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Perpetual Limited
ABN 86 000 431 827

FINANCIAL STATEMENTS

For the 6 months
ended 31 December 2017

Perpetual 

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

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PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated financial statements of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the half-year ended 31 December 2017 and the independent auditor's review report thereon.

Directors

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

Tony D'Aloisio AM, Chairman and Independent Director
BA LLB (Hons) (Age 68)

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

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

Listed company directorships held during the past three financial years:

- IRESS Limited (from June 2012 to present)

Philip Bullock AO, Independent Director
BA MBA GAICD Dip Ed (Age 64)

Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was Chief Executive Officer and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a Non-executive Director of Hills Limited and formerly of Healthscope Limited and CSG Limited. He also provided advice to the Federal Government, through a number of organisations, most notably as Chair of Skills Australia. He is a member of Perpetual's Audit, Risk and Compliance Committee and People and Remuneration Committee.

Mr Bullock brings to the Board extensive management experience in Australia and Asia in technology, client relationships, marketing, talent development and government.

Listed company directorships held during the past three financial years:

- CSG Limited (from August 2009 to November 2015)
- Hills Limited (from June 2014 to the present)

Sylvia Falzon, Independent Director
MIR (Hons) BBus FAICD SF Fin (Age 53)

Appointed Director in November 2012. Ms Falzon has worked in the financial services industry for over 27 years and during that time has held senior executive positions responsible for institutional and retail funds management businesses, both domestically and internationally. Her roles have included Head of Business Development at Aviva Investors Australia, an equity partner at Alpha Investment Management and Chief Manager International Sales & Service at National Mutual Funds Management/AXA. Ms Falzon is currently a Non-executive Director of Regis Healthcare Limited, Cabrini Health Ltd and serves as Chairman of the Cabrini Foundation. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Investment Committee and Nominations Committee.

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DIRECTORS' REPORT (continued)

Directors (continued)

Sylvia Falzon, Independent Director
MIR (Hons) BBus FAICD SF Fin (Age 53) (continued)

Ms Falzon brings to the Board her extensive knowledge and insight in the development of asset management businesses with a particular focus on marketing, sales/distribution, client service and operations including risk management and compliance.

Listed company directorships held during the past three financial years:

- SAI Global Limited (from October 2013 to December 2016 (delisted due to company's acquisition by private equity))
- Regis Healthcare Limited (from September 2014 to present)

Nancy Fox, Independent Director
BA JD (Law) FAICD (Age 61)

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

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

Listed company directorships held during the past three financial years:

- Perpetual Equity Investment Company Limited (from July 2017 to present)

Ian Hammond, Independent Director
BA (Hon) FCA FCPA GAICD (Age 59)

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 Citibank Australia 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.

P Craig Ueland, Independent Director
BA (Hons and Distinction) MBA (Hons) CFA (Age 59)

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

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DIRECTORS' REPORT (continued)

Directors (continued)

P Craig Ueland, Independent Director
BA (Hons and Distinction) MBA (Hons) CFA (Age 59) (continued)

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.

Geoff Lloyd
Chief Executive Officer and Managing Director
Barrister at Law LLM (Distinction) (UTS) Adv Mgt Program (Harvard) (Age 49)

Mr Lloyd joined Perpetual in August 2010 and was appointed CEO and Managing Director in February 2012. In 2012, Mr Lloyd and his senior leadership team rolled out Perpetual's Transformation 2015 strategy designed to simplify, refocus and grow Perpetual. Growth initiatives put in place as part of this strategy include the successful acquisition of The Trust Company in December 2013 and the launch of a new global equity capability in September 2014. Before being appointed CEO and Managing Director, Mr Lloyd was Group Executive of Private Wealth at Perpetual, where he led the development and implementation of the growth strategy for this business. He took on the additional responsibility of head of retail distribution in September 2011.

Before commencing at Perpetual, Mr Lloyd held a number of senior roles at BT Financial Group and St. George's Wealth Management business including General Manager, Advice and Private Banking and Group Executive Wealth Management.

Mr Lloyd was appointed Chair of the Financial Services Council (FSC) in July 2016. Prior to this appointment, he held a number of positions in the FSC including Co-Deputy Chairman, Deputy Chairman of the FSC's Administration & Risk Board Committee, Deputy Chairman of the FSC's Nominations Board Committee and Co-Chairman of the FSC's Advice Board Committee. Mr Lloyd is an advisory Board member of The Big Issue, and the Patron of the Financial Industry Community Aid Program. He is a patron of the Emerge Foundation and is also Chairman of the University of Technology Sydney Law School Advisory Board.

