-	747,337
R McCarthy	455,217	-	91,396	497	-	-	547,110
S Mosse	499,467	-	-	6,246	-	-	505,713
M Smith	601,696	-	299,709	-	-	-	901,405
A Gillespie[5]	296,233	-	-	-	-	-	296,233
Totals	**4,639,193**	**-**	**1,344,077**	**35,407**	**-**	**-**	**6,018,676**

1. Fixed remuneration consists of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax.
2. Represents the cash portion of Variable Incentive outcome for FY20 paid in September 2020. No cash Variable Incentives were awarded to KMP for FY 20. There is no FY20 Variable Incentive outcome for Ms Gillespie as payments related to her prior role before she was a KMP.
3. Represents the value of equity grants awarded in previous years which vested during the year. For Mr Adams and Ms Gazal, this relates to sign on shares granted at the commencement of their employment. For Mr McCarthy, this represents Performance Rights granted on 1 October 2017 as a Long Term Incentive that vested on 1 October 2020, as well as shares granted on 3 September 2018 that vested on 30 September 2020. For Mr Smith, Lane and Green the numbers reflect Share Rights granted to KMP in September 2018 which converted to Restricted Shares 2 years after the grant date. The holding lock is removed 4 years after the grant date, as per the terms of the Executive Leadership Team Variable Incentive Plan.
4. Dividends paid during FY21 on sign-on shares granted to Mr Adams on 24 September 2018, Ms Gazal on 7 April 2018 and Ms Mosse on 18 February 2019. Dividends paid to Mr McCarthy relate to deferred STI shares awarded in previous role.
5. For Ms Gillespie Total fixed remuneration reflects service from commencement in Group Executive role on 18 November 2020 only. Equity that vested before 18 November 2020 is not included in this table.

Remuneration components as a proportion of total remuneration

The remuneration components below are determined based on the Remuneration of the Executives – Statutory Reporting table on page 36. This table includes fixed remuneration and Variable Incentives – cash and equity.

		Performance linked benefits			
Name	Fixed remuneration %	Variable Incentive Cash %	Variable Incentive Equity %	Other Equity[1]	Total %
Current Executives					
R Adams	53%	22%	18%	7%	100%
A Gazal	60%	14%	3%	23%	100%
C Green	53%	24%	23%	0%	100%
D Lane	52%	32%	16%	0%	100%
R McCarthy	49%	30%	21%	0%	100%
S Mosse	65%	18%	7%	10%	100%
M Smith	57%	22%	21%	0%	100%
A Gillespie	58%	21%	21%	0%	100%

1. Other equity includes sign-on equity for Mr Adams, Ms Gazal and Ms Mosse.

Value of unvested remuneration that may vest in future years

Estimates of the maximum future cost of equity-based remuneration granted by Perpetual should all targets be met in the future.

	30/06/2022[1] Maximum $	30/06/2023[1] Maximum $	30/06/2024[1] Maximum $	30/06/2025[1] Maximum $	30/06/2026[1] Maximum $
CEO and Managing Director					
R Adams	616,334	639,692	228,893	58,290	-
Current Group Executives					
A Gazal	61,565	56,131	15,205	5,509	-
A Gillespie	145,613	129,327	30,953	4,875	-
C Green	165,138	207,959	80,469	20,483	-
D Lane	131,799	178,235	66,347	17,547	-
R McCarthy	122,744	154,341	59,914	15,203	-
S Mosse	86,570	95,616	37,981	9,421	-
M Smith	139,329	180,762	67,028	17,794	-

1. The minimum value of the grants is $nil if the performance targets are not met. The values above are determined in accordance with accounting standards. The fair value of granted shares is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and amortised over the performance and/or service period.

Shareholdings

The table below summarises the movement in holdings of ordinary shares held during the year and the balance at the end of the year, directly, indirectly, or by a related party.

Name	Total shares held at 1 July 2020	Purchases	Vesting of Shares	Vesting of Rights	Sales / Reductions	Shares held personally at 30 June 2021	Shares held nominally at 30 June 2021[1]	Total shares held at 30 June 2021
Current Executives								
R Adams	8,835	1,743	10,712	-	-	19,483	1,807	21,290
A Gazal	-	-	4,867	-	-	4,867	-	4,867
C Green	18,285	-	-	9,623	8,977	18,931	-	18,931
D Lane	4,687	991	-	7,080	-	12,758	-	12,758
R McCarthy	-	-	994	2,240		3,234	-	3,234
S Mosse	-	-	-	-	-	-	-	-
M Smith	16,597	-	-	9,788	-	17,693	8,692	26,385
A Gillespie	-	-	2,240	-	-	2,240	-	2,240

1. Shares held nominally are included in the "Total shares held at 30 June 2021" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

Unvested share and Performance rights holdings of the Executives

The table below summarises the Share and Performance Rights holdings and movements by number granted to the Executives by Perpetual, for the year ended 30 June 2021. For details of the fair valuation methodology, refer to section 4-1 of the notes to, and forming part of the financial statements.

						Movement During the Year[1]				
Name	**Instrument**	**Grant date**	**Grant price**	**Vesting date**	**Held at 1 July 2020**	**Granted**	**Forfeited**	**Vested**	**Held at 30 June 2021**	**Fair value of instrument at grant date**
			$		Number of instruments	Number of instruments			Number of instruments	$
Current Executives										
R Adams[2]	Shares	24 September 2018	42.01	24 September 2020	10,712	-	-	10,712	-	42.01
	Shares	24 September 2018	42.01	24 September 2022	10,711	-	-	-	10,711	42.01
	Share Rights	2 September 2019	42.01	1 September 2021	10,551	-	-	-	10,551	28.89
	Performance Rights	2 September 2019	42.01	1 September 2022	5,276	-	-	-	5,276	8.22
	Performance Rights	2 September 2019	42.01	1 September 2023	5,275	-	-	-	5,275	8.40
	Performance Rights[4]	1 September 2020	31.15	1 September 2023	-	21,938	-	-	21,938	12.09
	Performance Rights[4]	1 September 2020	31.15	1 September 2024	-	21,937	-	-	21,937	12.42
		Aggregate value				$ 1,366,706	$ -	$ 299,508		
A Gazal[2]	Shares	7 April 2020	25.86	7 October 2020	4,867	-	-	$ 4,867		25.86
	Shares	7 April 2020	25.86	7 October 2021	4,867		-	-	4,867	25.86
		Aggregate value				$ -	$ -	$ 142,019		
C Green	Share Rights[3]	3 September 2018	44.29	1 September 2020	9,623	-	-	9,623	-	38.63
	Share Rights[3]	2 September 2019	35.30	1 September 2021	12,063	-	-	-	12,063	28.89
	Performance Rights[4]	1 September 2020	31.15	1 September 2023	-	8,026	-	-	8,026	12.09
	Performance Rights[4]	1 September 2020	31.15	1 September 2024	-	8,025	-	-	8,025	12.42
		Aggregate value				$ 499,989	$ -	$ 294,656		
D Lane[2]	Share Rights[3]	3 September 2018	44.29	1 September 2020	7,080	-	-	7,080	-	38.63
	Share Rights[3]	2 September 2019	35.30	1 September 2021	5,665	-	-	-	5,665	28.89
	Performance Rights[4]	1 September 2020	31.15	1 September 2023	-	6,019	-	-	6,019	12.09
	Performance Rights[4]	1 September 2020	31.15	1 September 2024	-	6,019	-	-	6,019	12.42
		Aggregate value				$ 374,984	$ -	$ 216,790		
R McCarthy[5]	Share Rights	1 October 2017	44.64	1 October 2020	2,240	-	-	2,240		44.64
	Shares	3 September 2018	44.29	30 September 2020	994	-	-	994		44.29
	Share Rights	1 October 2018	34.97	1 October 2021	2,859	-	-	-	2,859	34.97
	Share Rights[3]	2 September 2019	35.30	1 September 2021	3,663	-	-	-	3,663	28.89
	Performance Rights[4]	1 September 2020	31.15	1 September 2023	-	6,019	-	-	6,019	12.09
	Performance Rights[4]	1 September 2020	31.15	1 September 2024	-	6,019	-	-	6,019	12.42
		Aggregate value				$ 374,984	$ -	$ 91,396		
S Mosse[2]	Shares	18 February 2019	35.37	21 September 2021	4,661	-	-	-	4,661	35.37
	Share Rights[3]	2 September 2019	35.30	1 September 2021	1,010	-	-	-	1,010	28.89
	Performance Rights[4]	1 September 2020	31.15	1 September 2023	-	4,012	-	-	4,012	12.09
	Performance Rights[4]	1 September 2020	31.15	1 September 2024	-	4,012	-	-	4,012	12.42
		Aggregate value				$ 249,948	$ -	$ -		
M Smith	Share Rights[3]	3 September 2018	44.29	1 September 2020	9,788	-	-	9,788	-	38.63
	Share Rights[3]	2 September 2019	35.30	1 September 2021	8,343	-	-	-	8,343	28.89
	Performance Rights[4]	1 September 2020	31.15	1 September 2023	-	6,019	-	-	6,019	12.09
	Performance Rights[4]	1 September 2020	31.15	1 September 2024	-	6,019	-	-	6,019	12.42
		Aggregate value				$ 374,984	$ -	$ 299,709		
A Gillespie[6]	Share Rights	1 October 2017	44.64	1 October 2020	2,240	-	-	2,240		44.64
	Share Rights	1 October 2018	34.97	1 October 2021	2,859	-	-	-	2,859	34.97
	Share Rights	1 October 2019	31.53	1 October 2022	4,123	-	-	-	4,123	31.53
	Share Rights	1 October 2020	23.82	1 October 2023		6,298	-	-	6,298	23.82
		Aggregate value				$ 149,993	$ -	$ -		

1. Granted aggregate value is calculated by multiplying the number of instruments by the grant price. Vested and forfeited aggregate value is calculated by multiplying the number of shares by the Perpetual closing share price on the vesting date.

2. Mr Adams' shares, Ms Gazal's shares and Ms Mosse's shares are sign-on shares.

3. Share Rights granted to KMP in September 2017, 2018 & 2019 convert to Restricted Shares 2 years after the grant date. The holding lock is removed 4 years after the grant date, as per the terms of the Executive Leadership Team Variable Incentive Plan. These Share Rights are not included in the Table after vesting.

4. Performance Rights granted to KMP in September 2020 were issued as 2 tranches with a TSR hurdle. T1 is subject to a 3 year performance period before vesting into Restricted Shares for one year. T2 was subject to a 4 year performance period before vesting. Vested Performance Rights with a holding lock are not included in the Table after vesting.

5. Some of Mr McCarthy's shares and Performance rights were granted prior to his KMP appointment date of 15 October 2018. We have included his holdings and movements prior to 15 October 2018 for completeness.

6. All of Ms Gillespie's Share Rights were granted prior to her KMP appointment date of 18 November 2020. We have included these holdings for completeness.

Termination terms for Executives

Following are the Executive contractual arrangements.

Term	Who	Conditions
Duration of contract	All Executives	Ongoing until notice is given by either party
Notice to be provided by the Executive to terminate the employment agreement	CEO and Managing Director Executives	9 months 6 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	CEO and Managing Director Executives	9 months 6 months
Notice to be provided by Perpetual for summary dismissal	All Executives	No notice
Post-employment restraint	CEO and Managing Director and Executives	12 months from the date on which notice of termination was given

The agreements also allow Perpetual to make a payment in lieu of notice, subject to Board approval.

9. Non-Executive Director remuneration

9.1 Remuneration policy and data

Perpetual's Remuneration Policy for Non-executive Directors aims to ensure that we attract and retain suitably skilled, experienced and committed individuals to serve on your Board. Non-executive Directors do not receive performance related remuneration and are not entitled to receive performance shares or options over Perpetual shares as part of their remuneration arrangements.

Fee framework

Non-executive Directors receive a base fee. Except for the Chairman, they also receive fees for participating in Board Committees (other than the Nominations Committee), either as Chairman or as a member[1].

Fee reduction for FY21

In response to the business impacts experienced as a result of COVID-19, the Perpetual Limited Chairman took a 20% reduction in base Director fees for the first six months of FY21, with the other Board members taking base Director fee reductions of 10% for the same period.

US-based Non-Executive Director nomination and fees

[1] Any other contracts are at arm's length in the normal course of business and on normal commercial terms consistent with other employees and clients. Those transactions may involve investments in Perpetual managed funds and financial advice by Perpetual Private.

The nomination of a US-based Non-executive Director was advised to the market by ASX announcement on 28 June 2021. The fees for US based Directors have been determined with consideration given to prevailing US market practice, the expectations of suitably qualified candidates and with reference to the practices observed within other ASX-listed firms with international Non-executive Directors.

FY22 changes

FY20 – FY22 Non-executive Directors fees are provided in Section 1.2.

As part of the recruitment process for the new US-based Non-executive Director, a broader review of market compensation for Perpetual's Non-executive Directors was initiated in FY21. This review resulted in an increase of 10% to the base Non-executive Director fee for Australian based Directors and an increase of 13.3% for the Chairman of the Perpetual Limited Board. The changes to existing fee levels will be effective 1 July 2021. The review of Non-executive Director remuneration involved market analysis of comparable ASX listed firms remuneration practices. The market analysis reviewed financial services firms of comparable size (by market cap) with an industry focus of asset management and diversified financials. The review showed that current fees were at the lower end of market benchmarks. Considering the market data and the changes in workload and complexity arising from changes to the business over the past 18 months, the increases detailed above were approved.

Further, effective 1 January 2021, an increase to the Investment Committee Chair and Member fee was made to reflect the increased complexity and accountability of these roles following the acquisition of Barrow Hanley and Trillium. No other committee fees required adjustment.

An additional fee will also be payable to Non-executive Directors each time they are required to travel long haul for Board matters. The fee will be a flat $10,000 per trip and paid in the respective currency.

We note that no changes (other than recent temporary reductions) have been made to base Chairman and Director fees since an adjustment made leading into FY16.

The fee increases outlined above and additional fees for the US based Non-executive Director are within the Non-executive Directors fees cap agreed by shareholders in 2006.

The fees detailed in Section 1.2 are inclusive of any superannuation or pension contributions, capped at the maximum prescribed under any applicable legislation.

Australian-based Non-executive Directors may receive employer superannuation contributions in one of Perpetual's employee superannuation funds or in a complying fund of their choice. Non-executive Directors can also salary sacrifice superannuation contributions out of their base fee.

Total remuneration available to Non-executive Directors of $2,250,000 was approved by shareholders at the 2006 Annual General Meeting and has remained unchanged since this date. Total fees paid to Non-executive Directors in FY21 were $1,195,223. More details are provided in the table on page 42.

Retirement policy

Non-executive Directors who have held office for three years since their last appointment must retire and seek re-election at the Annual General Meeting.

In order to revitalise the Board, Perpetual's Non-executive Directors agree not to seek re-election after three terms of three years. However, the Board may invite a Non-executive Director to continue in office beyond nine years if there is a compelling reason and, as determined by the Board, if in the best interests of shareholders.

Outside of superannuation contributions, no retirement benefits are paid to Non-executive Directors.

Directors' Report for the year ended (30 June 2021 continued)
Remuneration Report (continued)

Remuneration of the Non-Executive Directors (statutory reporting)

Details of Non-executive Director remuneration are set out in the table below.

	Short-term benefits	Post employment benefits	
	Perpetual Board fees	Superannuation[1]	Total[2]
Name	$	$	$
T D'Aloisio			
2021	**248,742**	**21,258**	**270,000**
2020	278,997	21,003	300,000
G Cooper			
2021	**180,235**	**7,765**	**188,000**
2020	138,651	13,172	**151,823**
N Fox			
2021	**177,626**	**16,874**	**194,500**
2020	179,614	17,063	196,677
I Hammond			
2021	**189,000**	**-**	**189,000**
2020	186,541	8,459	195,000
F Trafford-Walker			
2021	**163,973**	**7,027**	**171,000**
2020	90,816	8,628	99,444
C Ueland			
2021	**165,068**	**15,682**	**180,750**
2020	168,493	16,007	184,500
M A Kanaan[3]			
2021	**2,000**	**-**	**2,000**
2020	-	-	-
Total 2021	**1,126,644**	**68,606**	**1,195,250**
Total 2020	1,043,112	84,332	1,127,444

1. Australian Non-Executive Directors can elect to take superannuation contributions in excess of their Superannuation Guarantee Contribution as additional base fees.

