PERPETUAL LIMITED

ABN 86 000 431 827

AND ITS CONTROLLED ENTITIES

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2009

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
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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 2009 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:

Robert M Savage AM, Chairman and Independent Director
FASCPAS, FAICD, FAIM (Age 68)
Appointed as a director in 2001 and as Chairman in October 2005. He was formerly Chairman and Managing Director of IBM Australia and New Zealand. He is Chairman of David Jones Limited and a director of Fairfax Media Limited. He is Chairman of Perpetual's Nominations Committee and a member of the People and Remuneration Committee.

Mr Savage brings to the Perpetual board his experience as a senior executive in Australia and the Asian region, including experience in people management and organisation effectiveness issues and several years as a non-executive director and chairman across a wide range of Australian companies.

Listed company directorships held during the past three financial years:

- David Jones Limited from October 1999 (current)
- Smorgon Steel Group Limited from April 2000 to August 2007
- Mincom Limited (Chairman) from May 2002 to May 2007
- Fairfax Media Limited from June 2007 (current)

Paul V Brasher, Independent Director
BEc (Hons), FCA (Age 59)
Appointed director in November 2009. Mr Brasher was formerly Chairman of the Global Board of PricewaterhouseCoopers International. He previously chaired the Board of PricewaterhouseCoopers' Australian firm and held a number of other senior management and client services roles during his career with the firm. Mr Brasher was Client Service Partner and /or Lead Engagement Partner for some of the firm's most significant clients.

He also spent significant periods working with PricewaterhouseCoopers in the US and UK. Mr Brasher is currently Chairman of the Reach Foundation, a Board member of the Victorian Arts Centre Trust and Honorary Treasurer of Vision Australia's i-access project. He is a member of Perpetual's Audit Risk and Compliance Committee and People and Remuneration Committee.

Mr Brasher brings to the board his local and global experience as a senior executive and director, particularly in the areas of strategy, audit and risk management and public company governance.

Meredith J Brooks, Independent Director
BA, FIAA (Age 48)
Appointed as a director in November 2004. She was formerly Managing Director, US Institutional Investment Services for Frank Russell Company based in New York. Prior to that she held the position of Managing Director of Frank Russell Australasia for five years and was previously Director, European Funds based in London. Ms Brooks is Chair of Synergy & TaikOz Limited and has been appointed to the industry advisory board of Macquarie University Faculty of Business and Economics. She is a member of Perpetual's Audit Risk and Compliance Committee and Investment Committee.

Ms Brooks brings to the board over 20 years of senior funds management experience both in Australia and internationally.

DIRECTORS' REPORT (continued)

Directors (continued)

E Paul McClintock AO, Independent Director
BA, LLB (Age 60)
Appointed as a director in April 2004. He is Chairman of Thales Australia, Medibank Private Limited and the COAG Reform Council and has served as Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government. He is Chairman of Perpetual's Investment Committee and a member of the Nominations Committee and People and Remuneration Committee.

Mr McClintock brings to the board over 30 years experience as a legal adviser, investment banker and senior policy adviser to Government and corporations.

Listed company directorships held during the past three financial years:
- Symbion Health Limited (Chairman) from June 2005 to February 2008
- Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited) from May 2003 (current)

Elizabeth M Proust, Independent Director
BA (Hons), LLB, FAICD (Age 59)
Appointed as a director in January 2006. She was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ she was Secretary (CEO) of the Victorian Department of the Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd, a director of Spotless Group Limited, Insurance Manufacturers of Australia Pty Ltd, Sinclair Knight Merz Pty Ltd and has been appointed as a Public Sector Standards Commissioner by the Victorian Government. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

In addition to her skills from her leadership roles in significant change management programs, Ms Proust brings to the board her strengths in human resources, public affairs and strategy development, and her strong knowledge of board processes and governance through her many senior executive and board roles.

Listed company directorships held during the past three financial years:
- Spotless Group Limited from June 2008 to current

Peter B Scott, Independent Director
BE (Hons), M.Eng.Sc (Age 55)
Appointed as a director in July 2005. He was formerly the Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and held a number of senior positions with Lend Lease. He is Chairman of Sinclair Knight Merz Pty Limited and a director of Stockland Corporation Limited. Mr Scott is an advisory board member of Pilotlight Australia and an advisory panel member of Laing O'Rourke Australia. He is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Scott has more than 20 years of senior business experience in publicly listed companies and extensive knowledge of the wealth management industry.