On 20 November 2017, Mr Lloyd announced that he will be stepping down from the CEO role on 30 June 2018.

Eleanor Padman
BA (Hons) OXON, AGIA, ACIS

Appointed Company Secretary on 31 July 2017. Mrs Padman is head of Perpetual's Legal, Compliance and Company Secretariat teams.

Prior to joining Perpetual, Mrs Padman was General Counsel and Company Secretary of Pinnacle Investment Management Limited. Mrs Padman is a lawyer with over 20 years' commercial experience gained in-house and in private practice, both in the UK and Australia. Mrs Padman has also served on a number of boards in the public, private and not-for-profit arenas.

COMPANY SECRETARY WHO RESIGNED DURING THE HALF YEAR

Glenda Charles
Grad Dip Corp Gov ASX Listed Entities GIA (Cert)

Appointed Company Secretary on 20 July 1999. Ms Charles resigned as Company Secretary of Perpetual Limited on 21 December 2017.

PERPETUAL LIMITED
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DIRECTORS' REPORT (continued)

Review of operations

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

For the half-year ended 31 December 2017, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of \$68.1 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2016 of \$66.0 million.

For the half-year ended 31 December 2017, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of \$71.5 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2016 of \$65.7 million.

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

The reconciliation of net profit after tax attributable to equity holders of Perpetual Limited to underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2017 is as follows:

| | 6 months ended | |
|--|-----------------------|-----------------------|
| | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
| Net profit after tax attributable to equity holders of Perpetual Limited | 68,051 | 66,035 |
| Significant items after tax: | | |
| Legal expenses ¹ | 3,479 | - |
| Gain on sale of business | - | (371) |
| Underlying profit after tax attributable to equity holders of Perpetual Limited | 71,530 | 65,664 |

¹Significant items includes \$3.5 million non-recurring legal costs in connection with Perpetual Investment Management Limited (PIML) cross shareholding claim against Brickworks and Washington H Soul Pattison (WHSP). As decided by the Perpetual Board, these costs were absorbed by the Company in order to align the client and the Company's interests.

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

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DIRECTORS' REPORT (continued)

Dividends

On 22 February 2018, the Directors resolved to pay a fully franked interim dividend of \$1.35 per share (2017: \$1.30 per share).

State of affairs

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

Events subsequent to reporting date

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

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

The Lead Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the half-year ended 31 December 2017.

Rounding off

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

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



Tony D'Aloisio
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 22nd day of February 2018.



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

To the Directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Perpetual Limited for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Martin McGrath
Partner

Sydney

22 February 2018

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PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2017

| | Section | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
|---|---------|-----------------------|-----------------------|
| Revenue | 1-2 | 269,267 | 255,472 |
| Expenses | 1-3 | (171,423) | (161,835) |
| Financing costs | | (1,280) | (1,547) |
| Net profit before tax | | 96,564 | 92,090 |
| Income tax expense | 1-4 | (28,513) | (26,055) |
| Net profit after tax | | 68,051 | 66,035 |
| Other comprehensive income | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences - foreign operations | | 118 | (5) |
| Available-for-sale financial assets - net change in fair value | | 2,991 | 2,414 |
| Available-for-sale financial assets - reclassified to profit or loss | | (617) | (630) |
| Income tax on items that may be reclassified to profit or loss | | (704) | (535) |
| Other comprehensive income, net of income tax | | 1,788 | 1,244 |
| Total comprehensive income | | 69,839 | 67,279 |
| Total comprehensive income attributable to: | | | |
| Equity holders of Perpetual Limited | | 69,839 | 67,279 |
| Earnings per share | | | |
| Basic earnings per share – cents per share | | 148.2 | 144.5 |
| Diluted earnings per share – cents per share | | 145.5 | 141.5 |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 13 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
as at 31 December 2017