2. Non-executive Directors do not receive any non-cash benefits as part of their remuneration.

3. US based Directors do not receive any payments in addition to Board fees such as pension contributions. US fees have been converted to AUD at 0.75.

Alignment with shareholder interests

The constitution requires Non-executive Directors to acquire a minimum of 500 Perpetual shares on appointment and hold a total of at least 1,000 shares when they have held office for three years. However, Non-executive Directors are encouraged to hold ordinary Perpetual shares equivalent in value to 100% of their annual base fee within a reasonable period of their appointment.

Non-executive Directors do not receive share rights or options and are required to comply with Perpetual's Hedging and Share Trading policies.

Non-Executive Director shareholdings

The table below summarises the Non-executive Director movement in holdings of ordinary shares held during the year and the balance at the end of the year. The table includes shares held both in total (directly or indirectly) and held by related parties.

Name	Total shares held at 1 July 2020	Purchases	Sales / Reductions	Shares held personally at 30 June 2021	Shares held nominally at 30 June 2021[1]	Total shares held at 30 June 2021	1,000 shareholding requirement met
	Number of shares						
T D'Aloisio	8,081	991	-	-	9,072	9,072	✓
G Cooper	1,000	4,758	-	-	5,758	5,758	✓
N Fox	4,000	1,641	-	5,641	-	5,641	✓
I Hammond	7,413	5,554	-	2,149	10,818	12,967	✓
F Trafford-Walker	-	1,803	-	1,803	-	1,803	✓
C Ueland	3,000	4,991	-	3,995	3,996	7,991	✓
M Kanaan[2]	-	-	-	-	-	-	

1. Shares held nominally are included in the "Total shares held at 30 June 2021" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

2. Ms Kanaan joined the Board on 28 June 2021. She has not met the minimum shareholding requirement due to the trading window closing two days after her appointment.

10. Key terms

Balanced scorecard	The performance measures of financial, client, growth and people as agreed by the Board to assess short and long-term Perpetual Group performance for the purposes of determining the amount of variable remuneration payable (if any).
Cash	Refers to the Cash component of the Variable Incentive plan. The Cash component of the plan is delivered to KMP following the completion of the performance year.
Executives	Direct reports of the CEO and Managing Director who are disclosed in this Report.
Fixed Remuneration	Fixed remuneration consists of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax.
Group	Perpetual Limited and its controlled entities.
Hurdled Equity	The Hurdled Equity component is awarded in the form of Performance Rights (subject to performance hurdles of absolute total shareholder return) equally over three years (with any vested equity restricted for a further year) and four years.
KMP	Key Management Personnel. Those people who have the authority and responsibility for planning, directing and controlling Perpetual's activities, either directly or indirectly. Key Management Personnel disclosed in this Report are the CEO and Managing Director, Group Executives and Non-executive Directors of Perpetual.
Market peers	For the purposes of benchmarking remuneration practices and levels, Perpetual's market peers refer to listed companies in the diversified financial services industry, excluding major banks and other financial services companies in the Standard & Poor's (S&P)/ASX 200.
Mood Monitor	With the decision not to run a formal engagement survey in FY20, it was decided to implement the Mood Monitor to seek more frequent, in the moment feedback to gauge the mood of employees through regular pulse surveys.
NPAT	NPAT is the net profit after tax in accordance with the Australian Accounting Standards.
Performance Rights	Performance Rights are granted under the Hurdled Equity component of the Executive Variable Incentive plan.
Restricted Shares	Once Share Rights are held for a two-year vesting period, and if the vesting conditions are met, Share Rights are converted to Restricted Shares on a one share for one Share Right basis. Restricted shares are then held for a further two years.
Share Rights	Share Rights are issued around September each year, following the performance period. Share Rights have a two-year vesting period, at which point, if the vesting conditions are met, they are converted to Restricted Shares on a one share for one Share Right basis.
STI	A short-term incentive paid to employees for meeting annual targets aimed at delivering our longer-term strategic plan. Under the STI Plan, employees may be paid a discretionary incentive (less applicable taxes) based on their individual performance as well as business performance. The CEO and Group Executives participate in their own Variable Incentive plans, and therefore no longer participate in the Group STI plan.
Unhurdled Equity	The Unhurdled Equity component is awarded as Share Rights, which vest after two years into Restricted Shares for a further two years.
Variable Incentive	Variable Incentive includes both cash and equity components of the CEO and Group Executives under their respective Variable Incentive plans.

Directors’ Report for the year ended 30 June 2021 (continued)

Non-audit services provided by the External Auditor

Fees for non-audit services paid to KPMG in the current year were $74,877 (2020: $75,878).

The Board has a review process in relation to any non-audit services provided by the external auditor. The Board considered the non-audit services provided by the auditor and is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor; and

- non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they do not involve reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Lead Auditor's independence declaration for the 30 June 2021 financial year is included at the end of this report.

Rounding off

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

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

Tony D’Aloisio
Chairman

Rob Adams
Chief Executive Officer and
Managing Director

Sydney 19 August 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 audit of Perpetual Limited for the year ended 30 June 2021 there have been:

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

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

KPMG

Brendan Twining

Partner

Sydney

19 August 2021

Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2021

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Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2021

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Section 6

Additional Information

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2021

	Section	2021 $'000	2020 $'000
Revenue	1-2	652,075	491,297
Expenses	1-3	(535,294)	(370,664)
Financing costs		(10,116)	(4,026)
Net profit before tax		**106,665**	**116,607**
Income tax expense	1-4	(31,796)	(34,608)
Net profit after tax		**74,869**	**81,999**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(19,120)	(121)
Other comprehensive income, net of income tax		**(19,120)**	**(121)**
Total comprehensive income		**55,749**	**81,878**
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		55,749	81,878
Earnings per share[1]			
Basic earnings per share – cents per share	1-5	135.0	175.0
Diluted earnings per share – cents per share	1-5	133.2	171.6

[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, there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

The 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 financial statements' set out on pages 53 to 117.

Consolidated Statement of Financial Position as at 30 June 2021

	Section	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents	3-1	147,066	164,143
Receivables	2-2	132,716	92,016
Structured products – EMCF assets	5-1	163,866	236,390
Other assets		13,712	13,134
Total current assets		457,360	505,683
Other financial assets	2-3	150,355	80,685
Property, plant and equipment	2-4	91,055	89,493
Intangibles	2-5	870,743	444,454
Deferred tax assets	1-4	47,179	39,973
Other assets		7,858	8,862
Total non-current assets		1,167,190	663,467
Total assets		1,624,550	1,169,150
Liabilities			
Payables		73,058	71,980
Structured products – EMCF liabilities	5-1	163,313	236,196
Current tax liabilities	1-4	7,597	13,291
Employee benefits	2-7	91,169	52,966
Lease liabilities	2-8	13,083	13,783
Provisions	2-6	1,611	2,638
Other liabilities		11,298	-
Total current liabilities		361,129	390,854
Payables		17,647	18,241
Borrowings	3-2	166,025	-
Deferred tax liabilities	1-4	17,946	17,397
Employee benefits	2-7	26,432	13,160
Accrued incentive compensation	2-9	48,021	-
Lease liabilities	2-8	70,081	68,880
Provisions	2-6	4,801	6,282
Total non-current liabilities		350,953	123,960
Total liabilities		712,082	514,814
Net assets		**912,468**	**654,336**
Equity			
Contributed equity	3-3	815,299	539,807
Reserves	3-4	2,492	19,377
Retained earnings		94,677	95,152
Total equity attributable to equity holders of Perpetual Limited		**912,468**	**654,336**

The Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 53 to 117.

Consolidated Statement of Changes in Equity for the year ended 30 June 2021

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Foreign currency translation reserves	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/(expense)	-	-	-	(19,120)	74,869	55,749	55,749
Movement on treasury shares	(861)	10,593	(10,090)	-	358	-	-
Issue of ordinary shares	278,370	-	-	-	-	278,370	278,370
Transaction costs	(5,010)	-	-	-	-	(5,010)	(5,010)
Repurchase of shares on market	-	(7,600)	-	-	-	(7,600)	(7,600)
Equity remuneration expense	-	-	12,325	-	-	12,325	12,325
Dividends paid to shareholders	-	-	-	-	(75,702)	(75,702)	(75,702)
Balance at 30 June 2021	**854,604**	**(39,305)**	**21,325**	**(18,833)**	**94,677**	**912,468**	**912,468**

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Foreign currency translation 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
Adjustment on initial application of AASB 16, net of tax[1]	-	-	-	-	(2,916)	(2,916)	(2,916)
Adjusted balance at 1 July 2019	**550,635**	**(31,434)**	**19,600**	**408**	**120,114**	**659,323**	**659,323**
Total comprehensive income/(expense)	-	-	-	(121)	81,999	81,878	81,878
Movement on treasury shares	3,035	9,659	(13,292)	-	598	-	-
Issue of ordinary shares	28,435	(14,727)	-	-	-	13,708	13,708
Repurchase of shares on market	-	(5,796)	-	-	-	(5,796)	(5,796)
Equity remuneration expense	-	-	12,782	-	-	12,782	12,782
Dividends paid to shareholders	-	-	-	-	(107,559)	(107,559)	(107,559)
Balance at 30 June 2020	**582,105**	**(42,298)**	**19,090**	**287**	**95,152**	**654,336**	**654,336**

[1] Adjustment to the opening balance of retained earnings reflect the initial application of AASB16 which came into effect on 1 July 2019.

The Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 53 to 117.

Consolidated Statement of Cash Flows for the year ended 30 June 2021

	Section	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		669,883	543,577
Cash payments in the course of operations		(493,328)	(367,157)
Dividends received		114	70
Interest received		692	3,574
Interest paid		(6,059)	(4,095)
Income taxes paid		(42,558)	(26,138)
Net cash from operating activities	1-7	**128,744**	**149,831**
Cash flows from investing activities			
Payments for property, plant, equipment and software		(21,964)	(13,616)
Payments for investments		(97,303)	(19,717)
Payment for acquisition of a business		(431,003)	(51,722)
Cash acquired as part of acquisition of business	2-1	2,026	-
Proceeds from sale of investments		61,081	11,885
Net cash used in investing activities		**(487,163)**	**(73,170)**
Cash flows from financing activities			
Proceeds from issue of shares		275,065	-
Transaction costs related to issue of shares		(4,992)	-
Transaction costs related to borrowings		(5,442)	-
Lease financing costs		(15,146)	(14,059)
Receipt from / (Repayment of) borrowings		174,662	(87,000)
Repurchase of shares on market		(7,600)	(5,796)
Dividends paid		(72,414)	(105,250)
Net cash from / (used in) financing activities		**344,133**	**(212,105)**
Net decrease in cash and cash equivalents		(14,286)	(135,444)
Cash and cash equivalents at 1 July		164,143	299,587
Effect of movements in exchange rates on cash held		(2,791)	-
Cash and cash equivalents at 30 June	3-1	**147,066**	**164,143**

The Consolidated Statement of Cash Flows is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 53 to 117.

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 year, segmental information, taxation, earnings per share and dividend information.

Where an accounting policy is specific to a single note, the policy is described in the section to which it relates.

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, 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 comparative period information for the previous Perpetual Investments segment has been re-presented to reflect that Trillium now forms part of the PAMI segment.

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

i. Services provided

Perpetual is a global financial services firm operating in Australia, United States, United Kingdom, the Netherlands and Singapore, as well as a presence in Hong Kong. Perpetual provides a diverse range of financial products and services including asset management, financial advisory and trustee services via its four business segments, supported by Group Support Services.

Perpetual Asset Management International	Provides investment products and services to global retail and institutional clients, including a distribution presence in the United States, United Kingdom, the Netherlands 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 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 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 trustee, agency and escrow services.
Group Support Services	The business units are supported by Group Support Services comprising Group Investments, CEO, Finance, Corporate Affairs, Marketing, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Project & Change Management, Operations, Product and People & Culture.

ii. Geographical information

The consolidated entity operates in Australia, United States, United Kingdom, the Netherlands and Singapore, with a presence in Hong Kong. The majority of the consolidated entity's revenue and assets relate to operations in Australia and United States. The United States operations are represented by Perpetual Asset Management, International. The operations in the Netherlands, Singapore and Hong Kong 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.

Notes to and forming part of the financial statements for the year ended 30 June 2021

1-1 Operating segments (continued)

	Perpetual Asset Management International[1] $'000	Perpetual Asset Management Australia[2] $'000	Perpetual Private $'000	Perpetual Corporate Trust $'000	Total $'000
30 June 2021					
Major service lines					
Equities	124,445	132,511	-	-	256,955
Cash and fixed income	14,619	29,101	-	-	43,720
Other AUM related	98	3,397	-	-	3,496
Other non-AUM related	-	20	-	-	20
Market related	-	-	126,707	-	126,707
Non-market related	-	-	57,068	-	57,068
Income from structured products	-	1,842	2	-	1,844
Debt Market Services	-	-	-	75,014	75,014
Managed Funds Services	-	-	-	59,658	59,658
Total revenue by Major service line	139,162	166,871	183,777	134,672	624,482
Interest revenue	-	3	1	183	187
Total revenue for reportable segment	139,162	166,874	183,778	134,855	624,669
Depreciation and amortisation	(14,378)	(5,253)	(12,544)	(12,081)	(44,256)
Financing costs	(3,490)	(63)	(562)	(442)	(4,556)
Reportable segment net profit before tax	(27,386)	43,061	32,964	60,303	108,942
Reportable segment assets	627,458	208,027	234,727	205,147	1,275,359
Reportable segment liabilities	(144,943)	(190,609)	(19,090)	(11,050)	(365,692)
Capital expenditure	36	5,222	139	4,658	10,057
30 June 2020					
Major service lines					
Equities	-	136,500	-	-	136,500
Cash and fixed income	-	30,312	-	-	30,312
Other AUM related	-	5,000	-	-	5,000
Market related	-	-	122,132	-	122,132
Non-market related	-	-	60,803	-	60,803
Income from structured products	-	3,718	12	-	3,730
Debt Market Services	-	-	-	69,926	69,926
Managed Funds Services	-	-	-	55,494	55,494
Total revenue by Major service line	-	175,530	182,947	125,420	483,897
Interest revenue	-	50	42	112	204
Total revenue for reportable segment	-	175,580	182,989	125,532	484,101
Depreciation and amortisation	-	(6,383)	(13,135)	(10,599)	(30,117)
Financing costs	-	(137)	(990)	(527)	(1,653)
Reportable segment net profit before tax	-	55,448	30,143	55,175	140,766
Reportable segment assets	107,286	277,870	225,520	206,059	816,735
Reportable segment liabilities	(50,325)	(252,123)	(31,771)	(12,679)	(346,897)
Capital expenditure	-	34	333	3,591	3,958

[1]Perpetual Asset Management International is a new segment following the acquisition of Barrow Hanley & Trillium. Trillium has been re-presented from the previous Perpetual Investments segment to the Perpetual Asset Management, International segment in the comparative period. As Trillium was acquired on 30 June 2020, it had no revenue and expenses in the comparative period.

[2]Segment information for Perpetual Asset Management Australia includes the Perpetual Exact Market Return Fund, refer to section 5-1(i).

1-1 Operating segments (continued)

Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities

	2021 $'000	2020 $'000
Revenues		
Total revenue for reportable segments	624,669	484,101
Add: Group and Support Services revenue	8,804	5,882
Net realised gains on sale of investments	3,982	275
Unrealised gains on financial assets[3]	14,620	1,039
Total revenue from continuing operations	652,075	491,297
Net profit before tax		
Total net profit before tax for reportable segments	108,942	140,766
Financing costs	(5,560)	(4,026)
Operating model review costs	-	(13,737)
Acquisition costs	-	(1,964)
Net realised gains on sale of investments	3,982	275
Group and Support Services expense	(700)	(4,707)
Net profit before tax	106,665	116,607
Total assets		
Total assets for reportable segments	1,275,359	816,735
Group and Support Services assets	349,191	352,415
Total assets	1,624,550	1,169,150
Total liabilities		
Total liabilities for reportable segments	365,692	346,897
Group and Support Services liabilities	346,390	167,917
Total liabilities	712,082	514,814

[3]Total net unrealised gains on financial assets for the consolidated entity is $15,517k (2020: $880k gains). This comprises $897k of unrealised gains (2020: $159k unrealised losses) on EMCF disclosed in PAMA segment, and $14,620k of unrealised gains (2020: $1,039k gains) on seed funds and Investing in Products (IIP) that forms part of Group and Support Services.