Listed company directorships held during the past three financial years:
- Stockland Corporation Limited from August 2005 (current)

Directors (continued)

Philip J Twyman, Independent Director
BSc, MBA, FAICD (Age 65)
Appointed as a director in November 2004. He was formerly Group Executive Director of the London-based Aviva plc, one of the world's largest insurance groups with extensive fund management and wealth management businesses. Mr Twyman was also formerly Chairman of Morley Fund Management, a director of the Quilter Group, a UK private client stockbroker, and a senior executive of AMP in Australia. He has also been Chief Financial Officer of General Accident plc, Aviva plc and the AMP Group. Since returning to Australia, Mr Twyman has joined the board of IAG Limited, Medibank Private Limited and the local boards of the Swiss Re Group. He is also Chairman of ANZ Lenders Mortgage Insurance Pty Ltd and Overseas Council Australia. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of the Investment Committee and Nominations Committee.

As an experienced international executive and director, Mr Twyman brings to the Perpetual board his background in financial services, investment and wealth management together with considerable practical experience in relation to the audit and risk management issues faced by public companies in Australia and overseas.

Listed company directorships held during the past three financial years:
- IAG Limited from July 2008 (current)

David M Deverall, Managing Director
BE (Hons), MBA (Stanford) (Age 43)
Appointed Managing Director in September 2003. Prior to this Mr Deverall held senior management positions at Macquarie Bank Limited for seven years including Group Head of the Funds Management Group and Head of Strategy and Planning. He was previously a strategy consultant with Bain and Company and The LEK Partnership. Mr Deverall is Chair of the Investment and Financial Services Association (IFSA) and a member of the Executive Council of the Faculty of Business at the University of Technology Sydney.

Mr Deverall brings to Perpetual a combination of strategic ability and commercial drive and skills in product innovation and experience in management across a broad range of investment products and services. He also possesses an extensive overall understanding of the wealth management and wider financial services industry.

Alternate directors

Roger L Burrows, Alternate Director
BCom, CPA, MAICD (Age 46)
Alternate director for Mr Savage from December 2008. He joined Perpetual as Chief Financial Officer in March 2008. Mr Burrows has over 25 years of experience as a senior finance executive in a diverse range of industries, including property, financial services, IT services, professional services and manufacturing. Prior to working at Perpetual, Mr Burrows was with Lend Lease for 20 years, including 3 years as Group Chief Financial Officer.

Ivan D Holyman, Alternate Director
BEc, LLB (Age 54)
Alternate director for Mr Deverall from May 2006. He joined Perpetual in June 2004 as Chief Risk Officer. Prior to joining Perpetual he held the position of Chief Operating Officer Asia Pacific for UBS Warburg and spent 19 years with UBS AG (and its predecessor organisations) in various positions. Prior to UBS AG he spent two years with Samuel Montagu & Co Limited (a UK merchant bank) and four years with Blake Dawson Waldron, solicitors.

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DIRECTORS' REPORT (continued)

Company secretaries

Joanne Hawkins
BCom, LLB, Grad Dip CSP FCIS
Appointed Company Secretary in June 2003. Prior to this, Ms Hawkins was Assistant Company Secretary of Macquarie Bank and Ord Minnett and was Company Secretary, National Bank of the Solomon Islands. Ms Hawkins has also worked as a solicitor and legal adviser in New Zealand. Ms Hawkins is also head of Perpetual's legal team.

Glenda Charles
Grad. Dip. Corp. Gov. ASX Listed Entities
Joined Perpetual in August 1994. She was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over ten years experience in company secretarial practice and administration and has worked in the financial services industry for over 20 years.

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 half-year to 31 December 2009 were:

Director	Board		Audit Risk & Compliance Committee		Investment Committee		Nominations Committee		People & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
R M Savage AM[1]	7	7	3	2	-	-	1	1	3	3
P V Brasher[2]	2	2	1	1	-	-	-	-	-	-
M J Brooks	7	7	4	4	4	4	-	-	-	-
E P McClintock AO	7	7	-	-	4	4	1	1	3	3
E M Proust	7	7	4	4	-	-	1	1	3	3
P B Scott	7	6	-	-	4	4	-	-	3	3
P J Twyman	7	7	4	4	4	4	1	-	-	-
D M Deverall	7	7	-	-	-	-	-	-	-	-

1. Robert Savage retired from the Audit Risk & Compliance Committee on 17 November 2009.

2. Paul Brasher was appointed as a director of Perpetual Limited on 1 November 2009 and a member of the Audit Risk & Compliance Committee on 17 November 2009 and the People and Remuneration Committee on 16 February 2010.

Review of operations

A review of operations is included in the Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

For the half-year ended 31 December 2009, Perpetual reported a net profit after tax of $49.2 million compared to the net profit after tax for the half-year ended 31 December 2008 of $14.2 million.