| | Section | 31 Dec 2017 \$'000 | 30 Jun 2017 \$'000 |
|--|---------|-----------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | 3-1 | 270,148 | 323,487 |
| Receivables | | 105,304 | 96,308 |
| Structured products - EMCF assets | 4-1 | 286,011 | 277,670 |
| Prepayments | | 17,672 | 19,203 |
| Total current assets | | 679,135 | 716,668 |
| Other financial assets | | 83,650 | 63,081 |
| Property, plant and equipment | | 23,267 | 23,650 |
| Intangibles | | 327,770 | 331,237 |
| Deferred tax assets | | 26,135 | 33,325 |
| Prepayments | | 2,843 | 3,584 |
| Total non-current assets | | 463,665 | 454,877 |
| Total assets | | 1,142,800 | 1,171,545 |
| Liabilities | | | |
| Payables | | 40,604 | 51,850 |
| Structured products - EMCF liabilities | 4-1 | 285,035 | 276,954 |
| Current tax liabilities | | 3,243 | 22,645 |
| Employee benefits | | 32,855 | 49,099 |
| Provisions | 2-1 | 2,331 | 1,849 |
| Total current liabilities | | 364,068 | 402,397 |
| Payables | | 1,893 | 1,840 |
| Borrowings | 3-2 | 87,000 | 87,000 |
| Deferred tax liabilities | | 13,666 | 14,148 |
| Employee benefits | | 9,710 | 12,409 |
| Provisions | 2-1 | 19,404 | 19,370 |
| Total non-current liabilities | | 131,673 | 134,767 |
| Total liabilities | | 495,741 | 537,164 |
| Net assets | | 647,059 | 634,381 |
| Equity | | | |
| Contributed equity | 3-3 | 508,643 | 501,766 |
| Reserves | | 19,923 | 20,207 |
| Retained earnings | | 118,493 | 112,408 |
| Total equity attributable to holders of Perpetual Limited | | 647,059 | 634,381 |
| Total equity | | 647,059 | 634,381 |

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 13 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2017

| \$000 | Gross contributed equity | Treasury share reserve | Equity compensation reserve | Other reserves | Retained earnings | Equity holders of Perpetual | Total |
|---------------------------------------|--------------------------------|------------------------------|-----------------------------------|-------------------|----------------------|--------------------------------|----------------|
| Balance at 1 July 2017 | 550,405 | (48,639) | 16,734 | 3,473 | 112,408 | 634,381 | 634,381 |
| Total comprehensive income | - | - | - | 1,788 | 68,051 | 69,839 | 69,839 |
| Movement on treasury shares | (471) | 7,348 | (7,771) | - | 894 | - | - |
| Equity remuneration expense | - | - | 5,699 | - | - | 5,699 | 5,699 |
| Dividends paid to shareholders | - | - | - | - | (62,875) | (62,875) | (62,875) |
| De-recognition of a controlled entity | - | - | - | - | 15 | 15 | 15 |
| Balance at 31 December 2017 | 549,934 | (41,291) | 14,662 | 5,261 | 118,493 | 647,059 | 647,059 |

| \$000 | Gross contributed equity | Treasury share reserve | Equity compensation reserve | Other reserves | Retained earnings | Equity holders of Perpetual | Total |
|------------------------------------|--------------------------------|------------------------------|-----------------------------------|-------------------|----------------------|--------------------------------|----------------|
| Balance at 1 July 2016 | 552,755 | (59,290) | 13,637 | 3,528 | 94,889 | 605,519 | 605,519 |
| Total comprehensive income | - | - | - | 1,244 | 66,035 | 67,279 | 67,279 |
| Movement on treasury shares | (2,194) | 9,896 | (8,560) | - | 858 | - | - |
| Equity remuneration expense | - | - | 6,048 | - | - | 6,048 | 6,048 |
| Dividends paid to shareholders | - | - | - | - | (60,547) | (60,547) | (60,547) |
| Balance at 31 December 2016 | 550,561 | (49,394) | 11,125 | 4,772 | 101,235 | 618,299 | 618,299 |