	2021 $'000	2020 $'000

1-2 Revenue

	2021 $'000	2020 $'000
Revenue from contracts with customers	621,454	480,290
Income from structured products	1,844	3,730
Dividends	144	67
Interest and unit trust distributions	9,134	6,055
Net realised gains on sale of investments	3,982	275
Unrealised gains on financial assets	15,517	880
	652,075	491,297

Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The consolidated entity recognises revenue when it transfers control over a product or service to a customer.

Revenue from contracts with customers

The consolidated entity earns revenue from the provision of financial products and services. These include investment management and administration, financial advisory and trustee services (including responsible entity, superannuation, philanthropic and estate administration).

The majority of the consolidated entity's revenue arises from service contracts where performance obligations are satisfied over time. Customers obtain control of services as they are delivered, and revenue is recognised over time as those services are provided.

Investment management and administration revenue is calculated as a percentage of the funds invested in accordance with the investment mandates or the respective product disclosure statements. Some investment products and mandates include performance fees, which are contingent on achieving or exceeding a defined performance hurdle and the revenue is recognised when it is highly probable that a significant reversal in the cumulative amount of the revenue would not occur. Whilst performance fees are recognised over time, they are typically constrained until meeting or exceeding the performance hurdle due to market volatility.

Revenue from financial advisory services is assessed on a contract by contract basis. Revenue is recognised over the period the services are provided. Revenue may be charged on a fixed fee, fee for service (`time and costs') or as a percentage of assets under administration basis:

- Under fixed fee contracts, revenue is recognised as the related services are provided on a percentage of completion basis, or when specified milestones in the contract have been achieved. Fees received in advance are deferred as a contract liability until the service has been provided.
- Revenue charged under fee for service contracts is recognised based on the amount the consolidated entity is entitled to invoice for services performed to date, based on the contracted rates.

Notes to and forming part of the financial statements for the year ended 30 June 2021

1-2 Revenue (continued)

Revenue from contracts with customers (continued)

Trustee Services are also assessed on a contract by contract basis. Contracts may include a fee to establish a trust, as well as ongoing trustee and other service fees. Establishment fees are recognised when the trust has been established and is based on the standalone value of the service.

A small part of the consolidated entity's revenue is recognised at a point in time, generally when a performance obligation is linked to a particular event (i.e. an application or redemption transaction for a customer). Revenue is recognised when the consolidated entity executes a specific transaction on behalf of the customer.

Income from structured products
Income represents fees earned from managing the Exact Market Cash Funds.

Dividends
Dividend income is recognised in profit or loss on the date the consolidated entity’s right to receive payment is established which, in the case of quoted securities, is the ex-dividend date.

Interest and unit trust distributions
Interest income is recognised as it accrues taking into account the effective yield of the financial asset.

Unit trust distributions are recognised in profit or loss as they are received.

Net realised gains on sale of investments
Net gain on sale of investments represents proceeds less costs on sale of financial assets.

Unrealised gains on financial assets
Represents movement in the fair value of the consolidated entity’s financial assets classified as Fair Value Through Profit and Loss (FVTPL) during the financial year.

	2021	**2020**
	$'000	**$'000**
1-3 Expenses		
Staff related expenses excluding equity remuneration expense	329,673	187,839
Occupancy expenses	7,072	7,884
Administrative and general expenses	139,977	114,836
Distributions and expenses relating to structured products	294	2,138
Equity remuneration expense	12,349	12,043
Depreciation and amortisation expense	45,929	32,187
Operating model review costs	-	13,737
	535,294	370,664

Accounting policies

Expenses are recognised at the fair value of the consideration paid or payable when services are received.

1-4 Income taxes

	2021 $'000	2020 $'000
Current year tax expense		
Current year tax expense	39,438	42,117
Prior year adjustments	(2,435)	(427)
Total current tax expense impacting income taxes payable	37,003	41,690
Deferred tax expense		
Prior year adjustments	3,443	118
Temporary differences	(8,650)	(7,200)
Total deferred tax expense	(5,207)	(7,082)
Total income tax expenses	31,796	34,608
Net profit before tax for the year	106,665	116,607
Prima facie income tax expense calculated at 30% (2020: 30%) on profit for the year	32,000	34,982
– Recognition of previously unrecognised capital and revenue losses	(2,457)	(521)
– Prior year adjustments	1,007	(309)
– Effect of tax rates in foreign jurisdictions	726	(306)
– Other non-deductible expenses	520	762
Total	31,796	34,608
Effective tax rate (ETR)	29.8%	29.7%
Income taxes payable/(receivable) at the beginning of the year	13,291	(1,846)
Income taxes payable for the financial year	37,003	41,690
Less: Tax paid during the year	(42,558)	(26,138)
Other	(139)	(415)
Income taxes payable at the end of the year	7,597	13,291
Represented in the Statement of Financial Position by:		
Current tax liabilities	7,597	13,291

1-4 Income taxes (continued)

Basis of calculation of ETR

The ETR is calculated as total income tax expenses divided by net profit before tax for the year.

The consolidated entity currently has tax obligations in Australia, United States, Singapore and the United Kingdom (UK). Operations in Singapore and the UK do not materially impact the calculation of the ETR.

United States operations include Trillium (full year) and Barrow Hanley (since 17 November 2020).

Explanation of variance to the legislated 30% tax rate

The consolidated entity's effective tax rate for the year was 29.8% (2020: 29.7%). The decrease of 0.2% in the effective tax rate compared to the legislated 30% is mainly attributed to non-assessable capital gains from trust distributions which are absorbed by the consolidated entity's carry forward capital losses. This is offset by the impact of prior year adjustments, tax rates in foreign jurisdictions and non-deductible expenses.

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

The total tax benefits of realised capital losses are $24,030,718 (30 June 2020: $26,521,502), comprising $3,000,000 (30 June 2020: $3,000,000) recognised in deferred tax assets and $21,030,718 (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.

Notes to and forming part of the financial statements for the year ended 30 June 2021

1-4 Income taxes (continued)

Movement in deferred tax balances

2021	Balance 1 July 2020 $'000	Recognised in profit or loss $'000	Acquired in Business Combination $'000	Balance 30 June 2021 $'000
Deferred tax assets				
Provisions and accruals	6,396	(1,683)	-	4,713
Capital expenditure deductible over five years	1,212	(1,192)	217	237
Employee benefits	21,206	6,240	1,628	29,074
Property, plant and equipment	2,221	169	-	2,390
Intangible assets	-	3,687	-	3,687
Recognised capital losses	3,000	-	-	3,000
Lease adjustments AASB 16	5,321	(805)	(438)	4,078
Other items	617	(660)	43	-
Deferred tax assets	39,973	5,756	1,450	47,179
Deferred tax liabilities				
Intangible assets	(13,876)	4,810	-	(9,066)
Unrealised net capital gains	(264)	(5,831)	-	(6,095)
Capital raising costs	(2,658)	300	-	(2,358)
Other items	(599)	172	-	(427)
Deferred tax liabilities	(17,397)	(549)	-	(17,946)
Net deferred tax assets	22,576	5,207	1,450	29,233

2020	Balance 1 July 2019 $'000	Recognised in profit or loss $'000	Acquired in Business Combination $'000	Balance 30 June 2020 $'000
Deferred tax assets				
Provisions and accruals	9,562	(4,400)	1,234	6,396
Capital expenditure deductible over five years	10	1,202	-	1,212
Employee benefits	16,852	3,025	1,329	21,206
Property, plant and equipment	1,540	681	-	2,221
Recognised revenue losses	308	(308)	-	-
Recognised capital losses	3,000	-	-	3,000
Lease adjustments AASB16[1]	-	5,321	-	5,321
Other items	240	377	-	617
Deferred tax assets	31,512	5,898	2,563	39,973
Deferred tax liabilities				
Intangible assets	(10,830)	(709)	(2,337)	(13,876)
Unrealised net capital gains	(1,130)	866	-	(264)
Contract liabilities	(1,135)	1,135	-	-
Capital raising costs	(2,959)	301	-	(2,658)
Other items	(190)	(409)	-	(599)
Deferred tax liabilities	(16,244)	1,184	(2,337)	(17,397)
Net deferred tax assets	15,268	7,082	226	22,576

[1] Includes opening balance adjustment of $1.49m recognised on transition to AASB16.

Notes to and forming part of the financial statements for the year ended 30 June 2021

1-4 Income taxes (continued)

Accounting policies

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the net profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are netted when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Perpetual Limited and its wholly owned Australian entities elected to form an income tax consolidated group as of 1 July 2002. As a consequence, all members of the tax consolidated group are taxed as a single entity and governed by a tax funding agreement. Under the agreement, all wholly owned Australian entities fully compensate Perpetual Limited for any current income tax payable assumed and are compensated by Perpetual Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Perpetual Limited under the income tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the members’ financial statements.

1-5 Earnings per share

	2021	2020
	Cents per share	
Basic earnings per share	135.0	175.0
Diluted earnings per share	133.2	171.6
	$'000	**$'000**
Net profit after tax attributable to equity holders of Perpetual Limited	74,869	81,999
	Number of shares	
Weighted average number of ordinary shares (basic)[1]	55,458,177	46,862,026
Effect of dilutive potential ordinary shares (including those subject to rights)	768,479	935,330
Weighted average number of ordinary shares (diluted)[1]	56,226,656	47,797,356

[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, there is a resulting theoretical dilution of existing ordinary shares on issue, leading to a decrease in basic and diluted earnings per share.

Accounting policies

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's employee share plan trust.

Diluted EPS is determined by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust and for the effects of all dilutive potential ordinary shares, which comprise shares and options/rights granted to employees under long-term incentive and retention plans.

Notes to and forming part of the financial statements for the year ended 30 June 2021

1-6 Dividends

	Cents per share	Total amount $'000	Franked / Unfranked	Date of payment
2021				
Final 2020 ordinary	50	28,234	Franked	25 Sep 2020
Interim 2021 ordinary	84	47,468	Franked	26 Mar 2021
Total amount	134	75,702		
2020				
Final 2019 ordinary	125	58,307	Franked	30 Sep 2019
Interim 2020 ordinary	105	49,252	Franked	27 Mar 2020
Total amount	230	107,559		

All franked dividends declared or paid during the year were franked at a tax rate of 30% 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.

Subsequent events
Since the end of the financial year, the Directors declared the following dividend. The dividend has not been provided for and there are no tax consequences.

	Cents per share	Total amount[1] $'000	Franked / Unfranked	Date of payment
Final 2021 ordinary	96	54,310	Franked	24 Sep 2021

[1]Calculation based on the estimated ordinary shares on issue at the record date.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2021 and will be recognised in subsequent financial reports.

Dividend franking account	2021 $'000	2020 $'000
Amount of franking credits available to shareholders for subsequent financial years	37,914	36,804

The above available amounts are based on the balance of the dividend franking account at 30 June 2021 adjusted for franking credits that will arise from the payment of the current tax liabilities, and franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date, but not recognised as a liability, is to reduce it to $14,638,000 (2020: $24,715,000).

Accounting policies

Dividends are recognised as a liability in the year in which they are declared.

1-7 Net cash from operating activities

	2021 $'000	2020 $'000
Reconciliation of profit for the year to net cash from operating activities		
Profit for the year	74,869	81,999
Items classified as investing/financing activities:		
Profit on sale of investments	(3,982)	(275)
Deferred acquisition consideration	(20,859)	(42,033)
Assets acquired from business combinations	2,026	1,362
Lease financing costs	15,146	14,059
Non-cash items:		
Depreciation and amortisation expense	45,929	32,187
Equity remuneration expense	12,324	12,486
Transfer to foreign currency translation reserve	19,120	121
Reinvestment of dividends and unit distributions	(4,380)	(2,395)
Accrued fixed asset additions	(1,616)	732
Mark to market movements on financial assets	(15,517)	(880)
Fair value adjustment to put liability	10,657	-
Other	(1,799)	3,205
(Increase)/decrease in assets		
Receivables	(40,700)	7,758
Current tax assets	-	1,846
Other assets	426	3,025
Deferred tax assets	(7,206)	(8,461)
Increase/(decrease) in liabilities		
Payables	484	33,988
Provisions	(2,508)	(13,395)
Current tax liabilities	(5,694)	13,291
Deferred tax liabilities	549	1,153
Employee benefits	51,475	10,058
Net cash from operating activities	128,744	149,831

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 consolidated entity'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, 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 30 June 2021, Barrow Hanley contributed revenue of $105.4 million and profit (before tax) of $28.3 million to the consolidated entity's results. If the acquisition had occurred on 1 July 2020, management estimates that consolidated revenue would have been $714.3 million and consolidated profit (before tax) for the year would have been $133.0 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 30 June 2021, 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 deferred consideration. The deferred consideration is dependent upon the achieving of 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**

Notes to and forming part of the financial statements for the year ended 30 June 2021

2-1 Business Combinations (continued)

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

Identifiable assets acquired and liabilities assumed	**31 Dec 2020 $'000**	**PPA Adjustments**	**30 Jun 2021 $'000**
Cash and cash equivalents	2,026	-	2,026
Receivables	31,913	-	31,913
Other assets	41,686	3,044	44,730
Property, plant and equipment	17,993	-	17,993
Intangibles[1]	273,832	(23,764)	250,068
Payables	(7,835)	-	(7,835)
Employee benefits[1]	(62,672)	4,022	(58,650)
Accrued incentive compensation	(40,158)	-	(40,158)
Lease liabilities	(17,212)	-	(17,212)
Other liabilities	(2,540)	-	(2,540)
Total identifiable assets acquired and liabilities assumed	**237,033**	**(16,698)**	**220,335**

[1] During the period, the consolidated entity has decreased the fair value of the assets and liabilities acquired by $16.7m. The decrease predominately related to a change in the value of acquired intangibles.

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. Under the relevant accounting standards, a deferred tax asset is not recognised on acquisition.

Goodwill	**$'000**
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	421,291
Less provisional value of identifiable net assets	(220,335)
Total goodwill acquired	**200,956**

The consolidated entity incurred acquisition and integration related costs of $29.6 million after tax which are included in expenses in the consolidated entity's statement of profit and loss and other comprehensive income, equity issue costs of $ 5.0 million and borrowing costs of $5.4m associated with the acquisition of Barrow Hanley.

Brightsphere International Limited

On 17 March 2021, Perpetual acquired 100% of Brightsphere International Limited, a UK based and licensed entity. The entity has been subsequently renamed Trillium Asset Management UK Limited. This strategic acquisition strengthens Perpetual Asset Management International's global distribution capability. Whilst this was a strategic acquisition, it was not material to the consolidated entity's assets or results.

Notes to and forming part of the financial statements for the year ended 30 June 2021

2-1 Business Combinations (continued)

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 United States 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.

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.

2-1 Business Combinations (continued)

Trillium (continued)

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.

Accounting policies

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the consolidated entity. In assessing control, the consolidated entity takes into consideration potential voting rights that currently are exercisable.

As at 30 June 2021 the acquisition accounting balances were provisional and have been accounted for in these financial statements on that basis. These balances may be revised up to 12 months from the acquisition date in accordance with AASB 3.

The consolidated entity measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the consolidated entity incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement award is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

	2021 $'000	2020 $'000

2-2 Receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	117,202	85,961
Less : Provision for doubtful debts	(3,100)	(1,171)
	114,102	84,790
Other receivables	18,614	7,226
	132,716	92,016

Movements in the provision for doubtful debts are as follows:

	2021 $'000	2020 $'000
Balance as at beginning of the year	1,171	1,407
Doubtful debts provided for during the year	2,410	966
Receivables written off during the year as uncollectible	(481)	(1,202)
Balance as at end of the year	3,100	1,171

Movements in the provision for doubtful debts have been recognised in Administrative and general expenses in section 1-3. Amounts charged to the provision account are generally written off when there is no expectation of additional recoveries. In subsequent periods, any recoveries of amounts previously written off are credited against Administrative and general expenses in section 1-3. Based on the analysis at the end of the reporting period, the impairment under the expected credit loss (ECL) method is considered to be immaterial and currently no amount is recognised in the financial statements.