The reconciliation of net profit after tax to underlying profit after tax for the half-year ended 31 December 2009 is as follows:

Reconciliation of underlying profit after tax	6 months ended 31 Dec 2009 $'000	6 months ended 31 Dec 2008 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**49,166**	**14,192**
(Less)/add : (Profit)/loss on sale of investments (after tax)	(1,844)	4,392
Add : Restructuring costs (after tax)	-	8,412
(Less)/add : Exact Market Cash Fund (gains)/losses (after tax)	(11,074)	14,904
Underlying profit after tax attributable to equity holders of Perpetual Limited	**36,248**	**41,900**
Add/(less): Profit/(loss) after tax attributable to minority interests [1]	164	(278)
Underlying profit after tax	**36,412**	**41,622**

[1] Profit/(loss) after tax attributable to minority interests arising from the sale of underlying investments within a seed fund.

This table has been prepared in accordance with the AICD/Finsia principles for reporting underlying profit.

Dividends

On 25 February 2010, the directors resolved to pay a fully franked interim dividend of 105 cents per share (2009: 40 cents per share).

State of affairs

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

Events subsequent to reporting date

On 15 December 2009, Perpetual Limited announced that it would acquire Fordham Group ("Fordham"). Fordham is a successful Melbourne based advisory firm for private business owners. It operates through two key divisions - Business Owner Accounting and Tax Services, and Investment Management and Advisory.

The acquisition was completed on 5 January 2010 and the operating results and acquired assets and liabilities of Fordham will be consolidated into Perpetual’s financial statements from that date. The total consideration for the acquisition is approximately $35 million and will be funded through a combination of internal cash resources and deferred consideration, and is subject to earn out payments.

Management is currently working on the allocation of the purchase price between net tangible assets, identifiable intangible assets and goodwill. As this work is not yet completed we have not provided additional financial information on the fair values of the assets acquired.

Except for the above, 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 years. Events subsequent to reporting date are set out in Note 19 to the condensed consolidated financial statements.

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DIRECTORS' REPORT (continued)

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

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2009.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this report and financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

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

Robert Savage	David Deverall
Chairman	Managing Director

Dated at Sydney this 25th day of February 2010.

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 for the half-year ended 31 December 2009 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

Andrew Yates
Partner

Sydney

25 February 2010

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Income Statement
for the half-year ended 31 December 2009

	Note	Consolidated 31 Dec 2009 $'000	Consolidated 31 Dec 2008 $'000
Revenue from the provision of services		193,360	187,927
Income from structured products		41,283	77,980
Investment income		6,728	6,774
	3	241,371	272,681
Staff related expenses excluding equity remuneration expense		(86,709)	(83,761)
Occupancy expenses		(8,237)	(8,526)
Administrative and general expenses		(29,652)	(28,962)
Distributions and expenses relating to structured products		(25,462)	(99,271)
Earnings before interest, tax, depreciation, amortisation, equity remuneration expense, profit/(loss) on disposal of investments, impairment of available-for-sale securities and share of loss of equity accounted investees		91,311	52,161
Financing costs		(1,160)	(1,638)
Equity remuneration expense		(13,268)	(15,504)
Depreciation and amortisation expense	4	(7,050)	(6,079)
		(21,478)	(23,221)
Proceeds from sale of investments		23,555	81,371
Cost of investments disposed of		(20,544)	(87,015)
Profit/(loss) on disposal of investments		3,011	(5,644)
Impairment of available-for-sale securities		(307)	(651)
Share of loss of equity accounted investees, net of income tax		(31)	(102)
Net profit before tax		**72,506**	**22,543**
Income tax expense		(22,316)	(10,532)
Income tax (expense)/benefit on disposal of investments		(860)	1,903
Income tax expense	7	**(23,176)**	**(8,629)**
Net profit after tax		**49,330**	**13,914**
(Profit)/loss after tax attributable to minority interests		(164)	278
Net profit after tax attributable to equity holders of Perpetual Limited		**49,166**	**14,192**
Basic earnings per share attributable to ordinary equity holders - cents per share	9	123.8	36.4
Diluted earnings per share attributable to ordinary equity holders - cents per share	9	115.0	33.8

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2009

	Consolidated	
	31 Dec 2009 $'000	31 Dec 2008 $'000
Net profit after tax	**49,330**	**13,914**
Other comprehensive income/(expense), net of tax:		
Available-for-sale reserve		
Reclassification of available-for-sale financial assets upon impairment	307	651
Reclassification of previously impaired available-for-sale financial assets upon disposal	(170)	-
Net change in fair value of available-for-sale financial assets	7,460	(8,785)
Cash flow hedge reserve		
Effective portion of changes in fair value of cash flow hedges	530	(20,948)
Foreign currency reserve		
Foreign exchange translation differences	(1,459)	2,018
Other comprehensive income/(expense)	**6,668**	**(27,064)**
Total comprehensive income/(expense)	**55,998**	**(13,150)**
Total comprehensive income/(expense) is attributable to:		
Minority interests	164	(278)
Equity holders of Perpetual Limited	55,834	(12,872)
Total comprehensive income/(expense)	**55,998**	**(13,150)**