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 13 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2017

| Section | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Cash receipts in the course of operations | 280,187 | 264,876 |
| Cash payments in the course of operations | (209,668) | (185,612) |
| Dividends received | 95 | 45 |
| Interest received | 3,256 | 2,620 |
| Interest paid | (1,309) | (1,476) |
| Income taxes paid | (41,973) | (38,158) |
| Net cash from operating activities | 30,588 | 42,295 |
| Cash flows from investing activities | | |
| Payments for property, plant, equipment and software | (5,354) | (8,335) |
| Payments for investments | (30,543) | (10,258) |
| Proceeds from sale of business | - | 371 |
| Proceeds from the sale of investments | 14,845 | 14,758 |
| Net cash used in investing activities | (21,052) | (3,464) |
| Cash flows from financing activities | | |
| Dividends paid | 1-6 (62,875) | (60,547) |
| Net cash used in financing activities | (62,875) | (60,547) |
| Net decrease in cash and cash equivalents | (53,339) | (21,716) |
| Cash and cash equivalents at 1 July | 323,487 | 278,230 |
| Cash and cash equivalents at 31 December | 270,148 | 256,514 |

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 13 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements
for the half-year ended 31 December 2017

Section 1 Group performance

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

1-1 Operating segments

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

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

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

i. Services provided

The consolidated entity operates in the financial services industry in Australia and Singapore and provides wealth management and corporate trust services. The major services from which the reportable segments derive revenue are:

| | |
|---------------------------|--|
| Perpetual Investments | Provides investment management services on behalf of private, corporate, superannuation and institutional clients. |
| Perpetual Private | Provides a wide range of investment and non-investment products and services. These include a comprehensive advisory service, tax and accounting services provided by Fordham, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. Perpetual Private also provides many of these services to charities, not for profit and other philanthropic organisations. |
| Perpetual Corporate Trust | Provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, responsible entity services, trustee services for securitisation, unit trusts, REITs and debt securities, data warehouse and investor reporting and registrar, or agent for corporate and financial services clients. |

ii. Geographical information

The consolidated entity operates in Australia and Singapore. The majority of the consolidated entity's revenue and assets relate to operations in Australia. The Singapore operation is not material.

iii. Major customer

The consolidated entity does not rely on any major customer.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

1-1 Operating segments (continued)

| | Perpetual Investments ¹ \$'000 | Perpetual Private \$'000 | Perpetual Corporate Trust \$'000 | Total \$'000 |
|--|---|--------------------------------|---|-----------------|
| 31 December 2017 | | | | |
| External revenues | 119,958 | 92,754 | 49,555 | 262,267 |
| Interest revenue | 107 | 49 | 15 | 171 |
| Total revenue for reportable segment | 120,065 | 92,803 | 49,570 | 262,438 |
| Depreciation and amortisation | (1,257) | (4,426) | (3,135) | (8,818) |
| Reportable segment net profit before tax | 58,096 | 23,129 | 19,817 | 101,042 |
| Reportable segment assets | 331,897 | 209,840 | 191,870 | 733,607 |
| 31 December 2016 | | | | |
| External revenues | 116,280 | 86,569 | 44,490 | 247,339 |
| Interest revenue | 201 | 56 | 51 | 308 |
| Total revenue for reportable segment | 116,481 | 86,625 | 44,541 | 247,647 |
| Depreciation and amortisation | (1,348) | (5,042) | (3,048) | (9,438) |
| Reportable segment net profit before tax | 58,814 | 18,709 | 16,773 | 94,296 |
| Reportable segment assets | 322,236 | 210,891 | 187,461 | 720,588 |
| 30 June 2017 | | | | |
| Reportable segment assets | 325,529 | 208,698 | 187,162 | 721,389 |

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

| | |
|--------------------|--------------------|
| 31 Dec 2017 | 31 Dec 2016 |
| \$'000 | \$'000 |

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

Revenues

| | | |
|--|---------|---------|
| Total revenue for reportable segments | 262,438 | 247,647 |
| Add: Group and Support Services revenue | 6,212 | 6,824 |
| Net gain on sale of investments | 617 | 630 |
| Total revenue from continuing operations | 269,267 | 255,101 |