Accounting policies

Receivables comprise trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for ECL. Collectability of trade receivables is reviewed on an ongoing basis and at balance date, in addition to the ECL, specific impairment losses are recorded for any doubtful debts.

	2021 $'000	2020 $'000
2-3 Other financial assets		
Non-current		
Listed equity securities	26,213	1,533
Unlisted unit trusts	120,198	79,150
Debt securities	3,942	-
Other	2	2
	150,355	80,685

Accounting policies

Financial assets
The consolidated entity's investments in equity securities, unlisted unit trusts and debt securities are classified at Fair Value Through Profit and Loss (FVTPL) with the associated realised and unrealised gains and losses taken to the Income Statement. Refer to section 4-1 (iv).

Fair values for investments in equity securities, unlisted unit trusts and other securities are obtained from quoted market prices in active markets, including market transactions and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate.

Notes to and forming part of the financial statements for the year ended 30 June 2021

2-4 Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	ROU assets $'000	Project work in progress $'000	Total $'000
Year ended 30 June 2021					
Cost	10,791	60,574	88,191	464	160,020
Foreign exchange movement	(109)	(59)	(878)	-	(1,046)
Accumulated depreciation	(9,031)	(39,134)	(19,754)	-	(67,919)
Carrying amount	1,651	21,381	67,559	464	91,055
Movement					
Balance as at 1 July 2020	1,425	19,682	64,594	3,792	89,493
Additions	220	16	2,215	3,418	5,869
Additions through business combinations	900	251	16,686	-	17,837
Transfers from work in progress	-	6,746	-	(6,746)	-
Depreciation	(766)	(4,929)	(11,638)	-	(17,333)
Foreign exchange movement	(109)	(59)	(878)	-	(1,046)
Disposals	(19)	(326)	(3,420)	-	(3,765)
Balance as at 30 June 2021	1,651	21,381	67,559	464	91,055

Accounting policies

Recognition and measurement

Property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and impairment losses.

Right-of-use assets represents leased office premises and are 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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Project work in progress

Work in progress is measured at cost and relates to assets not yet available for use.

Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation for right-of-use assets is recognised on a straight-line basis over the shorter of the asset’s useful life and the lease term. The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment: 4 - 15 years
- leasehold improvements: 3 - 15 years
- Right-of-use assets: 9 - 20 years.

The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

Notes to and forming part of the financial statements for the year ended 30 June 2021

2-5 Intangibles

	Goodwill	Intangible assets				
$'000		**Customer contracts**	**Capitalised software**	**Project work in progress**	**Other**	**Total**
Year ended 30 June 2021						
At cost	562,284	293,395	95,033	19,731	54,530	1,024,973
Foreign exchange movement	(7,823)	(7,046)	(36)	-	(1,556)	(16,461)
Accumulated amortisation	-	(61,933)	(70,494)	-	(5,342)	(137,769)
Carrying amount	554,461	224,416	24,503	19,731	47,632	870,743
Balance at 1 July 2020	361,328	40,932	21,829	12,065	8,300	444,454
Additions	-	-	426	19,927	-	20,353
Additions through business combinations	200,956	205,545	217	-	44,523	451,241
Transfers	-	-	12,261	(12,261)	-	-
Foreign exchange movement	(7,823)	(7,046)	(36)	-	(1,556)	(16,461)
Amortisation expense	-	(15,015)	(10,194)	-	(3,635)	(28,844)
Balance as at 30 June 2021	554,461	224,416	24,503	19,731	47,632	870,743
Year ended 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

Notes to and forming part of the financial statements for the year ended 30 June 2021

2-5 Intangibles (continued)

	2021 $'000	2020 $'000
Goodwill Impairment Testing		
The following cash-generating units have significant carrying amounts of goodwill:		
Perpetual Asset Management International, comprising CGUs:		
- Trillium	45,903	48,458
- Barrow Hanley	195,688	-
Perpetual Asset Management Australia, comprising CGU:		
- Australian Equity	3,496	3,496
Perpetual Private	168,401	168,401
Perpetual Corporate Trust	140,973	140,973
	554,461	361,328

The recoverable amount has been determined on a consistent basis across each cash-generating unit (CGU) by using their value in use. The following assumptions have been applied across each CGU:

- The value in use is estimated based on the net present value of future cash flow projections to be realised from each of the CGUs over the next five years plus a terminal value.
- The pre-tax discount rates used in the current year ranged from 20.4% to 23.0% (2020: 22.1% to 25.0%) for Australian CGUs and from 15.5% to 15.8% (2020: 22.1%) for US CGUs.

The forecast cash flows used in impairment testing are based on assumptions as to the level of profitability for each business over a projected five year period. These forecasted cash flows are based on a five year forecast, 3 years of which has been approved by the Board and a further 2 years of management forecasts have been applied. The main drivers of revenue growth are the value of assets under management (AUM) in the Perpetual Asset Management, Australia and Perpetual Asset Management, International CGUs, funds under advice (FUA) in the Perpetual Private CGU and securitisation and capital flows in the Perpetual Corporate Trust CGU. A terminal value with a growth rate of 2.5% has also been applied.

Other than the normal operating changes linked to ongoing business initiatives, the assumptions do not include the effects of any future restructuring to which the consolidated entity is not yet committed or of future cash outflows by the consolidated entity which will improve or enhance the consolidated entity's performance. At the reporting date, there is no reasonable change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

The estimated recoverable amount is greater than the carrying value for each CGU. For the estimated recoverable amount to be equal to the carrying amount, the pre-tax discount rate would have to increase from 20.4% to 39.7% (2020: 22.1% to 52.7%) for Australian CGUs and from 15.5% to 21.3% (2020: 22.1% to 67.8%) for US CGUs.

Accounting policies

Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill represents the excess of acquisition cost over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually.

Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2-5 Intangibles (continued)

Accounting policies (continued)

Amortisation
For those intangible assets which are amortised, the amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

The estimated useful lives in the current and comparative periods are as follows:

- capitalised software: 2.5 - 8 years
- customer contracts and relationships acquired: 5 - 15 years
- non-compete (included in other intangible assets): 3-5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Software
Certain internal and external costs directly incurred in acquiring and developing software have been capitalised and are amortised over their useful lives. Development costs include only those costs directly attributable to the development phase and are only recognised following completion of a technical feasibility study and where the consolidated entity has an intention and ability to use the asset. Costs incurred on software maintenance are expensed as incurred.

Other intangible assets
Brand names acquired by the consolidated entity are included in other intangible assets. Brand names have an indefinite useful life and are not amortised, but tested for impairment annually. Brand names are measured at cost less accumulated impairment losses.

Other intangible assets acquired by the consolidated entity, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

	2021 $'000	2020 $'000

2-6 Provisions

	2021 $'000	2020 $'000
Current		
Insurance and legal provision	332	434
Operational process review provision	200	2,181
Make good and other occupancy related provisions	1,056	-
Other provisions	23	23
	1,611	2,638
Non-current		
Make good and other occupancy related provisions	4,801	6,282
	4,801	6,282

2-6 Provisions (continued)

$'000	Carrying amount at 1 July 2020	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2021
Legal provision	434	629	(7)	(724)	332
Operational process review provision	2,181	1,714	(511)	(3,184)	200
Make good and other occupancy related provisions	6,282	44	-	(469)	5,857
Other provisions	23	-	-	-	23
Total provisions	8,920	2,387	(518)	(4,377)	6,412

Accounting policies

A provision is recognised in the Statement of Financial Position when the consolidated entity has a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Management exercises judgement in estimating provision amounts. It may be possible, based on existing knowledge, that outcomes in the next annual reporting period differ from amounts provided and may require adjustment to the carrying amount of the liability affected.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Legal provision
A provision for litigation is recognised when reported litigation claims arise and are measured at the cost that the consolidated entity expects to incur in settling the claim (refer to section 3-5).

Operational process review
A provision for operational process reviews is recognised when operational errors are identified and represents the cost that the consolidated entity expects to incur in rectification and restitution costs.

Make good and other occupancy related provisions
A provision for make good and other occupancy related provisions is recognised when certain make good conditions exist upon exit of a premises lease. The provision is expected to be settled at the end of the term of the related lease.

Notes to and forming part of the financial statements for the year ended 30 June 2021

2-7 Employee benefits

Aggregate liability for employee benefits, including on-costs

	2021		2020	
$'000	**Current**	**Non-current**	**Current**	**Non-current**
Provision for annual leave	5,168	-	4,504	-
Provision for long service leave	8,063	2,776	8,279	2,722
Other employee benefits[1]	75,046	10,946	38,501	10,438
Provision for distribution - Barrow Hanley	2,765	-	-	-
Provision for long-term incentive plans	-	12,710	-	-
Restructuring provision	127	-	1,682	-
	91,169	26,432	52,966	13,160

[1] Short-term incentives (STI) and deferred STI.

The non-current portion of the long service leave provision has been discounted using a rate of 2.7% (2020: 2.5%) which is based on the 10 year corporate bond rate. The non-current portion of the provision for long-term incentive plans has been discounted using a range of 1.44% to 1.67%, which is based on the relevant US Treasury note rate that matches the expected payment term.

The number of full time equivalent employees at 30 June 2021 was 1,166 (2020: 999).

$'000	Carrying amount at 1 July 2020	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2021
Restructuring provision	1,682	44	-	(1,599)	127

Accounting policies

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits
The consolidated entity’s net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Restructuring
A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Provision for long-term incentive plans
The provision for long-term incentive plans relates to schemes operated by Barrow Hanley.

The liability is dependent on management estimates of forecasts over a 5-12 year payment schedule. The accrued liability represents the pro-rated portion (based on service provided to date) of the estimated future cash payments, discounted using the relevant US Treasury bond rate. The liability will be reassessed at each reporting period based on the latest consolidated entity’s forecasts, with fair value adjustments going through the P&L.

2-8 Lease Liabilities

	2021 $'000	2020 $'000
Current		
Lease liabilities	13,083	13,783
	13,083	13,783
Non-current		
Lease liabilities	70,081	68,880
	70,081	68,880

Accounting policies

Lease liabilities

Lease liabilities are 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.

2-9 Accrued Incentive Compensation

	2021 $'000	2020 $'000
Non-current		
Accrued incentive compensation	48,021	-
	48,021	-

Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), a consolidated entity 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. 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.

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.

Unit 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.

	2021	**2020**
	$'000	**$'000**

3-1 Cash and cash equivalents

Bank balances	139,567	158,775
Short-term deposits	7,499	5,368
	147,066	164,143

Short-term deposits represent rolling 90 day term deposits.

	2021	**2020**
	$'000	**$'000**

3-2 Borrowings

The consolidated entity has access to the following credit facilities:

Total facility used	166,025	-
Facility unused	189,119	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. 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. The syndicated facility is unsecured and had a weighted average floating interest rate of 1.22 per cent at 30 June 2021, inclusive of the undrawn line fee (2020: 0.38 per cent).

During the period the consolidated entity utilised Facilities A1 and A2 to fund the purchase of Barrow Hanley and the balance sheet as at 30 June 2021 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 $5.4 million (including underwriting fees). These costs have been capitalised and will be released to profit and loss over the term of the facility. There currently remains $4.2m of capitalised borrowing costs that have yet to be released to the profit and loss.

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 30 June 2021. 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.

Accounting policies

Borrowings are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. The financial liability under the facility has a fair value equal to its carrying amount.

Interest-bearing borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Financing costs comprise interest payments on borrowings and derivative financial instruments calculated using the effective interest method, and unwinding of discounts on provisions.

	2021 $'000	2020 $'000
3-3 Contributed equity		
Fully paid ordinary shares 56,573,279 (2020: 47,388,608)	854,604	582,105
Treasury shares 615,080 (2020: 673,858)	(39,305)	(42,298)
	815,299	539,807

	2021		2020	
	Number of shares	$'000	Number of shares	$'000
Movements in share capital				
Balance at beginning of year	46,714,750	539,807	46,225,613	519,201
Shares issued:				
- Issue of ordinary shares[1]	9,184,671	273,360	814,182	28,435
- Movement on treasury shares	58,778	2,132	(325,045)	(7,829)
Balance at end of year	55,958,199	815,299	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) and 64,275 ($2.1 million) shares were issued in September 2020 and March 2021, respectively, 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 are 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.

3-3 Contributed equity (continued)

Accounting policies

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)
When share capital recognised as equity is repurchased or held by employee share plans and subject to vesting conditions, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

	2021 $'000	2020 $'000
3-4 Reserves		
Foreign currency translation reserve	(18,936)	184
General reserve	103	103
	(18,833)	287
Equity compensation reserve	21,325	19,090
	2,492	19,377

Accounting policies

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.

Equity compensation reserve
The equity compensation reserve represents the value of the Company's own shares held by an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest to the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

	2021 $'000	2020 $'000
3-5 Commitments and contingencies		
(a) Commitments		
Capital expenditure commitments		
Contracted but not provided for and payable within one year	3,534	4,322

Capital expenditure contracted but not provided for and payable within one year relates primarily to costs associated with the refurbishment of Angel Place, Sydney.

	2021 $'000	2020 $'000
3-5 Commitments and contingencies (continued)		
(b) 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 certain Group subsidiaries in relation to the provision of responsible entity services and custodial or depository services	127,800	129,500
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	-	1,612
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	644	644
	129,444	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.

Accounting policies

Contingent liabilities
A contingent liability is a possible obligation arising from past events that may be incurred subject to the outcome of an uncertain future event not wholly within the consolidated entity's control.

Section 4 Risk management

Perpetual's activities expose it to a variety of financial and non-financial risks. Financial risks include credit risk, liquidity risk and market risks (including currency risk, interest rate risk and price risk). Key financial exposures are operational risk and a failure to meet regulatory compliance obligations. The nature of the financial risk exposures arising from financial instruments, the objectives, policies and processes for managing these risks, and the methods used to measure them are detailed below.

4-1 Financial risk management

Perpetual recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Framework. The Risk Management Framework is supported by the Risk Group, who are responsible for the design and maintenance of the framework, establishing and maintaining group-wide risk management policies, and providing regular risk reporting to the Board, the Audit, Risk and Compliance Committee (ARCC) and the Group Executive Leadership Team. This framework is approved by the Perpetual Board of Directors (the Board) and is reviewed for adequacy and appropriateness on an annual basis.

The Board regularly monitors the overall risk profile of the consolidated entity and sets the risk appetite for the consolidated entity, usually in conjunction with the annual planning process. The Board is responsible for ensuring that management has appropriate processes in place for managing all types of risk, ranging from financial risk to operational risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ARCC. The main functions of this Committee are to oversee the consolidated entity’s accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of insurance programs. This Committee is also responsible for monitoring overall legal and regulatory compliance.

The activities of the consolidated entity expose it to the following financial risks: credit risk, liquidity risk and market risk. These are distinct from the financial risks borne by customers which arise from financial assets managed by the consolidated entity in its role as fund manager, trustee and responsible entity.

The risk management approach to, and exposures arising from, the Exact Market Cash Fund (EMCF) are disclosed in section 5-1.

i. Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument will fail to meet its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises principally from the consolidated entity’s cash and trade receivables.

The consolidated entity mitigates its credit risk by ensuring cash deposits are held with high credit quality financial institutions and other highly liquid investments are held with trusts operated by the entity.

The maximum exposure of the consolidated entity to credit risk on financial assets which have been recognised on the Consolidated Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. The table below outlines the consolidated entity's maximum exposure to credit risk as at reporting date.

	2021 $'000	2020 $'000
Cash and cash equivalents	147,066	164,143
Trade receivables	114,102	84,790
Other receivables and other financial assets	18,614	7,228
Listed equity securities and unlisted unit trusts	146,411	80,683
Debt securities	3,973	-

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

i. Credit risk (continued)

Details of the assets held in debt securities are listed below:

30-Jun-21	A+ to A- $000	BBB+ to BBB- $000	NON-RATED $000	Total $000
Debt securities	931	3,028	14	3,973

Credit risk is managed on a functional basis across the various business segments. As a result of the swap agreements between the EMCF and the consolidated entity, the consolidated entity consolidates EMCF and is hence exposed to credit risk on its exposure to the $163.9 million (2020: $236.4 million) of underlying investments held by the EMCF.