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Balance Sheet
as at 31 December 2009

	Note	31 Dec 2009 $'000	Consolidated 30 Jun 2009 $'000	31 Dec 2008 $'000
Current assets				
Cash and cash equivalents	17	178,982	146,138	107,708
Receivables		80,669	78,148	79,024
Other financial assets		100	100	100
Structured products - EMCF assets	10a	1,285,274	1,495,790	2,091,902
Structured products - receivable from investors	10b	11,406	108,935	8,358
Derivative financial instruments		742	145	1,362
Prepayments		9,625	11,820	7,768
Current tax assets		-	-	6,993
Total current assets		**1,566,798**	**1,841,076**	**2,303,215**
Non-current assets				
Receivables		4,741	4,200	-
Interests in associates using the equity method	11	607	6,924	780
Shares in other companies, investments in unlisted unit trusts and other financial assets		47,034	36,709	60,505
Structured products - loans receivable	10b	187,963	210,716	332,274
Property, plant and equipment		25,321	27,730	29,978
Intangibles		131,865	112,660	104,474
Deferred tax assets		23,855	30,381	27,216
Total non-current assets		**421,386**	**429,320**	**555,227**
Total assets		**1,988,184**	**2,270,396**	**2,858,442**
Current liabilities				
Payables		32,869	35,442	52,113
Structured products - EMCF liabilities	10a	1,281,219	1,498,254	2,091,902
Structured products - interest-bearing liabilities	10b	10,649	107,683	-
Structured products - income received in advance		7,348	13,563	14,631
Derivative financial instruments		249	821	11,165
Current tax liabilities		7,579	150	-
Employee benefits		20,818	29,296	14,186
Provisions	13	9,374	6,796	2,416
Total current liabilities		**1,370,105**	**1,692,005**	**2,186,413**
Non-current liabilities				
Payables		2,244	1,819	86
Interest-bearing liabilities	12	45,000	45,000	45,000
Structured products - interest-bearing liabilities	10b	192,057	211,065	330,720
Deferred tax liabilities		2,285	2,137	3,558
Employee benefits		2,539	2,371	2,255
Provisions	13	26,433	25,958	29,416
Total non-current liabilities		**270,558**	**288,350**	**411,035**
Total liabilities		**1,640,663**	**1,980,355**	**2,597,448**
Net assets		**347,521**	**290,041**	**260,994**
Equity				
Contributed equity	14	199,031	174,222	168,829
Reserves		49,572	43,298	24,515
Retained earnings		97,798	72,413	64,606
Total equity attributable to holders of parent		**346,401**	**289,933**	**257,950**
Minority interest		1,120	108	3,044
Total equity		**347,521**	**290,041**	**260,994**

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
as at 31 December 2009

$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total	Minority interest	Total
Balance at 1 July 2009	347,350	(173,128)	174,222	(4,016)	103	(491)	48,457	(755)	43,298	72,413	289,933	108	290,041
Total comprehensive income/(expense)	**-**	**-**	**-**	**7,597**	**-**	**(1,459)**	**-**	**530**	**6,668**	**49,166**	**55,834**	**164**	**55,998**
Options exercised	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of ordinary shares	13,884	-	13,884	-	-	-	-	-	-	-	13,884	-	13,884
Employee Share Purchase Plan loan repayments during the period	-	60	60	-	-	-	-	-	-	-	60	-	60
Treasury shares issued during the period	3,861	(3,861)	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased on market	-	(1,072)	(1,072)	-	-	-	-	-	-	-	(1,072)	-	(1,072)
Treasury shares vested during the period	-	11,960	11,960	-	-	-	(11,960)	-	(11,960)	-	-	-	-
Fair value adjustment on recycled and vested TSR shares	(4,159)	4,159	-	-	-		-	-		-	-	-	-
Dividends on treasury shares used to purchase equity	-	(23)	(23)	-	-	-	23	-	23	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(25,506)	(25,506)	-	(25,506)
Dividends paid on treasury shares	-	-	-	-	-	-	(1,725)	-	(1,725)	1,725	-	-	-
Equity remuneration expense	-	-	-	-	-	-	13,268	-	13,268	-	13,268	-	13,268
Minority interest	-	-	-	-	-	-	-	-	-	-	-	848	848
Balance at 31 December 2009	**360,936**	**(161,905)**	**199,031**	**3,581**	**103**	**(1,950)**	**48,063**	**(225)**	**49,572**	**97,798**	**346,401**	**1,120**	**347,521**