Net profit before tax

| | | |
|---|---------|---------|
| Total net profit before tax for reportable segments | 101,042 | 94,296 |
| Financing costs | (1,280) | (1,547) |
| Gain on sale of business | - | 371 |
| Group and Support Services expense | (3,198) | (1,030) |
| Net profit before tax | 96,564 | 92,090 |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

| | 31 Dec 2017 | 30 Jun 2017 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| 1-1 Operating segments (continued) | | |
| Total assets | | |
| Total assets for reportable segments | 733,607 | 721,389 |
| Group and Support Services assets | 409,193 | 450,156 |
| Total assets | 1,142,800 | 1,171,545 |

| | 31 Dec 2017 | 31 Dec 2016 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| 1-2 Revenue | | |
| Revenue from the provision of services | 258,638 | 243,408 |
| Income from structured products | 3,636 | 3,997 |
| Dividends | 83 | 40 |
| Interest and unit trust distributions | 6,293 | 7,026 |
| Net gain on sale of investments | 617 | 630 |
| Revenue from continuing operations | 269,267 | 255,101 |
| Gain on sale of business | - | 371 |
| | 269,267 | 255,472 |

| | | |
|--|----------------|----------------|
| 1-3 Expenses | | |
| Staff related expenses excluding equity remuneration expense | 93,163 | 89,563 |
| Occupancy expenses | 9,293 | 9,072 |
| Administrative and general expenses ¹ | 52,267 | 45,157 |
| Distributions and expenses relating to structured products | 2,457 | 2,695 |
| Equity remuneration expense | 5,158 | 5,743 |
| Depreciation and amortisation expense | 9,085 | 9,605 |
| | 171,423 | 161,835 |

¹Administrative and general expenses includes \$5.0 million of non-recurring legal costs (\$3.5 million after tax) in connection with Perpetual Investment Management Limited (PIML) cross shareholding claim against Brickworks and Washington H Soul Pattinson (WHSP). These costs were absorbed by the Company in order to align the client and Company's interest.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

| | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
|---|-------------------------------|-------------------------------|
| 1-4 Income taxes | | |
| Current period tax expense | | |
| Current period tax expense | 22,773 | 24,149 |
| Adjustment for prior periods | (24) | (728) |
| Research and development tax incentives from prior periods | (240) | (359) |
| Total current tax expense impacting income taxes payable | <u>22,509</u> | <u>23,062</u> |
| Deferred tax expense | | |
| Temporary differences | 6,004 | 2,993 |
| Total income tax expenses | <u>28,513</u> | <u>26,055</u> |
| Profit before tax for the period | 96,564 | 92,090 |
| Prima facie income tax expense calculated at 30% (2016: 30%) on profit for the period | 28,969 | 27,627 |
| – Accounting gains on disposal of investment and businesses | (173) | (300) |
| – Accounting impairment on assets | (12) | - |
| – Recognition of previously unrecognised capital and revenue losses | - | (153) |
| – Prior period adjustments | (217) | (1,087) |
| – Other non-taxable income/expenses and tax credits | (295) | (252) |
| – Other non-deductible expenses | 241 | 220 |
| Total | <u>28,513</u> | <u>26,055</u> |
| Effective tax rate (ETR) | 29.5% | 28.3% |
| | 31 Dec 2017 \$'000 | 30 Jun 2017 \$'000 |
| Income taxes payable at the beginning of the period | 22,645 | 21,863 |
| Income taxes payable for the financial period | 22,509 | 60,997 |
| Add/Less: reclassification to deferred tax liabilities | - | - |
| Less: tax paid during the period | (41,973) | (60,132) |
| Other | 62 | (83) |
| <i>Income taxes payable at the end of the period</i> | <u>3,243</u> | <u>22,645</u> |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

1-4 Income taxes (continued)

Basis of calculation of ETR

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

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

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

The total tax benefits of realised capital tax losses are \$30,635,385 (30 June 2017: \$31,071,000), comprising \$3,000,000 (30 June 2017: \$3,000,000) recognised in deferred tax assets and \$27,635,385 (30 June 2017: \$28,071,000) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior year and are available to be utilised by the Australian income tax consolidated group in future years.

| | 31 Dec 2017 | 31 Dec 2016 |
|--|-----------------|-------------|
| | Cents per share | |

1-5 Earnings per share

| | | |
|--|---------------|---------------|
| Basic earnings per share | 148.2 | 144.5 |
| Diluted earnings per share | 145.5 | 141.5 |
| | \$'000 | \$'000 |
| Net profit after tax attributable to equity holders of Perpetual Limited | 68,051 | 66,035 |

| | 31 Dec 2017 | 31 Dec 2016 |
|--|------------------|-------------|
| | Number of shares | |
| Weighted average number of ordinary shares (basic) | 45,921,754 | 45,708,204 |
| Effect of dilutive potential ordinary shares (including those subject to performance rights) | 839,974 | 955,523 |
| Weighted average number of ordinary shares (diluted) | 46,761,728 | 46,663,727 |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