The maximum exposure would only be realised in the unlikely event that the recoverable value of all the underlying investments held by the EMCF decline to $nil. Further details of the credit risk relating to the EMCF are disclosed in section 5-1.

(a) Investments held by seed fund investments
Perpetual incubates new investment strategies through the establishment of seed funds for the purpose of building investment track records and developing asset management skills before releasing products to Perpetual's investors. Exposure to credit risk arises on the consolidated entity's financial assets held by the seed funds, mainly being debt securities, loans, deposits with financial institutions and derivative financial instruments.

The exposure to credit risk is monitored on an ongoing basis by the funds' investment managers and managed in accordance with the investment mandate of the funds.

(b) Other financial assets
The consolidated entity's exposure to trade receivables is influenced mainly by the individual characteristic of each customer.

Trade receivables are managed by the accounts receivable department. Outstanding fees and receivables are monitored on a daily basis and an aged debtors report is prepared and monitored by Group Finance. Management assesses the credit quality of customers by taking into account their financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to wholly owned subsidiaries. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval and are monitored on a quarterly basis as part of the consolidated entity's regulatory reporting.

The consolidated entity held cash and cash equivalents of $147.1 million at 30 June 2021 (2020: $164.1 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are predominantly rated 'BBB' or higher, based on Standard & Poor's rating.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings, if available, or to historical information on counterparty default rates.

The tables below provide an aged analysis of the financial assets which were past due but not impaired:

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

i. Credit risk (continued)

(b) Other financial assets (continued)

	30 June 2021					30 June 2020				
	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000
Trade and other receivables	3,616	1,556	523	1,765	7,460	2,507	2,029	1,188	5,147	10,871

The nominal values of financial assets which were impaired and have been provided for are as follows:

	2021 $'000	2020 $'000
Trade and other receivables	3,100	1,171

The impaired financial assets relate mainly to independent customers and investors who are in unexpectedly difficult economic situations, where the consolidated entity is of the view that the full carrying value of the receivable cannot be recovered. The consolidated entity does not hold any collateral against the trade and other receivables.

ii. Liquidity risk

Liquidity risk is the risk that the financial obligations of the consolidated entity cannot be met as and when they fall due without incurring significant costs.

The consolidated entity’s approach to managing liquidity is to maintain a level of cash or liquid investments sufficient to meet its ongoing financial obligations. The consolidated entity has a robust liquidity risk framework in place which is principally driven by the Capital Management Review (refer to section 4-1(v) for further information).

At 30 June 2021, total base capital requirements were $49 million, as per the Group Treasury Policy, compared to $368 million of available liquid funds.

The consolidated entity manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a six month forecast of liquid assets, cash flows and balance sheet is reviewed by the Board on a semi-annual basis to ensure there is sufficient liquidity within the consolidated entity.

The consolidated entity entered into new syndicated facility arrangements during the year (refer to Section 3-2 for further information.

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

ii. Liquidity risk (continued)

The tables below show the maturity profiles of the financial liabilities for the consolidated entity. These have been calculated using the contractual undiscounted cash flows.

	30 June 2021				30 June 2020			
	Less than 1 year $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000	Less than 1 year $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000
Liabilities								
Payables	73,058	21,726	-	94,784	71,980	26,470	-	98,450
Borrowings	-	170,258	-	170,258	-	-	-	-
Lease liabilities	12,838	50,672	10,287	73,797	15,105	53,310	16,635	85,050
	85,896	242,656	10,287	338,839	87,085	79,780	16,635	183,500

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The consolidated entity is subject to the following market risks:

(a) Currency risk

The consolidated entity's investment of capital in foreign operations - for example, subsidiaries or associates with functional currencies other than the Australian Dollar - exposes the consolidated entity to the risk of changes in foreign exchange rates. Variations in the value of these foreign operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity.

The consolidated entity is exposed to currency risk relating to the United States (USD), United Kingdom (GBP) and the Singapore (SGD) operations.

Where it is considered appropriate, the consolidated entity takes out economic hedges against larger foreign exchange denominated revenue streams (primarily US Dollar). The primary objective of hedging is to ensure that, if practical, the effect of changes in foreign exchange rates on the consolidated capital ratios are minimised.

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

iii. Market risk (continued)

(a) Currency risk (continued)

Exposure to currency risk

The summary quantitative data about the consolidated entity’s exposure to currency risk as reported to management of the consolidated entity is as follows. The following are financial assets and liabilities in currencies other than the reporting currency of the consolidated entity.

	30 June 2021			30 June 2020		
	USD $'000	GBP $'000	SGD $'000	USD $'000	GBP $'000	SGD $'000
30 June 2021						
Financial assets and liabilities						
Cash and cash equivalents	66,254	1,401	8,824	27,795	-	7,091
Receivables	34,592	-	337	687	-	740
Other financial assets	39,787	-	-	-	-	-
Payables	(24,089)	(54)	(158)	(24,728)	-	(143)
Borrowings	(170,258)	-	-	-	-	-
Net statement of financial position exposure	(53,714)	1,347	9,003	3,754	-	7,688

The table below demonstrates the impact of a 10% strengthening/(weakening) of the Australian dollar against the currencies noted above at 30 June, on the net profit after tax and equity of the consolidated entity with all other variables held constant:

	30 June 2021		30 June 2020	
	Impact on Net profit after tax $'000	Impact on equity $'000	Impact on Net profit after tax $'000	Impact on equity $'000
+/- 10%	(3,056)/3,056	3,330/(3,330)	-	(879)/879

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

iii. Market risk (continued)

(b) Interest rate risk
Interest rate risk is the risk to the consolidated entity's earnings and capital arising from changes in market interest rates. The financial instruments held that are impacted by interest rate risk consist of cash and borrowings.

The consolidated entity's exposure to interest rate risk arises predominantly on the $359.4 million syndicated facility, of which $170.3 million was drawn as at 30 June 2021 (refer to section 3-2). This loan facility is rolled on a one month, three month or six month term.

The consolidated entity's exposure to interest rate risk for the financial assets and liabilities is set out as follows:

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
At 30 June 2021				
Financial assets				
Cash and cash equivalents	142,695	4,371	-	147,066
Receivables	1,601	-	131,115	132,716
Other financial assets	-	3,944	146,411	150,355
	144,296	8,315	277,526	430,137
Financial liabilities				
Payables	-	-	90,705	90,705
Lease liabilities	-	83,164	-	83,164
Borrowings	170,258	-	-	170,258
	170,258	83,164	90,705	344,127
At 30 June 2020				
Financial assets				
Cash and cash equivalents	158,775	5,368	-	164,143
Receivables	1,636	-	90,380	92,016
Other financial assets	-	2	80,683	80,685
	160,411	5,370	171,063	336,844
Financial liabilities				
Payables	-	-	90,221	90,221
Lease liabilities	-	82,663	-	82,663
	-	82,663	90,221	172,884

4-1 Financial risk management (continued)

iii. Market risk (continued)

(b) Interest rate risk (continued)
The table below demonstrates the impact of a 1% change in interest rates, with all other variables held constant, on the net profit after tax and equity of the consolidated entity.

	30 June 2021		30 June 2020	
	Impact on net profit after tax $'000	Impact on equity $'000	Impact on net profit after tax $'000	Impact on equity $'000
+/- 1%	(182)/182	(182)/182	1,145/(1,145)	1,145/(1,145)

The impact on net profit after tax for the year would be mainly as a result of an (increase)/decrease in interest expense on borrowings.

(c) Market risks arising from Assets Under Management and Funds Under Advice
The consolidated entity's revenue is significantly dependent on Assets Under Management (AUM) and Funds Under Advice (FUA). Management calculates the expected impact to annualised revenue from a 10% movement in AUM and FUA to be approximately $36.2m million

(d) Market risks arising from seed funds
The consolidated entity is exposed to equity price risk on investments held by its seed funds. The funds may also be exposed, to a small extent, to the other risks which influence the value of those shares or units (including foreign exchange rates and interest rates).

The PI division's Investment Review Committee is responsible for reviewing and recommending new incubation strategies and ensuring management has appropriate processes and systems in place for managing investment risk for each fund. The funds' specialist asset managers aim to manage the impact of price risks through the use of consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments, including derivatives, which are only acquired if they meet specified investment criteria. Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these restrictions reported to the Chief Risk Officer.

These funds may be party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, interest rates and equity indices in accordance with the funds' investment guidelines.

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

iii. Market risk (continued)

(d) Market risks arising from seed funds (continued)
The seed funds may be exposed to currency risk and interest rate risk. Their investment managers may enter into derivative contracts (such as forwards, swaps, options and futures) through approved counterparties to manage this risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each seed fund, and agreed acceptable level of risk. These funds are also exposed to interest rate risk on cash holdings. Interest income from cash holdings is earned at variable interest rates and investments in cash holdings are at call.

(e) Market risks arising from the Exact Market Cash Funds
The consolidated entity is further subject to market risks through the Exact Market Cash Fund (EMCF). The fund was established with the purpose of providing an exact return utilising the Bloomberg AusBond Bank Bill Index (the benchmark index) to investors. The impact of the EMCF on the consolidated entity's financial results is dependent on the performance of the fund relative to the benchmark. Unrealised gains/losses are taken through profit and loss.

The risk management approach to, and exposures arising from, the EMCF are disclosed in section 5-1.

iv. Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 30 June 2021. 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.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2021				
Financial assets				
Available-for-sale listed equity securities	26,213	-	-	26,213
Available-for-sale unlisted unit trusts	-	120,198	-	120,198
Structured products - EMCF assets	18,243	145,623	-	163,866
Debt securities	3,973	-	-	3,973
	48,429	265,821	-	314,250

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2020				
Financial assets				
Available-for-sale listed equity securities	1,533	-	-	1,533
Available-for-sale unlisted unit trusts	-	79,150	-	79,150
Structured products - EMCF assets	5,999	230,391	-	236,390
	7,532	309,541	-	317,073

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

iv. Fair value (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading 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.

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.

	2021		2020	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Structured products – EMCF liabilities	163,313	163,866	236,196	236,390

v. Capital risk management

A Capital Management Review is carried out on an annual basis and is submitted to the CFO for review and approval. If changes are required to funding requirements, the capital structure or to the capital management strategy of the consolidated entity, the CFO will present their recommendation to the Board via the Audit, Risk and Compliance Committee. The Group Policy – Treasury ensures that the level of financial conservatism is appropriate for the Company's businesses including acting as custodian and manager of clients' assets and operation as a trustee company. This policy also aims to provide business stability and accommodate the growth needs of the consolidated entity. This policy comprises three parts:

(a) Dividend policy
Dividends paid to shareholders are typically in the range of 60-90% of the consolidated entity's underlying profit after tax attributable to members of the Company, which is line with the new policy announced in December 2020. In certain circumstances, the Board may declare a dividend outside of that range.

(b) Review of capital and distribution of excess capital
A review of the consolidated entity’s capital base is performed at least semi-annually and excess capital that is surplus to the consolidated entity’s current requirements may potentially be returned to shareholders in the absence of a strategically aligned, value accretive investment opportunity.

(c) Gearing policy
The current gearing policy aims to target an investment grade credit rating by maintaining a corporate debt to capital ratio (corporate debt/(corporate debt + equity)) of 30% or less and EBIT interest cover (EBIT/interest expense) of more than ten times. The gearing ratio is 15.6% as at 30 June 2021 (2020: 0%). The EBIT interest cover ratio for the consolidated entity as at 30 June 2021 was 21 times (2020: 33 times).

Notes to and forming part of the financial statements for the year ended 30 June 2021

4-1 Financial risk management (continued)

Accounting policies

The consolidated entity initially recognises receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument. The consolidated entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(a) Financial assets at fair value through profit or loss
Financial assets are mandatorily classified and measured at fair value through profit or loss on initial recognition. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets mandatorily classified at fair value through profit or loss are measured at fair value and changes recognised in profit or loss.

(b) Receivables
Receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less impairment losses.

The consolidated entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the consolidated entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the consolidated entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(c) Derivative financial instruments
The consolidated entity holds derivative financial instruments within funds to hedge its interest rate, foreign exchange and market risk exposures.

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred.

(d) Financial guarantee contracts
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are given to wholly owned subsidiaries, within the consolidated entity. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval and are monitored on a quarterly basis as part of the consolidated entity's regulatory reporting.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Section 5 Other disclosures

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

	2021 $'000	2020 $'000

5-1 Structured products assets and liabilities

i. Exact Market Cash Funds

	2021 $'000	2020 $'000
Current assets		
Perpetual Exact Market Cash Fund	163,866	166,297
Perpetual Exact Market Cash Fund No. 2	-	70,093
	163,866	236,390
Current liabilities		
Perpetual Exact Market Cash Fund	163,313	166,217
Perpetual Exact Market Cash Fund No. 2	-	69,979
	163,313	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 has been recorded in profit and loss.

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

In April 2021, exact benchmarking for The Perpetual Exact Market Cash Fund No. 2 (EMCF 2) ceased. As a result, the swap agreement was terminated, and all proceeds returned to the client. The $1.5 million (2020: $1.5 million) bank guarantee provided by National Australia Bank was also cancelled.

EMCF 1 use professional investment managers to manage the impact of the above risks by using prudent investment guidelines and investment processes. The investment managers explicitly target low volatility and aim to achieve this through a quality screening process that is designed to assess the likelihood of default and difficult trading patterns during periods of rapid systematic risk reduction.

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

There is a clearly defined mandate for the inclusion of sectors and issuances. In periods of risk reduction, diversification may be narrowly focused on cash and highly liquid investment-grade assets. At times of higher risk tolerance, appropriate diversification should be expected.

Interest rate exposure is limited to +/- 90 days versus the benchmark. The portfolios are constructed with the goal of having a diversified set of securities, while largely retaining the low risk characteristics of a cash investment.

Liquidity risk of EMCF 1 is managed by maintaining a level of cash or liquid investments in the portfolios which is sufficient to meet a level and pattern of investor redemptions (consistent with past experience), distributions or other of the Fund's financial obligations. This is complemented by a dynamic portfolio management process that ensures liquidity is increased when there is an expectation of a deterioration in market conditions. Cash flow forecasts are prepared for the Fund, including the consideration of the maturity profile of the securities, interest and other income earned by the Fund, and projected investor flows based on historical trends and future expectations.

Furthermore, the credit quality of financial assets is managed by the EMCF 1 using Standard & Poor's rating categories or equivalent, in accordance with the investment mandate of the EMCF 1. The EMCF 1's exposure in each credit rating category is monitored on a daily basis. This review process allows assessment of potential losses as a result of risks and the undertaking of corrective actions. The investment managers have undertaken to restrict the asset portfolio of the underlying funds to securities, deposits or obligations with a Standard & Poor's or equivalent 'BBB-' fund credit quality rating or higher.

The investment managers of the underlying Funds invested by the EMCF 1 enter into a variety of derivative financial instruments such as credit default swaps and foreign exchange forwards in the normal course of business in order to mitigate credit risk exposure and to hedge fluctuations in foreign exchange rates.

Details of the assets held by the underlying Funds are set out below:

30 June 2021	**AAA to AA- $'000**	**A+ to A- $'000**	**BBB+ to BBB- $'000**	**Total $'000**
Corporate bonds and money market securities	33,144	25,904	6,570	65,618
Mortgage and asset backed securities	80,005	-	-	80,005
Cash	18,243	-	-	18,243
	131,392	25,904	6,570	163,866

30 June 2020	**AAA to AA- $'000**	**A+ to A- $'000**	**BBB+ to BBB- $'000**	**Total $'000**
Corporate bonds and money market securities	85,945	42,915	10,352	139,212
Mortgage and asset backed securities	91,179	-	-	91,179
Cash	5,999	-	-	5,999
	183,123	42,915	10,352	236,390

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

The table below demonstrates the impact of a 1% change in the fair value of the underlying assets of the EMCF, due to market price movements, based on the values at reporting date.

	2021 $'000	2020 $'000
1% increase	1,639	2,364
1% decrease	(1,639)	(2,364)

The actual impact of a change in the fair value of the underlying assets of either EMCF 1 or EMCF 2 on the consolidated profit before tax is dependent on the performance of the Fund relative to the benchmark index. If the Fund’s performance is below the benchmark return, then the consolidated entity will be obliged to make payments to the investor. Conversely, if the Fund’s performance is higher than the benchmark, then the benefit of the higher performance accrues to the consolidated entity.