$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total	Minority interest	Total
Balance at 1 July 2008	324,703	(160,892)	163,811	4,907	103	(688)	37,114	2,844	44,280	105,574	313,665	745	314,410
Total comprehensive income/(expense)	**-**	**-**	**-**	**(8,134)**	**-**	**2,018**	**-**	**(20,948)**	**(27,064)**	**14,192**	**(12,872)**	**(278)**	**(13,150)**
Options exercised	1,096	-	1,096	-	-	-	-	-	-	-	1,096	-	1,096
Employee Share Purchase Plan loan repayments during the period	-	98	98	-	-	-	-	-	-	-	98	-	98
Treasury shares issued during the period	11,199	(11,199)	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased on market	-	(410)	(410)	-	-	-	-	-	-	-	(410)	-	(410)
Treasury shares vested during the period	-	4,492	4,492	-	-	-	(4,488)	-	(4,488)	-	4	-	4
Fair value adjustment on recycled and vested TSR shares	(299)	496	197	-	-	-	-	-	-	-	197	-	197
Dividends on treasury shares used to purchase equity	-	(455)	(455)	-	-	-	455	-	455	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(59,181)	(59,181)	-	(59,181)
Dividends paid on treasury shares	-	-	-	-	-	-	(4,021)	-	(4,021)	4,021	-	-	-
Equity remuneration expense	-	-	-	-	-	-	15,353	-	15,353	-	15,353	-	15,353
Minority interest	-	-	-	-	-	-	-	-	-	-	-	2,577	2,577
Balance at 31 December 2008	**336,699**	**(167,870)**	**168,829**	**(3,227)**	**103**	**1,330**	**44,413**	**(18,104)**	**24,515**	**64,606**	**257,950**	**3,044**	**260,994**

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Cash Flow Statement
for the half-year ended 31 December 2009

	Note	Consolidated 31 Dec 2009 $'000	Consolidated 31 Dec 2008 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		224,203	201,082
Cash payments in the course of operations		(150,624)	(170,212)
Dividends received		371	631
Interest received		5,388	5,154
Interest paid		(1,160)	(2,000)
Income taxes paid		(12,565)	(25,285)
Net cash from operating activities		**65,613**	**9,370**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,517)	(5,778)
Payments for investments		(19,728)	(80,239)
Repayments of advances made under the Employee Share Purchase Plan		60	98
Acquisition of business		(8,875)	(12,931)
Proceeds from the sale of investments		23,555	81,371
Tax paid on sale of investments		-	(8,799)
Net cash used in investing activities		**(9,505)**	**(26,278)**
Cash flows from financing activities			
Proceeds from issue of shares		3,314	1,096
Payments for on market share purchase		(1,072)	(410)
Dividends paid		(25,506)	(59,181)
Net cash used in financing activities		**(23,264)**	**(58,495)**
Net increase/(decrease) in cash and cash equivalents		32,844	(75,403)
Cash and cash equivalents at 1 July		146,138	183,111
Cash and cash equivalents at 31 December	17	**178,982**	**107,708**

Note 1. Reporting entity

Perpetual Limited ("the Company") is domiciled in Australia. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2009 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interests in associates.

The consolidated annual financial statements for the consolidated entity as at and for the year ended 30 June 2009 are available at www.perpetual.com.au.

a. Statement of compliance

The half-year financial statements are a general purpose financial statement prepared in accordance with AASB 134: *Interim Financial Reporting* and 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 2009.

The condensed consolidated half-year financial statements were authorised for issue by the directors on 25 February 2010.

b. Basis of preparation and accounting 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 in the period in which the estimate is revised and in any future periods affected.

Except as described below, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2009:

- Business combination (refer Note 15)
- Goodwill (refer Note 16)

Note 2. Significant accounting policies

Except as described below, 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 2009.

a. Accounting for business combinations

Change in accounting policy

The consolidated entity has adopted revised *AASB 3 Business Combinations (2008)* and amended *AASB 127 Consolidated and Separate Financial Statements (2008)* for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The consolidated entity has applied the acquisition method for the business combination disclosed in Note 15.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the consolidated entity takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The consolidated entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the consolidated entity to the previous owners of the acquiree, and equity interests issued by the consolidated entity. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the consolidated entity and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then a part of the market-based measure of the replacement awards is included in the consideration transferred. If future services are required, then the difference between the amount included in consideration transferred and the market based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs

Transaction costs that the consolidated entity incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Note 2. Significant accounting policies (continued)

b. Determination and presentation of operating segments

As of 1 July 2009, the consolidated entity determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO), who is the consolidated entity's chief operating decision maker. The change in accounting policy is due to the adoption of *IFRS 8 Operating Segments* . Previously operating segments were determined and presented in accordance with *AASB 114 Segment Reporting* . The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of *IFRS 8* . Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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. 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 its performance, and for which discrete financial information is available.