1-6 Dividends

| | Cents per share | Total amount \$'000 | Franked / Unfranked | Date of payment |
|-------------------------|--------------------|---------------------------|------------------------|--------------------|
| 31 December 2017 | | | | |
| Final 2017 ordinary | 135 | 62,875 | Franked | 29 Sept 2017 |
| Total amount | 135 | 62,875 | | |
| 31 December 2016 | | | | |
| Final 2016 ordinary | 130 | 60,547 | Franked | 28 Sept 2016 |
| Total amount | 130 | 60,547 | | |

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

The Company introduced a Dividend Reinvestment Plan (DRP) in May 2009. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs. Shareholders can elect to participate in or terminate their involvement in the DRP at any time.

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

| | Cents per share | Total amount ¹ \$'000 | Franked / Unfranked | Date of payment |
|-----------------------|--------------------|--|------------------------|--------------------|
| Interim 2018 ordinary | 135 | 62,875 | Franked | 26 Mar 2018 |

¹Calculation based on the ordinary shares on issue as at 31 December 2017.

The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2017 and will be recognised in subsequent financial reports. There are no tax consequences.

| | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
|---|-----------------------|-----------------------|
| Dividend franking account | | |
| Amount of franking credits available to shareholders for subsequent financial periods | 45,906 | 43,250 |

The above available amounts are based on the balance of the dividend franking account at 31 December 2017 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 half-year end.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

Section 2 Operating assets and liabilities

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

| | 31 Dec 2017 | 30 Jun 2017 |
|-------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| <hr/> | | |
| 2-1 Provisions | | |
| Current | | |
| Lease expense provision | 963 | 761 |
| Other provisions | 1,368 | 1,088 |
| | 2,331 | 1,849 |
| | 2,331 | 1,849 |
| Non-current | | |
| Lease expense provision | 19,404 | 19,370 |
| | 19,404 | 19,370 |
| | 19,404 | 19,370 |

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PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

Section 3 Capital management and financing

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

| | 31 Dec 2017 | 30 Jun 2017 |
|--------------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| 3-1 Cash and cash equivalents | | |
| Bank balances | 104,048 | 121,987 |
| Short-term deposits | 166,100 | 201,500 |
| | <u>270,148</u> | <u>323,487</u> |

Short-term deposits represent rolling 30-90 day term deposits.

In accordance with the consolidated entity's Group Policy - Treasury, the consolidated entity holds cash and cash equivalents to support its regulatory capital requirements of \$155.6 million as at 31 December 2017 (\$151.2 million as at 30 June 2017).

| | 31 Dec 2017 | 30 Jun 2017 |
|---|--------------------|--------------------|
| | \$'000 | \$'000 |
| 3-2 Borrowings | | |
| The consolidated entity has access to the following line of credit: | | |
| Total facility used | <u>87,000</u> | <u>87,000</u> |
| Facility unused | <u>43,000</u> | <u>43,000</u> |
| Total facility | <u>130,000</u> | <u>130,000</u> |

The \$43 million unused bank facility may be drawn at any time at the discretion of the consolidated entity. The floating rate bank bill facility is unsecured and had a floating interest rate of 3.06 per cent at 31 December 2017, inclusive of the undrawn line fee (30 June 2017: 2.98 per cent).

The consolidated entity has agreed to various debt covenants including shareholders' funds as a specified percentage of total assets, a minimum amount of shareholders' funds, a maximum ratio of gross debt to EBITDA, a minimum interest cover and a maximum amount of structured product liabilities. The consolidated entity is in compliance with the covenants at 31 December 2017. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

The consolidated entity's bank facility is subject to annual review, and during the period the facility was refinanced. Repayment of the \$87 million is due 19 October 2019.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

| | 31 Dec 2017 | 30 Jun 2017 |
|--|-------------|-------------|
| | \$'000 | \$'000 |