In addition, any variance between the consolidated entity’s current assets EMCF balance and the consolidated entity’s current liabilities EMCF balance would be reflected in profit and loss.

Accounting policies

The EMCF product, consisting of EMCF 1 at 30 June 2021 and two Funds (EMCF 1 and EMCF 2) at 30 June 2020, is consolidated as the consolidated entity is exposed to variable returns and has the power to affect those returns. The swap agreements result in the benchmark rate of return being paid to the unitholders in the Fund. The swap agreements are inter-company transactions between a subsidiary of the Company and the Funds and are eliminated on consolidation.

Assets and liabilities of the EMCF product are disclosed separately on the face of the Consolidated Statement of Financial Position as structured product assets and structured product liabilities. The benchmark return generated by the EMCF product and distributions to unitholders are disclosed in section 1-3 Expenses as distributions and expenses related to structured products.

The financial assets represented by the structured products assets balance are accounted for in accordance with the underlying accounting policies of the consolidated entity. These consist of investments that are mandatorily classified at FVTPL.

	2021 $'000	2020 $'000

5-2 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2021 the parent entity of the consolidated entity was Perpetual Limited.

	2021 $'000	2020 $'000
Result of the parent entity		
Profit after tax for the year	96,733	65,471
Total comprehensive income for the year	**96,733**	**65,471**
Financial position of the parent entity at year end		
Current assets	394,352	286,299
Total assets	**1,536,568**	**950,362**
Current liabilities	336,032	205,425
Total liabilities	**572,413**	**287,200**
Total equity of the parent entity comprising:		
Share capital	815,299	539,807
Reserves	24,881	19,186
Retained earnings	123,975	104,169
Total equity	**964,155**	**663,162**

Parent entity contingencies

The Directors are of the opinion that provisions are not required in respect of any parent entity contingencies, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2021 $'000	2020 $'000
Uncalled capital of the controlled entities	12,450	12,450

In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against the parent entity. The parent entity does not consider that the outcome 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.

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-2 Parent entity disclosures (continued)

Parent entity guarantees

In November 2020, the Company provided a financial guarantee to secure a syndicated banking facility (refer to section 3-2). The bank facility covers a period of 3 years.

No liability was recognised by the Company in relation to this guarantee as the fair value of this guarantee is considered to be immaterial. The Company does not expect the financial guarantee to be called upon.

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-3 Controlled entities

Name of company	Beneficial interest 2021 %	Beneficial interest 2020 %	Country of incorporation and principal place of business
Perpetual Limited[5]			
Controlled Entities [1]			
Australian Trustees Limited[5]	100	100	Australia
Commonwealth Trustees Pty. Ltd.[2]	100	100	Australia
Fordham Business Advisors Pty Ltd[2]	100	100	Australia
Perpetual Acquisition Company Limited[5]	100	100	Australia
Perpetual Assets Pty Ltd[2]	100	100	Australia
Perpetual Australia Pty Limited[2,5]	100	100	Australia
Perpetual Digital Holdings Pty Limited[2]	100	100	Australia
Perpetual Investment Management Limited	100	100	Australia
Perpetual Mortgage Services Pty Limited[2]	100	100	Australia
Perpetual Nominees Limited	100	100	Australia
Perpetual Services Pty Limited[2]	100	100	Australia
Perpetual Superannuation Limited	100	100	Australia
Perpetual Tax and Accounting Pty Ltd[2]	100	100	Australia
Perpetual Trust Services Limited	100	100	Australia
Perpetual Trustee Company (Canberra) Limited[5]	100	100	Australia
Perpetual Trustee Company Limited[4]	100	100	Australia
Perpetual Trustees Consolidated Limited[5]	100	100	Australia
Perpetual Trustees Queensland Limited[5]	100	100	Australia
Perpetual Trustees Victoria Limited[5]	100	100	Australia
Perpetual Trustees W.A. Ltd[5]	100	100	Australia
Queensland Trustees Pty Ltd[2]	100	100	Australia
Perpetual Australian Equity Model Portfolio	100	100	Australia
Perpetual Capital Accumulation Portfolio	100	100	Australia
Perpetual Exact Market Cash Fund	100	100	Australia
Perpetual Exact Market Cash Fund No. 2	-	100	Australia
Barrow Hanley Concentrated Emerging Markets	61	-	USA
Barrow Hanley US ESG Value	100	-	USA
BHMS All Country World Ex-U.S. Value	100	-	USA
BHMS Credit	100	-	USA
BHMS Concentrated U.S. Opportunities	100	-	USA
BHMS US Opportunistic Value DLCV, SCV	100	-	USA
Trillium ESG Global Equity Fund A Class	58	-	Australia
Trillium ESG Global High Conviction Equity Fund	100	-	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-3 Controlled entities (continued)

Name of company	Beneficial interest 2021 %	Beneficial interest 2020 %	Country of incorporation and principal place of business
Entities under the control of Perpetual Acquisition Company Limited			
The Trust Company Limited	100	100	Australia
Fintuition Pty Limited[2]	100	100	Australia
Fintuition Institute Pty Limited[2]	100	100	Australia
Skinner Macarounas Pty Limited[2]	100	100	Australia
Perpetual US Holding Company, Inc	100	100	USA
Perpetual Asset Management UK Limited[8]	100	-	UK
Trillium Asset Management UK Limited[9]	100	-	UK
Perpetual Europe Holding Company B.V[10]	100	-	Netherlands
Entities under the control of Perpetual Digital Holdings Pty Limited			
Perpetual Digital Pty Ltd[2]	100	100	Australia
Perpetual Roundtables Pty Limited[2]	100	94	Australia
Perpetual Wholesale Fiduciary Services Pty Ltd[12]	100	-	Australia
Entities under the control of Perpetual Trustee Company Limited			
Perpetual Corporate Trust Limited	100	100	Australia
Perpetual Custodians Ltd	100	100	Australia
Perpetual Legal Services Pty Limited[2,6]	100	100	Australia
P.T. Limited	100	100	Australia
Entities under the control of P.T. Limited			
Perpetrust Nominees Proprietary Limited[2]	100	100	Australia
Entities under the control of The Trust Company Limited			
Perpetual (Asia Holdings) Pte Ltd	100	100	Singapore
The Trust Company (Australia) Limited	100	100	Australia
The Trust Company (UTCCL) Limited	100	100	Australia
Perpetual C T (Asia) Limited	100	100	Hong Kong
Entities under the control of The Trust Company (Australia) Limited			
The Trust Company (Nominees) Limited	100	100	Australia
The Trust Company (PTAL) Limited	100	100	Australia
The Trust Company (RE Services) Limited	100	100	Australia
Entities under the control of Perpetual US Holding Company, Inc			
Trillium Asset Management Group, LLC	100	100	USA
Perpetual US Services, LLC	100	100	USA
Perpetual US TDC, LLC	100	100	USA
BHMS, LLC[7]	75	-	USA
BHMS Investment GP, LLC[7]	100	-	USA
Entities under the control of Trillium Asset Management Group, LLC			
Trillium Asset Management, LLC	100	100	USA
Trillium Impact GP, LLC	100	100	USA
Entities under the control of Perpetual US TDC, LLC			
Barrow Hanley Emerging Markets Fund[7]	61	-	USA

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-3 Controlled entities (continued)

Name of company	Beneficial interest 2021 %	Beneficial interest 2020 %	Country of incorporation and principal place of business
Entities under the control of Perpetual (Asia Holdings) Pte Ltd			
Perpetual (Asia) Limited	100	100	Singapore
Entities under the control of The Trust Company (RE Services) Limited			
The Trust Company (Sydney Airport) Limited	100	100	Australia
Entities under the control of Perpetual Europe Holding Company B.V			
Perpetual Netherlands B.V[11]	100	-	Netherlands
Associates			
Loan RQ Ltd[3]	26	26	Australia

[1] Entities in bold are directly owned by Perpetual Limited.

[2] A small proprietary company as defined by the *Corporations Act 2001* and is not required to be audited for statutory purposes.

[3] The carrying amount of this investment is $nil (2019: $nil).

[4] Perpetual Trustee Company Limited has a branch operation in New Zealand known as Perpetual Trustee Company Limited (New Zealand

[5] Company is a party to the Deed of Cross Guarantee as noted in section 5-4.

[6] Indirectly owned through PLS Charitable Trust Fund.

[7] Acquired on 17 November 2020.

[8] Incorporated on 5 May 2021.

[9] Acquired on 17 March 2021.

[10] Incorporated on 15 June 2021.

[11] Incorporated on 16 June 2021.

[12] Incorporated on 15 March 2021.

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-4 Deed of cross guarantee

Perpetual Limited and certain wholly owned subsidiaries listed below (collectively, 'the Closed Group') have entered into a Deed of Cross Guarantee ('the Deed') effective 29 June 2017. The effect of the Deed is that Perpetual Limited has guaranteed to pay any deficiency in the event of a winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. The subsidiaries have also given a similar guarantee in the event that Perpetual Limited is wound up.

Pursuant to *ASIC Corporations (wholly owned companies) Instrument 2016/785* ('Instrument'), the wholly owned subsidiaries noted below within the Closed Group are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

The subsidiaries to the Deed forming the Closed Group are:

Perpetual Trustees Consolidated Limited
Perpetual Trustee Company (Canberra) Limited
Perpetual Trustees Victoria Limited
Perpetual Trustees Queensland Limited
Perpetual Trustees WA Limited
Perpetual Australia Pty Limited
Perpetual Acquisition Company Limited
Australian Trustees Limited

A summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position comprising the Closed Group as at 30 June 2021 are set out below.

	Year ended 30 June 2021 $'000	**Year ended 30 June 2020 $'000**
Revenue	136,086	106,756
Expenses	(37,124)	(46,278)
Financing costs	(5,560)	(3,858)
Net profit before tax	**93,402**	**56,620**
Income tax (expense) / benefit	2,516	9,826
Net profit after tax	**95,918**	**66,446**
Other comprehensive income, net of income tax	-	-
Total comprehensive income	95,918	66,446
Total comprehensive income attributable to:		
Equity holders of the Company	95,918	66,446

5-4 Deed of cross guarantee (continued)

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	55,452	85,922
Receivables	176,653	140,420
Structured Products - EMCF assets	163,866	236,390
Prepayments	11,046	11,641
Total current assets	407,017	474,373
Non-current assets		
Other financial assets	1,044,326	554,185
Property, plant and equipment	62,566	70,320
Intangibles	69	926
Deferred tax assets	32,742	34,190
Total non-current assets	1,139,703	659,621
Total assets	1,546,720	1,133,994
Current liabilities		
Payables	153,240	127,916
Structured Products - EMCF liabilities	163,313	236,196
Current tax liabilities	5,344	13,446
Employee benefits	64,059	48,099
Lease liabilities	10,440	12,851
Provisions	1,700	8,796
Total current liabilities	398,096	447,304
Non-current liabilities		
Borrowings	166,025	-
Deferred tax liabilities	1,631	1,254
Employee benefits	13,722	13,160
Lease liabilities	50,334	60,211
Provisions	4,669	-
Total non-current liabilities	236,381	74,625
Total liabilities	634,477	521,929
Net assets	912,243	612,065
Equity		
Contributed equity	815,299	539,807
Reserves	24,881	19,186
Retained earnings	72,063	53,072
Total equity	912,243	612,065

5-5 Unconsolidated structured entities

Perpetual Limited and its subsidiaries have interests in various structured entities that are not consolidated. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Perpetual has an interest in a structured entity when the Company has a contractual or non-contractual involvement that exposes it to variable returns from the performance of the entity. The Company's interest includes investments held in securities or units issued by these entities and fees earned from management of the assets within these entities.

Information on the Company's interests in unconsolidated structured entities as at 30 June is as follows:

Investment funds - Company managed	**Carrying amount $'000**	**Maximum exposure to loss[1] $'000**
Year ended 30 June 2021		
Statement of Financial Position line item		
Other financial assets - non-current	98,878	85,212
Year ended 30 June 2020		
Statement of Financial Position line item		
Other financial assets - non-current	79,113	74,677

[1] The maximum exposure to loss is the maximum loss that could be recorded through profit and loss as a result of the involvement with these entities.

Company managed investment funds

The Company manages investment funds through asset management subsidiaries. Control over these managed investment funds may exist since the Company has power over the activities of the fund. However, these funds have not been consolidated because the Company does not have the ability to affect the level of returns and is not exposed to significant variability in returns from the funds. The Company earns management fees from the management of these investment funds which are commensurate with the services provided and are reported in revenue from the provision of services. Management fees are generally based on the value of the assets under management. Therefore, the fees earned are impacted by the composition of the assets under management and fluctuations in financial markets. The revenue earned is included in revenue from the provision of services in section 1-2.

Investment funds are investment vehicles that consist of a pool of funds collected from several investors for the purpose of investing in securities such as money market instruments, debt securities, equity securities and other similar assets. For all investment funds, the Company's maximum exposure to loss is equivalent to the cost of the investment in the fund. Investment funds are generally financed through the issuance of fund units.

5-6 Share-based payments

i. Employee share purchase plans

(a) Long-term Incentive Plan (LTI)

The LTI plan was introduced for the purpose of making future long-term incentive grants to eligible employees.

(b) One Perpetual Share Plan (OPSP)

The OPSP awards eligible employees with annual grants of up to $1,000 worth of Perpetual shares subject to the Company meeting its net profit after tax target. Shares granted under the OPSP cannot be sold or transferred until the earlier of three years from the date the shares are allocated or cessation of employment. Employees who are granted shares have full dividend and voting rights during this time.

For financial accounting purposes, shares granted under the OPSP are deemed to vest immediately because there is no risk of forfeiture. Accordingly, the fair value of the grant is recognised as an expense over the performance period with the corresponding entry directly in equity.

No grants have been made under this plan during the year.

(c) Details of the movement in employee shares

All shares granted under the LTI and OPSP plans in the 2021 financial year were issued at market price. Dividends on employee shares are either received directly by the employees or held in the share plan bank account depending on the likelihood of the shares vesting.

During the year, $12,216,989 (2020: $12,035,515) of amortisation relating to shares, performance rights and share rights was recognised as an expense with the corresponding entry directly in equity.

Shares are granted to eligible employees under the LTI plan. The number of shares granted is determined by dividing the value of the grant by the VWAP of Perpetual shares traded on the ASX in the five business days up to and including the grant date.

The following table illustrates the movement in employee shares during the financial year:

Number	Opening balance 1 July	Vested shares	Shares purchased on market	Shares issued on market	Forfeited shares	Granted shares	Closing balance at 30 June
2021	673,858	(254,406)	195,628	-	(235,557)	235,557	615,080
2020	348,813	(315,068)	195,606	444,507	(79,506)	79,506	673,858

ii. Rights

During the year, the Company granted $8,919,923 (30 June 2020: $9,424,794) of Share Rights and Performance Rights in accordance with the LTI plan.

Share Rights are granted to Executives under the Variable Incentive Plan. The number of Share Rights granted is determined by dividing the value of the grant by the VWAP of Perpetual shares traded on the ASX in the five business days up to and including the grant date.

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-6 Share-based payments (continued)

ii. Rights (continued)

Performance Rights are granted to eligible employees under the LTI Plan. The number of Performance Rights granted is determined by dividing the value of the LTI grant by the VWAP of Perpetual shares traded on the ASX in the five business days up to and including the grant date, discounted for the non-payment of dividends during the performance period, as calculated by an independent external adviser.

Performance Rights and Share Rights do not receive dividends or have voting rights until they have vested and have been converted into Perpetual shares.