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

c. Presentation of financial statements

The consolidated entity applies revised *AASB 101 Presentation of Financial Statements (2007),* which became effective as of 1 July 2009. As a result, the consolidated entity presents in the Condensed Consolidated Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Condensed Consolidated Statement of Comprehensive Income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

	Consolidated	
	31 Dec 2009 $'000	**31 Dec 2008 $'000**
Note 3. Revenue		
Revenue from the provision of services		
Gross revenue from fees	193,360	187,927
Other income		
Income from structured products	41,283	77,980
Investment income		
Dividends	379	489
Interest	5,990	4,300
Unit trust distributions	359	1,985
Total investment income	6,728	6,774
	241,371	**272,681**
Note 4. Net profit before tax		
Net profit before tax has been arrived at after charging/(crediting) the following items:		
Depreciation of property, plant and equipment	2,713	2,349
Amortisation of intangible assets:		
- Capitalised software	3,162	3,055
- Other intangible assets	1,175	675
	4,337	3,730
Total depreciation and amortisation expense	7,050	6,079
Rental charges – operating leases	6,576	6,733
Note 5. Individually significant and other items included in net profit for the period		
Profit/(loss) on sale of part of investment portfolio	3,011	(5,644)
Impairment of available-for-sale-securities	(307)	(651)
Total profit/(loss) on disposal of investments	2,704	(6,295)
Income tax (expense)/benefit applicable	(860)	1,903
Total profit/(loss) on disposal (impairment) of investments after tax	1,844	(4,392)
Exact Market Cash Fund gains/(losses)	15,821	(21,291)
Income tax (expense)/benefit applicable	(4,747)	6,387
	11,074	(14,904)
Restructuring costs	-	(12,017)
Income tax benefit applicable	-	3,605
	-	(8,412)
Total individually significant items included in net profit after tax	12,918	(27,708)

Note 6. Segment information

	Perpetual Investments[1] $'000	Private Wealth $'000	Corporate Trust $'000	Total $'000
31 December 2009				
External revenues	141,480	52,724	41,273	235,477
Inter-segment revenue/(expense)	5,321	(5,321)	-	-
Interest revenue	422	-	306	728
Total revenue for reportable segment	147,223	47,403	41,579	236,205
Depreciation and amortisation	(2,891)	(1,368)	(1,546)	(5,805)
Reportable segment net profit before tax	52,727	14,266	17,720	84,713
Reportable segment assets	1,571,855	81,588	46,985	1,700,428
31 December 2008				
External revenues	177,099	50,645	40,719	268,463
Inter-segment revenue/(expense)	5,645	(5,645)	-	-
Interest revenue	536	-	281	817
Total revenue for reportable segment	183,280	45,000	41,000	269,280
Depreciation and amortisation	(700)	(400)	(1,400)	(2,500)
Reportable segment net profit before tax	14,609	17,400	20,000	52,009
Reportable segment assets	2,502,907	60,641	44,793	2,608,341

[1] Segment information for Perpetual Investments includes the Exact Market Cash Fund.

	Consolidated	
	31 Dec 2009 $'000	31 Dec 2008 $'000
Reconciliations of reportable segment revenues, net profit before tax, and total assets		
Revenues		
Total revenue for reportable segments	236,205	269,280
Group and Support Services revenue	5,166	3,401
Total group revenue	241,371	272,681
Net profit before tax		
Total net profit before tax for reportable segments	84,713	52,009
Financing costs	(1,160)	(1,638)
Profit/(loss) on disposal of investments	3,011	(5,644)
Impairment of available-for-sale securities	(307)	(651)
Share of loss of equity accounted investees	(31)	(102)
Group and Support Services expenses	(13,720)	(21,431)
Net profit before tax	72,506	22,543

	Consolidated	
	31 Dec 2009	**31 Dec 2008**
	$'000	**$'000**

Note 6. Segment information (continued)

Reconciliations of reportable segment revenues, net profit before tax, and total assets (continued)

Total assets		
Total assets for reportable segments	1,700,428	2,608,341
Group and Support Services assets	287,756	250,101
Total assets	1,988,184	2,858,442

The consolidated entity has identified three reportable segments based on the internal reports that are reviewed and used by the consolidated entity's CEO in assessing performance and in determining the allocation of resources. For each of the reportable segments, the consolidated entity's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in each of the reportable segments:

a. Services provided

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

Perpetual Investments	Manufacturer of financial products, management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Private Wealth	Private Wealth provides a wide range of investment and non-investment products and services. These include a comprehensive advisory service, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. Private Wealth also provides many of these services to charities, not for profit and other philanthropic organisations.
Corporate Trust	The Corporate Trust division provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, trustee, registrar or agent for corporate and financial services clients and mortgage processing services.