3-3 Contributed equity

| | | |
|--|----------|----------|
| Fully paid ordinary shares 46,574,426 (30 June 2017: 46,574,426) | 549,934 | 550,405 |
| Treasury shares 561,049 (30 June 2017: 741,882) | (41,291) | (48,639) |
| | 508,643 | 501,766 |

| 31 Dec 2017 | | 30 Jun 2017 | |
|-------------------------------------|------------|---------------------|------------|
| Number of shares | \$'000 | Number of shares | \$'000 |
| Balance at beginning of period/year | 45,832,544 | 501,766 | 45,593,126 |
| Shares issued: | | | |
| - Movement on treasury shares | 180,833 | 6,877 | 239,418 |
| Balance at end of period/year | 46,013,377 | 508,643 | 45,832,544 |

Movements in share capital

| | | | | |
|-------------------------------------|------------|---------|------------|---------|
| Balance at beginning of period/year | 45,832,544 | 501,766 | 45,593,126 | 493,465 |
| Shares issued: | | | | |
| - Movement on treasury shares | 180,833 | 6,877 | 239,418 | 8,301 |
| Balance at end of period/year | 46,013,377 | 508,643 | 45,832,544 | 501,766 |

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

Terms and conditions

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

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

| | 31 Dec 2017 | 30 Jun 2017 |
|--|-------------|-------------|
| | \$'000 | \$'000 |

3-4 Contingencies

| | | |
|---|--------|--------|
| Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities | 1,000 | 1,000 |
| Bank guarantee in favour of the Australian Securities and Investments Commission in relation to the provision of responsible entity services and custodial services | 10,000 | 10,000 |
| Bank guarantee issued in respect of the lease of premises of The Trust Company Limited | 1,796 | 1,796 |
| Bank guarantee issued in respect of the lease of premises of Perpetual Limited | 644 | 846 |
| | 13,440 | 13,642 |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

3-4 Contingencies (continued)

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

Banksia

In December 2012, a class action commenced for damages against The Trust Company (Nominees) Limited (TrustCo) in its capacity as trustee for the debentures issued by Banksia Securities Limited (Banksia) and other defendants including Banksia Securities Limited, Cherry Fund Limited, RSD Chartered Accountants and the directors of both Banksia Securities Limited and Cherry Fund Limited. Liquidator's proceedings commenced in May 2015 against TrustCo.

On 10th November 2017 the plaintiffs agreed to a settlement in relation to their claim against TrustCo. The settlement was formalised and approved by the Court on 30th January 2018. The resolution of this matter had no material impact on the Company's operation or financial position.

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PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

Section 4 Other disclosures

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

| | 31 Dec 2017 | 30 Jun 2017 |
|---|-------------|-------------|
| | \$'000 | \$'000 |
| 4-1 Structured products assets and liabilities | | |
| i. Exact Market Cash Funds | | |
| Current assets | | |
| Perpetual Exact Market Cash Fund | 186,760 | 178,043 |
| Perpetual Exact Market Cash Fund No. 2 | 99,251 | 99,627 |
| | 286,011 | 277,670 |
| Current liabilities | | |
| Perpetual Exact Market Cash Fund | 186,170 | 177,659 |
| Perpetual Exact Market Cash Fund No. 2 | 98,865 | 99,295 |
| | 285,035 | 276,954 |

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 equity in the available-for-sale-reserve.

The Perpetual Exact Market Cash Fund (EMCF 1) was established with the purpose of providing an exact return that matched the Bloomberg AusBond Bank Bill Index (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of \$3 million (30 June 2017: \$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.

The Perpetual Exact Market Cash Fund No. 2 (EMCF 2) was established to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of \$1.5 million (30 June 2017: \$1.5 million) to be called upon in the event that Perpetual does not meet its obligations.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

4-2 Financial instruments

Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 31 December 2017. The different levels have been defined as follows:

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

Consolidated

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| At 31 December 2017 | | | | |
| Financial assets | | | | |
| Available-for-sale listed equity securities | 13,104 | - | - | 13,104 |
| Available-for-sale unlisted unit trusts | - | 70,056 | - | 70,056 |
| Structured products - EMCF assets | 7,252 | 278,759 | - | 286,011 |
| | <u>20,356</u> | <u>348,815</u> | <u>-</u> | <u>369,171</u> |
| At 30 June 2017 | | | | |
| Financial assets | | | | |
| Available-for-sale listed equity securities | 10,473 | - | - | 10,473 |
| Available-for-sale unlisted unit trusts | - | 52,127 | - | 52,127 |
| Structured products - EMCF assets | 39,533 | 238,137 | - | 277,670 |
| | <u>50,006</u> | <u>290,264</u> | <u>-</u> | <u>340,270</u> |