30 June 2021					Movement in number of rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2020	Granted	Forfeited	Vested	Outstanding at 30 June 2021
Oct 2016	Oct 2019	Sep 2031	Non TSR	$39.40	4,059	-	-	(2,283)	1,776
Sep 2017	Sep 2019	Sep 2032	Non TSR	$46.93	21,386	-	-	-	21,386
Oct 2017	Oct 2020	Sep 2032	Non TSR	$44.64	99,981	-	(336)	(93,632)	6,013
Jul 2018	Oct 2020	Oct 2034	Non TSR	$35.76	3,404	-	-	(3,404)	-
Jul 2018	Sep 2021	Sep 2034	Non TSR	$28.70	44,864	-	-	-	44,864
Jul 2018	Oct 2021	Oct 2034	Non TSR	$33.64	2,474	-	(835)	(1,639)	-
Jul 2018	Sep 2022	Sep 2034	TSR	$8.22	5,276	-	-	-	5,276
Jul 2018	Oct 2022	Oct 2034	Non TSR	$31.53	16,411	-	(2,946)	(2,334)	11,131
Jul 2018	Sep 2023	Sep 2034	TSR	$8.40	5,275	-	-	-	5,275
Sep 2018	Sep 2020	Sep 2033	Non TSR	$37.03	30,951	-	-	-	30,951
Oct 2018	Oct 2020	Sep 2033	Non TSR	$37.29	1,417	-	-	(1,417)	-
Oct 2018	Oct 2021	Oct 2033	Non TSR	$34.97	261,311	-	(5,391)	(9,632)	246,288
Jul 2019 [1]	Sep 2023	Sep 2035	TSR	$12.30	-	52,034	-	-	52,034
Jul 2019 [1]	Sep 2024	Sep 2035	TSR	$12.63	-	52,031	-	-	52,031
Oct 2019	Oct 2021	Oct 2034	Non TSR	$33.64	15,720	-	(1,782)	(127)	13,811
Oct 2019	Oct 2022	Oct 2034	Non TSR	$31.53	190,185	-	(12,540)	(6,158)	171,487
Oct 2020	Oct 2023	Oct 2030	Non TSR	$23.82	-	320,070	(14,394)	(396)	305,280
					702,714	424,135	(38,224)	(121,022)	967,603

[1] Performance Rights granted during the year and back dated to July 2019.

Notes to and forming part of the financial statements for the year ended 30 June 2021

5-6 Share-based payments (continued)

ii. Rights (continued)

30 June 2020					Movement in number of rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2019	Granted	Forfeited	Vested	Outstanding at 30 June 2020
Oct 2016	Oct 2019	Sep 2031	Non TSR	$39.40	107,515	-	(2,537)	(100,919)	4,059
Sep 2017	Sep 2019	Sep 2032	Non TSR	$46.93	21,386	-	-	-	21,386
Oct 2017	Oct 2020	Sep 2032	Non TSR	$44.64	115,570	-	(6,418)	(9,171)	99,981
Jul 2018	Oct 2020	Oct 2034	Non TSR	$35.76	-	3,404	-	-	3,404
Jul 2018	Sep 2021	Sep 2034	Non TSR	$28.70	-	44,864	-	-	44,864
Jul 2018	Oct 2021	Oct 2034	Non TSR	$33.64	-	2,474	-	-	2,474
Jul 2018	Sep 2022	Sep 2034	TSR	$8.22	-	5,276	-	-	5,276
Jul 2018	Oct 2022	Oct 2034	Non TSR	$31.53	-	16,411	-	-	16,411
Jul 2018	Sep 2023	Sep 2034	TSR	$8.40	-	5,275	-	-	5,275
Sep 2018	Sep 2020	Sep 2033	Non TSR	$37.03	30,951	-	-	-	30,951
Oct 2018	Oct 2019	Oct 2033	Non TSR	$39.77	112,223	-	-	(112,223)	-
Oct 2018	Oct 2020	Sep 2033	Non TSR	$37.29	1,417	-	-	-	1,417
Oct 2018	Oct 2021	Oct 2033	Non TSR	$34.97	290,316	-	(18,777)	(10,228)	261,311
Oct 2019	Oct 2021	Oct 2034	Non TSR	$33.64	-	16,558	(838)	-	15,720
Oct 2019	Oct 2022	Oct 2034	Non TSR	$31.53	-	212,381	(20,851)	(1,345)	190,185
					679,378	306,643	(49,421)	(233,886)	702,714

The fair value of services received in return for Performance Rights and Share Rights granted is based on the fair value of rights granted, measured using a face value approach for scorecard performance conditions, Monte Carlo simulation for TSR performance conditions and the Black Scholes option pricing formula for share rights and EPS performance conditions, with the following inputs:

	Valuation Date 1 Oct 2016	Valuation Date 1 Sep 2017	Valuation Date 1 Oct 2017	Valuation Date 1 Sept 2018	Valuation Date 1 Oct 2018	Valuation Date 1 Oct 2018	Valuation Date 1 Oct 2018	Valuation Date 1 Sep 2019	Valuation Date 1 Sep 2019
Performance period	3 years	2 years	3 years	2 years	1 year	2 years	3 years	1 year	2 years
Share price ($)	46.28	54.70	51.94	43.89	42.40	42.40	42.40	35.55	35.55
Dividend yield (%)	5.51	5.1	5.18	6.4	6.63	6.63	6.63	6.5	6.7
Expected volatility (%)	N/A	25	N/A	20	N/A	N/A	N/A	30	30
Risk free interest rate (%)	N/A	N/A	N/A	N/A	1.93	2	2.07	0.7	0.7

	Valuation Date 1 Sep 2019	Valuation Date 1 Oct 2019	Valuation Date 1 Oct 2019	Valuation Date 1 Oct 2019	Valuation Date 1 Sep 2020	Valuation Date 1 Sep 2020	Valuation Date 1 Oct 2020	Valuation Date 1 Oct 2020	Valuation Date 1 Oct 2020
Performance period	3 years	1 year	2 years	3 years	3 years	4 years	1 year	2 years	3 years
Share price ($)	35.55	37.85	37.85	37.85	30.62	30.62	28.40	28.40	28.40
Dividend yield (%)	6.7	5.7	5.9	6.09	5.5	5.5	5	5.54	5.87
Expected volatility (%)	30	N/A	N/A	N/A	40	40	N/A	N/A	N/A
Risk free interest rate (%)	0.7	N/A	N/A	N/A	0.27	0.39	N/A	N/A	N/A

5-6 Share-based payments (continued)

Accounting policies

Employee share purchase plans

Share incentive programs allow employees to acquire shares in the Company. The fair value of shares and/or rights granted under these programs is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and amortised over the period during which employees become unconditionally entitled to the shares.

The fair value of the rights granted is measured using a binomial model, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the actual number of rights that vest except where forfeiture is due to share prices not achieving their threshold for vesting.

Deferred staff incentives

The Company grants certain employees shares under long-term incentive, short-term incentive and retention plans. Under these plans, shares vest to employees over relevant vesting periods. To satisfy the long-term incentives granted, the Company purchases or issues shares under the LTI Plan.

The fair value of the shares granted is measured by the share price adjusted for the terms and conditions upon which the shares were granted. This fair value is amortised on a straight-line basis over the applicable performance and vesting period.

The consolidated entity makes estimates of the number of shares that are expected to vest. Where appropriate, revised estimates are reflected in profit or loss with the corresponding adjustment to the equity compensation reserve. Where shares containing a market linked hurdle do not vest, due to total shareholder return not achieving the threshold for vesting, an adjustment is made to retained earnings and equity compensation reserve.

Rights

Performance Rights and Share Rights are issued for the benefit of eligible Perpetual employees pursuant to the LTI Plan.

Unlike Perpetual’s other employee share plans, there will be no treasury shares issued to employees at the rights grant date.

Over the vesting period of the rights, an equity remuneration expense will be amortised to the equity compensation reserve based on the fair value of the rights at the grant date.

On vesting, the intention is to settle the rights with available treasury shares. A fair value adjustment between contributed equity and treasury shares will be recognised to revalue the recycled shares to the fair value of the rights at the vesting date.

5-7 Key management personnel and related parties

Total compensation of key management personnel

	2021 $	2020 $
Short-term	6,358,797	4,629,080
Post-employment	190,411	185,738
Share-based	1,858,563	1,727,257
Other long-term	46,143	121,242
Termination benefits	-	567,340
Total	8,453,914	7,230,657

In addition to the above, Non-Executive Directors received $1,126,644 (2020: $1,145,459) in short-term benefits and $68,606 (2020: $94,055) in post-employment benefits for the year ended 30 June 2021.

Related party disclosures

Executives have not entered into material contracts with the Company or a member of the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel's interests existing at year end. Perpetual services and products, including financial advice by Perpetual Private, are made available to Directors and KMP on normal commercial terms consistent with other employees and clients.

Controlled entities and associates
The consolidated entity has a related party relationship with its key management personnel (see Remuneration Report).

Business transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

5-8 Auditor's remuneration

	2021 $	2020 $
Audit and review services		
Auditors of the Group - KPMG Australia		
Audit and review of financial statements - Group	685,872	537,744
Audit and review of financial statements - controlled entities	173,130	171,416
Audit and review of financial statements - Perpetual Funds[1]	2,046,181	1,933,353
Audit and review of financial statements - Administrator or Trustee[2]	352,544	315,090
	3,257,727	2,957,603
Overseas KPMG Firms		
Audit and review of financial statements - Group	178,771	-
Audit and review of financial statements - controlled entities	188,412	36,341
Total audit and review services	3,624,910	2,993,944
Assurance Services		
Auditors of the Group - KPMG Australia		
Regulatory assurance services	250,175	316,767
Other assurance services	463,509	403,136
	713,684	719,903
Overseas KPMG Firms		
Other assurance services	43,443	23,183
Total Assurance Services	757,127	743,086
Other Services		
Auditors of the Group - KPMG Australia		
Advisory Services	43,988	37,260
Tax compliance services	-	8,034
Other non-assurance services	30,889	30,584
Total Other Services	74,877	75,878
	4,456,914	3,812,907

[1] These fees are incurred by the consolidated entity on behalf of managed funds and superannuation funds for which Perpetual Investment Management Limited and Perpetual Superannuation Limited act as responsible entity or trustee for and are recovered from the funds via management fees.

[2] These fees are incurred by the consolidated entity on behalf of external funds for which the consolidated entity act as administrator, responsible entity or trustee for and are recovered from the funds via management fees.

Non-audit services paid to KPMG are in accordance with the Company's auditor independence policy as outlined in Perpetual's Corporate Responsibility Statement.

5-9 Subsequent events

A final dividend of 96 cents per share fully franked was declared on 19 August 2021 and is to be paid on 24 September 2021.

At the date of approving these financial statements, the Directors are of the view the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of the financial statements (refer to Section 6-2), however COVID-19 and its associated economic impacts remain uncertain. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note that the situation is continuing to evolve.

On 12 August 2021, Perpetual announced the acquisition of Jacaranda Financial Planning Pty Ltd (Jacaranda), a leading Sydney and Melbourne based boutique wealth advisory firm focused on the high net worth market segment with funds under advice (FUA) of $915 million as at 30 June 2021.

The acquisition provides a fast-growing financial planning business with a high quality advice model and culture closely aligned to Perpetual's, providing Perpetual with an opportunity to help Jacaranda continue to scale efficiently and increase its overall share of the high net worth market on Australia's eastern seaboard. This transaction is entirely in-line with the strategy of bringing the industry's best advisers to Perpetual, providing an improved growth profile for both firms.

This acquisition will accelerate Perpetual Private's adviser growth strategy and complement its existing private client and family office offering.

Other than the matters noted above, 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 6 Basis of preparation

This section sets out Perpetual's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2021 or later years. We explain how these changes are expected to impact the financial position and performance of Perpetual.

6-1 Reporting entity

Perpetual Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2021 comprises the Company and its controlled entities (together referred to as 'the consolidated entity') and the consolidated entity's interests in associates.

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

The financial report was authorised for issue by the Directors on 19 August 2021.

The Company is a public company listed on the Australian Securities Exchange (code: PPT), incorporated in Australia and operating in Australia, United States, United Kingdom, the Netherlands and Singapore, as well as a presence in Hong Kong.

The consolidated annual report for the consolidated entity as at and for the year ended 30 June 2021 is available at www.perpetual.com.au.

6-2 Basis of preparation

i. Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report of the consolidated entity also complies with *International Financial Reporting Standards (IFRS)* adopted by the International Accounting Standards Board (IASB).

ii. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets which are measured at fair value.

The consolidated financial statements are presented in Australian dollars, which is the functional currency of the majority of the consolidated entity.

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

6-2 Basis of preparation (continued)

ii. Basis of preparation (continued)

Use of judgements and estimates

The preparation of the 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 continues to evaluate the ongoing 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.

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. 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 throughout the financial year. 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 are described below:

(a) Judgements

Information about critical judgements in applying accounting policies in accordance with Australian Accounting Standard *AASB 10 Consolidated Financial Statements* is included in section 5-3 Controlled entities.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2022 are included in the following notes:

- Section 1-2 Revenue
- Section 1-3 Expenses
- Section 1-4 Income taxes
- Section 2-1 Business combinations
- Section 2-5 Intangibles
- Section 2-6 Provisions
- Section 2-7 Employee benefits
- Section 2-8 Lease liabilities
- Section 2-9 Accrued incentive compensation
- Section 3-5 Commitments and contingencies
- Section 5-1 Structured products assets and liabilities
- Section 5-6 Share-based payments

6-2 Basis of preparation (continued)

ii. Basis of preparation (continued)

(b) Assumptions and estimation uncertainties (continued)

The consolidated entity has considered the impact of COVID-19 specifically with respect to the recognition of Expected Credit Losses (ECLs) on the consolidated entity's Receivables (Section 2-2), Intangibles and the impairment of goodwill and other intangible assets (Section 2-5), Structured products assets and liabilities (Section 5-1), and Other financial assets (Section 2-3).

Whilst there has been an increase in the estimation uncertainty and the application of further judgement within these areas, COVID-19 is not considered to have had a material financial impact on these areas.

Measurement of fair values

A number of the consolidated entity's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The consolidated entity has an established control framework with respect to the measurement of fair values. This includes overseeing all significant fair value measurements.

Significant unobservable inputs and valuation adjustments are regularly reviewed. If third party information, such as broker quotes or pricing services, is used to measure fair values, an assessment is made of the evidence obtained from the third parties. This is used to support the conclusion that such valuations meet the requirements of AASB 9 *Financial Instruments*, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit, Risk and Compliance Committee.

When measuring the fair value of an asset or a liability, the consolidated entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The consolidated entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Section 2-7 Employee benefits
- Section 2-9 Accrued incentive compensation
- Section 4-1 Financial risk management
- Section 5-1 Structured products assets and liabilities
- Section 5-6 Share-based payments

6-3 Other significant accounting policies

Significant accounting policies have been included in the relevant notes to which the policies relate. Other significant accounting policies are listed below:

i. Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the consolidated entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associates or, if not consumed or sold, when the consolidated entity's interest in such entities is disposed of.

ii. Foreign currency

(a) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of their fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(b) Foreign operations

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into Australian dollars as follows:

- Assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income item are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Foreign currency differences are recognised in other comprehensive income. When an international operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss or to non-controlling interest as part of the profit or loss on disposal.

6-3 Other significant accounting policies (continued)

iii. Payables

Payables are non-interest-bearing and are stated at amortised cost, with the exception of contingent consideration recognised in business combinations, which is recorded at fair value at the acquisition date.

Contingent consideration recognised in business combinations is classified as a financial liability and is subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

iv. Impairment

(a) Financial assets (including receivables)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the present value of the cash flows due to the entity in accordance with the contract and the present value of cash flows that the consolidated entity expects to receive.

The consolidated entity has applied the simplified approach under AASB 9 to calculate expected credit losses for Receivables. Under this approach, expected credit losses are calculated based on the life of the instrument. During this process, the probability of the non-payment of the receivables is assessed using the single loss rate approach.

Impairment losses on financial assets measured at amortised cost are recognised in profit or loss and deducted from the gross carrying amount of the assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(b) Non-financial assets

The carrying amounts of the consolidated entity’s non-financial assets, other than deferred tax assets (see section 1-4), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the ‘cash-generating unit’ or CGU).

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The consolidated entity's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6-3 Other significant accounting policies (continued)

v. 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.

6-4 Changes in significant accounting policies

The accounting policies applied in these 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) International Financial Reporting Standards Interpretations Committee final agenda decisions not yet adopted

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The consolidated entity's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the Statement of Financial Position and/or recognition as an expense in the Statement of Comprehensive Income, impacting both the current and/or prior periods presented.