Comparative segment information has been prepared in conformity with the requirement of AASB 8 *Operating Segments.*

b. Geographical segments

The consolidated entity operates predominantly in Australia. More than 90 per cent of revenue and non-current assets relate to operations in Australia.

c. Major customers

The consolidated entity does not rely on any major customer.

	Consolidated	
	31 Dec 2009	31 Dec 2008
	$'000	$'000

Note 7. Income tax expense

a. Income tax expense

	31 Dec 2009 $'000	31 Dec 2008 $'000
Current tax expense	20,169	2,214
Deferred tax expense	3,442	7,065
Over provided in prior year	(435)	(650)
Total	23,176	8,629

The consolidated entity's effective tax rate in respect of continuing operations for the half-year ended 31 December 2009 was 32 per cent (31 December 2008: 38 per cent). The effective tax rate differs to the Australian company tax rate of 30 per cent due to:

- losses incurred by a subsidiary operating in a foreign jurisdiction with a lower tax rate. An income tax benefit has not been recognised for those losses in the financial statements; and
- expenses incurred by the Australian tax consolidated group which are not deductible for tax.

The effective tax rate reduced to 32 per cent from 38 percent as the proportion of the total non-deductible items to total tax expense was lower in the half-year ended 31 December 2009.

Deferred income tax included in income tax expense	31 Dec 2009 $'000	31 Dec 2008 $'000
Decrease in deferred tax assets	4,032	4,277
(Decrease)/increase in deferred tax liabilities	(590)	2,788
Total	3,442	7,065

The above movements in deferred tax assets and deferred tax liabilities are net of movements recognised directly in equity.

At 31 December 2009, the consolidated entity had carried forward realised net capital losses of $5,646,000 (31 December 2008: $5,539,000) which had a tax benefit of $1,694,000 (31 December 2008: $1,662,000); the tax benefit of these capital losses has been recognised in deferred tax assets.

The consolidated entity had unrealised net capital losses recognised in income of $4,066,000 (31 December 2008: $8,386,000) which had a tax benefit of $1,220,000 (31 December 2008: $2,516,000); the tax benefit of those capital losses has been recognised in deferred tax assets.

The realisation of the deferred tax assets relating to the realised and unrealised capital losses is dependent on future capital gains being in excess of the losses shown above.

b. Amounts recognised directly in equity

	31 Dec 2009 $'000	31 Dec 2008 $'000
Deferred tax arising in the reporting period and not recognised in the net profit or loss but directly in equity	3,232	3,772

Note 8. Dividends

Dividends paid or provided for in the current and comparative periods are as follows:

	Cents per share	Total Amount $'000	Franked[1] / Unfranked	Date of Payment
31 December 2009				
Final 2009 - Ordinary dividend	60	25,506	Franked	30 September 2009
Total amount		25,506		
31 December 2008				
Final 2008 - Ordinary dividend	141	59,181	Franked	12 September 2008
Total amount		59,181		

[1]All franked dividends declared or paid during the period were franked at a tax rate of 30 per cent and paid out of reserves.

The directors resolved on 25 February 2010 to pay an interim ordinary dividend of 105 cents per share franked at 30% (2009: 40 cents per share franked at 30%). The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2009 and will be recognised in subsequent financial periods. The dividend is payable on 1 April 2010 with a record date of 11 March 2010.

	Consolidated 31 Dec 2009 $'000	Consolidated 31 Dec 2008 $'000
Dividend franking account		
30% (2008: 30%) franking credits available after the payment of income tax provided for in the financial statements	53,782	34,078

The above available amounts are based on the balance of the dividend franking account at 31 December 2009 adjusted for franking credits that will arise from the payment of the current tax liabilities.