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

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

4-2 Financial instruments (continued)

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

| | 31 Dec 2017 | | 30 Jun 2017 | |
|--|------------------------------|-------------------------|------------------------------|-------------------------|
| | Carrying amount \$'000 | Fair Value \$'000 | Carrying amount \$'000 | Fair Value \$'000 |
| Current | | | | |
| Structured products – EMCF liabilities | 285,035 | 286,011 | 276,954 | 277,670 |

4-3 Events subsequent to balance date

The Directors are not aware of any other event or circumstance since the end of the financial period 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 periods.

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PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

Section 5 **Basis of preparation**

5-1 Reporting entity

Perpetual Limited ("the Company") is a company domiciled in Australia. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2017 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interests in associates.

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

The consolidated annual financial statements for the consolidated entity as at and for the year ended 30 June 2017 are available at www.perpetual.com.au.

a. Statement of compliance

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

The condensed consolidated half-year financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the consolidated entity for the year ended 30 June 2017.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 22 February 2018.

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

b. Use of judgements and estimates

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

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to and are described in the consolidated financial statements as at and for the year ended 30 June 2017.

5-2 Significant accounting policies

The accounting policies applied by the consolidated entity in these half-year financial statements are the same as those applied by the consolidated entity in its annual financial statements as at and for the year ended 30 June 2017.

5-3 New Standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations have been issued but are yet not mandatory. The consolidated entity has not early adopted any of these new standards or amendments in this financial report. Those that are applicable to the consolidated entity and will apply in future periods are described as follows:

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

5-3 New Standards and interpretations not yet adopted (continued)

(a) AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in *AASB 139 Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for the calculation of impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Management has undertaken an initial assessment of this standard and has noted that certain available-for-sale securities held by the consolidated entity will be reclassified to fair value through profit or loss (currently classified as fair value through other comprehensive income). Management does not expect the impact of this standard to be material.

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 requires identification of distinct performance obligations within a contract and allocation of the transaction price of the contract to those performance obligations. Revenue is recognised as each performance obligation is satisfied. Variable amounts of revenue can only be recognised if it's highly probable that a significant reversal of the variable amount will not be required in future periods. It replaces existing revenue recognition guidance, including *AASB 118 Revenue*, *AASB 111 Construction Contracts* and *IFRIC 13 Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Upon undertaking an assessment of this standard, management performed a review of contracts and the accounting treatment of point in time fees. Management does not expect the impact of this standard to be material.

(c) AASB 16 Leases

AASB 16 introduces new requirements for the recognition of lease assets and lease liabilities in the Consolidated Statement of Financial Position. The classification of the lease liability and lease asset will be determined with reference to the period over which the consolidated entity is expected to benefit from the lease and will be disclosed as current or non-current accordingly. The new standard is also likely to result in a reduction in the consolidated entity's occupancy expenses as lease costs will instead be allocated against the lease liability. The lease asset will be amortised over the life of the lease resulting in a depreciation and amortisation charge. The depreciation and amortisation charge is expected to approximate the reduction in occupancy expenses. The consolidated entity will disclose the unwinding of the discount on the lease liability as a financing cost in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The new standard is expected to impact leases which are currently classified by the consolidated entity as operating leases; primarily the lease of office space around Australia.

AASB 16 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, *AASB 15 Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

These new standards and amendments, when applied in future periods, are not expected to have a material impact on the performance of the consolidated entity, and as noted above are expected to have an impact on lease assets and liabilities.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2017

Directors' Declaration

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

1. the condensed consolidated financial statements and notes set out on pages 13 to 27 are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that Perpetual Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Tony D'Aloisio
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 22nd day of February 2018.



Independent Auditor's Review Report

To the members of Perpetual Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year Financial Report of Perpetual Limited (the Company) and its controlled entities (the Consolidated Entity).

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

- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Half-year Financial Report comprises:

- the condensed consolidated statement of financial position as at 31 December 2017;
- condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Half-year ended on that date;
- notes (sections 1 to 5) comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

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

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Auditor's responsibility for the review of the Half-year Financial Report

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

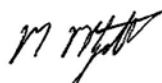
- giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Perpetual Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG



Martin McGrath
Partner

Sydney

22 February 2018

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