As at 30 June 2021:

- The consolidated entity has not adopted this IFRIC agenda decision. The impact of the change is not reasonably estimable as the consolidated entity has yet to complete its assessment of the impact of the IFRIC agenda decision. The consolidated entity expects to adopt this IFRIC agenda decision in its half year financial statements ending on 31 December 2021.
- Intangible assets that relate to capitalised software, which may contain cloud computing arrangements, is circa $40 million at 30 June 2021, and will be subject to this detailed assessment.

6-5 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

1. In the opinion of the Directors of Perpetual Limited (the 'Company'):

   (a) the consolidated financial statements and notes set out on pages 49 to 117, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the certain wholly owned subsidiaries identified in section 5-4 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and these entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Managing Director and the Chief Financial Officer for the financial year ended 30 June 2021.

4. The Directors draw attention to section 6-2(i) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 19th day of August 2021.

Tony D'Aloisio
Director

Rob Adams
Chief Executive Officer & Managing Director

KPMG

Independent Auditor's Report

To the shareholders of Perpetual Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Perpetual Limited (the Company).

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

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of Financial Position as at 30 June 2021;
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Consolidated Entity*** consists of Perpetual Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

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

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition;
- Acquisition accounting;
- Valuation of goodwill; and
- Employee remuneration.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue recognition ($621m)</th></tr>
<tr><td colspan="2">Refer to Section 1-2 ‘Revenue’ of the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Revenue is a Key Audit Matter due to:
• its significance to the financial performance of the Consolidated Entity;
• the significant audit effort required as a result of:
– the various streams of revenue generated from a diverse range of products and services, each with varying fee rates and contractual terms;
– the generation of revenue in multiple geographical locations across two of the Consolidated Entity’s operating segments;
– key inputs used in the calculation of revenue are sourced from several of the Consolidated Entity’s third party service organisations which provide custody, investment administration and unit registry services, as well as custodian banks. This required us to understand the key processes and assess the key controls of these service organisations relevant to the Consolidated Entity’s revenue recognition; and
• involvement of senior team members in assessing the Consolidated Entity’s accounting policy for performance fees against the requirements of the accounting standards, for which the Consolidated Entity’s revenue recognition policy is dependent on varying contractual terms.
Significant revenue streams include fees from:
• the provision of investment management services to institutional mandate clients, investment funds and superannuation funds;
• trustee and document custodian services;
• management and administrative services for securitisation trusts; and
• the provision of financial advice and accounting services.</td><td>Our procedures included:
• Inquiring of the Consolidated Entity to understand processes for key revenue streams, and testing key controls at the Consolidated Entity related to these revenue streams.
• Assessing the Consolidated Entity’s policies for recognition of revenue against the requirements of the accounting standards.
• Testing statistical samples of revenue across each key revenue stream. We performed the following:
– Recalculated the investment management and adviser services revenue recognised based on the various fee rates in the underlying contracts, and the underlying funds under management (FUM) or funds under advice (FUA), sourced from third party service organisation reports or statements from custodial banks. We compared this to invoices and the revenue recognised by the Consolidated Entity;
– Agreed securitisation and trustee services revenue to invoices and subsequent cash receipts; and
– Agreed financial advice and accounting services revenue to invoices, engagement letters and subsequent cash receipts.
• Analysing data within the investment management revenue stream to identify trends and outliers to further inform our work. Examples of outliers included contracts where fees exhibit an inverse movement to FUM flows or client fees falling considerably outside of statistical trends. For outliers identified, we recalculated the revenue recognised based on the underlying contracts and the FUM. We compared this to the revenue recognised by the Consolidated Entity.
• Obtaining and reading the Consolidated Entity’s third party service organisations GS007 (Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services) assurance reports to understand the service organisations’ processes and assess controls related to investment administration, custody and unit registry.
• Assessing the reputation, professional competence and independence of the auditors of the GS007 assurance reports.
• Testing a sample of performance fee revenue recognised to the Consolidated Entity’s bank statements. We recalculated the performance fee</td></tr>
</table>

	based on the underlying contractual terms and product performance relative to the market benchmark, such as the MSCI All Countries World Index. We compared this to the performance fee revenue recognised by the Consolidated Entity.
Acquisition accounting ($421m purchase price resulting in $201m goodwill)	
Refer to Section 2-1 'Business combinations' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Consolidated Entity's acquisition of Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley) for consideration of $421m completed on 17 November 2020 and represents a significant transaction for the Consolidated Entity. The acquisition accounting associated with this is a key audit matter given: • complexities in preliminary purchase price allocation (PPA) of consideration transferred to acquire Barrow Hanley, including: – measurement of the fair value of identifiable assets and liabilities as part of the acquisition. This included consideration of material differences between the accounting standards in the United States and Australia; – measurement of acquired intangible assets, including customer contracts and brand; – measurement of complex employee benefit plans under Australian Accounting Standards, which required the Consolidated Entity to make significant judgments on underlying business growth assumptions over a significant forecast period; and – the allocation of the purchase price across all identified assets, liabilities and goodwill; • the Consolidated Entity engaged an external valuation expert to assist with the identification and measurement of acquired assets and liabilities, and the purchase price allocation to goodwill and separately identifiable intangible assets; and • we involved valuation specialists and technical accounting specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • Reading the Equity Purchase Agreement related to this acquisition to understand the structure, key terms and conditions, and nature of certain payments. Using this, we evaluated the accounting treatment of the acquisition consideration and transaction costs against the criteria in the accounting standards. • Assessing the alignment of accounting policies between the Consolidated Entity and the acquired entity in order to determine any accounting policy alignment adjustments at acquisition date. • Working with our technical accounting specialists to assess the accounting treatment of complex employee benefit plans against Australian Accounting Standards. Working with our valuation specialists, our procedures included: • Evaluating the Consolidated Entity's external valuation expert's scope of work, competence and objectivity with respect to their determination of the purchase price allocation to goodwill and separately identifiable intangible assets. • Assessing the valuation methodology against accepted industry practice and the requirements of accounting standards. • Comparing the inputs used by the Consolidated Entity's external valuation expert to approved business forecasts. • Challenging the Consolidated Entity's judgmental assumptions such as identification of separate identifiable intangible assets. We did this by benchmarking assumptions to external market data and valuations from other comparable transactions. • Challenging the Consolidated Entity's forecast business growth assumptions related to the measurement of complex employee benefit plans. We did this by comparing forecast growth rates to industry trends and expectations. • Assessing the disclosures in the financial report by comparing these to our understanding of the acquisition and the requirements of the accounting standards.

Valuation of goodwill ($554m)	
Refer to Section 2-5 'Intangibles' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Consolidated Entity's annual testing of goodwill for impairment is a key audit matter given the: • size of the balance (being 34% of total assets); • net outflow of FUM experienced by certain Cash Generating Units (CGUs) of the Consolidated Entity in the current year. This increases the possibility of goodwill being impaired; • completion of the acquisition of Barrow Hanley, representing a new CGU; • forward-looking assumptions applied by the Consolidated Entity in its value-in-use models, including: – forecast operating cash flows, growth rates and terminal growth rates which are influenced by subjective drivers such as FUM, FUA, securitisation and capital flows. These are difficult to predict as they rely on the Consolidated Entity's expectation of future customer activity and market performance, which can be impacted by economic uncertainties arising from the ongoing Novel Coronavirus (COVID-19) pandemic; – the Consolidated Entity operating across different geographies with varying pressures on market performance and capital flows, which increases the risk of an inaccurate forecast or wider range of possible outcomes; – discount rates, including CGU specific risk premiums, which are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time; and • we involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • Considering the appropriateness of the value in use method applied by the Consolidated Entity to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • Assessing the integrity of the value-in-use models used, including the determination of carrying values and the accuracy of the underlying calculation formulas. • Assessing the accuracy of previous Consolidated Entity forecasts to inform our evaluation of forecasts incorporated in the models. • Comparing the forecast cash flows contained in the value-in-use models to Board approved forecasts and our inquiries with management of the Consolidated Entity for consistency. • Challenging the Consolidated Entity's forecast operating cash flows and growth assumptions in light of the Consolidated Entity's net FUM flows and the ongoing economic uncertainty arising from the COVID-19 pandemic in the current year. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations. In doing so, we also considered the differences between industry trends and the Consolidated Entity's operations and used our knowledge of the Consolidated Entity, its past performance, business, customers, committed future plans and our industry experience. • Independently developing a range of discount rates considered comparable with the Consolidated Entity, using publicly available market data for comparable entities, adjusted by CGU specific risk factors. • Performing sensitivity analysis by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range to identify CGUs at higher risk of impairment, assumptions at higher risk of bias and determining where to focus our further procedures. • Assessing the disclosures in the financial report using our understanding of the issues obtained from our testing, and against the requirements of the accounting standards.

Employee remuneration ($331m)	
Refer to Section 1-3 'Expenses', Section 2-7 'Employee benefits', Section 2-9 'Accrued Incentive Compensation', and Section 5-6 'Share-based payments' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Employee remuneration is a key audit matter due to: • the size of the balance relevant to the Consolidated Entity's results (64% of expenses); • complexities associated with varying share incentive programs and other employee benefits plans across the Consolidated Entity, which increases the risk of interpretational differences against the principles-based criteria contained in the accounting standards; • the involvement of senior team members to assess the valuation methodology, assumptions and inputs, such as the share price and vesting period, used by the Consolidated Entity and its external valuation experts in the valuation of share incentive rights granted during the year; • the involvement of technical accounting specialists to supplement senior team members in assessing the Consolidated Entity's measurement of complex employee benefit plans under the Australian Accounting Standards; • forward-looking assumptions applied by the Consolidated Entity in valuing long-term employee benefit plans, including: – forecast business growth assumptions, which are influenced by subjective drivers such as FUM flows, and are difficult to predict as they rely on the Consolidated Entity's expectation of future customer activity and market performance; – the Consolidated Entity operating across different geographies with varying pressures on market performance and FUM flows, which increases the risk of an inaccurate forecast or wider range of possible outcomes; and • largely manual calculation of equity remuneration expenses, which increases the risk of error.	Our procedures included: • Enquiring of the Consolidated Entity and inspecting a sample of share incentive programs and other employee benefit plans to understand the remuneration process, structure and various share incentive program offerings. • Assessing the Consolidated Entity's accounting policy for share incentive program arrangements and working with our technical accounting specialists to assess the accounting treatment of complex employee benefit plans, against the principles based criteria in the accounting standards. • Evaluating the Consolidated Entity's external valuation expert's scope of work, competence and objectivity with respect to their valuation of share incentive program rights granted during the year. • Assessing the external valuation expert's methodology against industry practice and the requirements of the accounting standards. • Checking the grant date share price and vesting period used in the external expert's valuation against the Consolidated Entity's share price and share incentive program agreements. • Testing a statistical sample of equity remuneration expenses. We checked the various inputs to the Consolidated Entity's manual calculation, such as grants, vests and forfeitures to underlying offer letters, share incentive program agreements and the grant date fair value calculated by the Consolidated Entity's external expert. We recalculated the equity remuneration expense and compared this to the expense recognised by the Consolidated Entity. • Challenging the Consolidated Entity's forecast business growth assumptions and judgement related to whether performance hurdles would be achieved in the measurement of complex employee benefit plans. We did this by comparing forecast growth rates to industry trends and expectations. • Assessing the Consolidated Entity's disclosures of the key terms and valuation assumptions, as required by the accounting standards.

Other Information

Other Information is financial and non-financial information in Perpetual Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Limited for the year ended 30 June 2021, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 11 to 44 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG.

KPMG

Brendan Twining

Partner

Sydney

19 August 2021

Securities exchange and investor information

2021 Annual General Meeting

The 2021 Annual General Meeting of the Company will be held as a virtual meeting on Thursday, 21 October 2021 commencing at 10am (Sydney time). Perpetual will continue to monitor the situation regarding COVID-19 and will provide an update to the ASX and on the Company's website if the position changes and a hybrid meeting is to be held.

Securities exchange listing

The ordinary shares of Perpetual Limited are listed on the Australian Securities Exchange under the ASX code PPT, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Substantial shareholders

Name	Number of shares	% of interest	Date of last substantial shareholder notification
Blackrock Inc. and subsidiaries	3,742,578	6.62	8 December 2020
The Vanguard Group, Inc and its controlled entities	2,837,766	5.03	10 September 2020

Distribution schedule of holdings as at 4 August 2021	Number of holders	Number of shares
1 – 1,000 shares	16,651	6,416,378
1,001 – 5,000 shares	5,727	12,122,929
5,001 – 10,000 shares	555	3,874,689
10,001 – 50,000 shares	267	4,856,398
50,001 – 100,000 shares	11	821,501
100,001 and over shares	23	28,481,384
Total	23,234	56,573,279

Securities exchange and investor information (continued)

Twenty largest shareholders as at 4 August 2021

Name	Number of ordinary shares	Percentage of issued capital
HSBC Custody Nominees (Australia) Limited[1]	10,570,161	18.68%
JP Morgan Nominees Australia Pty Limited[1]	5,521,758	9.76%
Citicorp Nominees Pty Limited[1]	4,197,249	7.42%
National Nominees Limited[1]	2,052,289	3.63%
Milton Corporation Limited	1,231,982	2.18%
BNP Paribas Nominees Pty Ltd (Agency Lending)[1]	1,088,819	1.92%
Queensland Trustees Pty Ltd[2] (Long Term Incentive Plan)	527,353	0.93%
Carlton Hotel Ltd	424,964	0.75%
Enbeear Pty Ltd	369,832	0.65%
BNP Paribas Noms Pty Ltd (DRP)[1]	340,905	0.60%
Citicorp Nominees Pty Limited (Colonial First State Inv)[1]	254,627	0.45%
David Davidson Financial Services Pty Ltd (David Davison Financial Services Unit)	216,161	0.38%
Pacific Custodians Pty Limited (PPT Plans Ctrl)[1]	201,701	0.36%
First Samuel Ltd CAN 086243567 (ANF ITS MDA CLIENTS)[1]	188,426	0.33%
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP)[1]	179,098	0.32%
Diversified United Investment Limited	175,000	0.31%
Netwealth Investments Limited (Wrap Services)[1]	167,576	0.30%
J S Millner Holdings Pty Limited	166,300	0.29%
BNP Paribas Nominees Pty Ltd Six Sis Ltd (DRP)[1]	158,182	0.28%
AMP Life Limited	119,667	0.21%
Total	28,152,050	49.75%

[1] Held in capacity as executor, trustee or agent.

[2] The total number of shares held by Queensland Trustees Pty Ltd as trustee of the various Employee Share Plans is 568,502 shares.

Securities exchange and investor information (continued)

Other information

Perpetual Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Voting rights

Under the Company's Constitution, each member present at a general meeting (whether in person, by proxy, attorney or corporate representative) is entitled:

1. on a show of hands to one vote, and
2. on a poll to one vote for each share held.

If a member is present in person, any proxy of that member is not entitled to vote.

Voting by proxy

Voting by proxy allows shareholders to express their views on the direction and management of the economic entity without attending a meeting in person.

Shareholders who are unable to attend the 2021 Annual General Meeting are encouraged to complete and return the proxy form that accompanies the notice of meeting enclosed with this report.

On-market buyback

There is no current on-market buyback.

Final dividend

The final dividend of 96 cents per share will be paid on 24 September 2021 to shareholders entitled to receive dividends and registered on 3 September 2021, being the record date.

Enquiries

If you have any questions about your shareholding or matters such as dividend payments, tax file numbers or change of address, you are invited to contact the Company's share registry office below, or visit its website at www.linkmarketservices.com.au or email PPT@linkmarketservices.com.au.

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Perpetual Shareholder Information Line:
1300 732 806
Fax: (02) 9287 0303

Locked Bag A14
Sydney South NSW 1235

Any other enquiries which you may have about the Company can be directed to the Company's registered office, or visit the Company's website at www.perpetual.com.au

Principal registered office
Level 18
123 Pitt Street
Sydney NSW 2000

Tel: (02) 9229 9000
Fax: (02) 8256 1461

Company Secretary
Sylvie Dimarco

Website address: www.perpetual.com.au

Directory

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Level 15, 345 Queen Street
Brisbane QLD 4000

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Level 9, Nishi Building
2 Phillip Law Street
Canberra ACT 2601

VICTORIA
Level 28 and 29 Rialto South Tower
525 Collins Street
Melbourne VIC 3000

SOUTH AUSTRALIA
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Adelaide SA 5000

WESTERN AUSTRALIA
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