Note 9. Earnings per share

	Cents per share	
Basic earnings per share	123.8	36.4
Diluted earnings per share	115.0	33.8

The following reflects the income and share information used in calculating the basic and diluted earnings per share:

	$'000	$'000
Net profit after tax attributable to equity holders of Perpetual Limited	49,166	14,192

	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	39,709,195	38,977,665
Effect of dilutive securities:		
Share options	40,703	3,809
Weighted average number of treasury shares on issue	2,999,915	3,058,692
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	42,749,813	42,040,166

	Consolidated 31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000

Note 10. Structured products assets and liabilities

a. Exact Market Cash Funds

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Current assets			
Exact Market Cash Fund 1	810,132	1,086,011	1,753,902
Exact Market Cash Fund 2	475,142	409,779	338,000
	1,285,274	1,495,790	2,091,902
Current liabilities			
Exact Market Cash Fund 1	808,381	1,089,263	1,753,902
Exact Market Cash Fund 2	472,838	408,991	338,000
	1,281,219	1,498,254	2,091,902

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 under the total return swap and reflect the net assets of the funds for unit pricing purposes.

The Exact Market Cash Fund 1 (EMCF 1) was established during the financial year ended 30 June 2005 with the purpose of providing an exact return that matched the UBS Bank Bill rate (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 $20 million (2008: $20 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 Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims 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 $5 million (2008: $5 million) to be called upon in the event that Perpetual does not meet its obligations.

b. Perpetual Protected Investments

Structured products - loan receivable at reporting date consists of the following:

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Current assets			
Structured products - receivable from investors	11,406	108,935	8,358
Non-current assets			
Structured products - loans receivable	190,724	212,247	333,241
Less: loan establishment fees	(467)	(540)	(967)
	190,257	211,707	332,274
Less: provision for credit losses	(2,294)	(991)	-
	187,963	210,716	332,274

	Consolidated		
	31 Dec 2009	**30 Jun 2009**	**31 Dec 2008**
	$'000	**$'000**	**$'000**

Note 10. Structured products assets and liabilities (continued)

b. Perpetual Protected Investments (continued)

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Movements in the provision for credit losses are as follows:			
Balance as at beginning of period	991	-	-
Provision for credit losses recognised during the period	1,303	991	-
Balance as at end of period	2,294	991	-

Structured products - interest-bearing liabilities at reporting date consists of the following:

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Current liabilities			
Structured products - interest-bearing liabilities	10,649	107,683	-
Non-current liabilities			
Structured products - interest-bearing liabilities	192,057	211,065	330,720

Note 11. Interest in associates using the equity method

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Investment in associates	607	6,924	780

Name of Entity	Country of Incorporation	Reporting Date	Ownership Interest 31 Dec 2009	30 Jun 2009	31 Dec 2008
Perpetual Wholesale Geared International Share Fund (PIWGIF)	Australia	31 Dec	48%	46%	45%
Perpetual Pure Value Share Fund (PIBIAS)	Australia	31 Dec	nil	11%	72%

PIBIAS was previously consolidated up until June 2009 when additional units being issued to third party investors diluted the consolidated entity's interest below 50%. All units held in PIBIAS were sold in August 2009.

Note 12. Interest-bearing liabilities

	Consolidated		
	31 Dec 2009	**30 Jun 2009**	**31 Dec 2008**
	$'000	**$'000**	**$'000**
Facilities utilised			
Floating rate bank facility	45,000	45,000	45,000
Facilities not utilised			
Floating rate bank facility	25,000	-	-

The consolidated entity has a floating rate bank facility of $70 million. The utilised component of the floating rate bank facility of $45 million is unsecured and has a floating interest rate of 4.3 per cent at 31 December 2009. Repayment of the existing facility is due at 31 July 2011. The $25 million unutilised bank facility may be drawn at any time at the discretion of the consolidated entity.

Perpetual is in compliance with the facility's debt covenants at 31 December 2009. Should the Company not satisfy any of these covenants, the outstanding balance of the loan may become due and payable.

	Consolidated		
	31 Dec 2009	**30 Jun 2009**	**31 Dec 2008**
	$'000	**$'000**	**$'000**

Note 13. Provisions

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Current			
Internal insurance and legal provision	1,061	880	-
Onerous leases and make good	50	172	234
Restructuring provision	-	-	2,182
Operational process review provision[1]	7,959	5,469	-
Lease expense provision	304	275	-
	9,374	6,796	2,416
Non-current			
Internal insurance and legal provision	5,000	5,089	8,679
Lease expense provision	21,433	20,869	20,737
	26,433	25,958	29,416

[1] The operational process review provision at 31 December 2009 includes an amount of $1,406,000 which was included within receivables at 30 June 2009.

Note 14. Contributed equity

Share capital

	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
42,981,208 (30 June 2009: 42,509,430, 31 December 2008: 42,218,658) ordinary shares, fully paid	199,031	174,222	168,829

Movement in share capital	**Number of Shares**	**$'000**	**Number of Shares**	**$'000**	**Number of Shares**	**$'000**
Balance at beginning of the period	39,358,781	174,222	39,290,980	168,829	39,197,876	163,811
Shares issued:						
- External market	369,823	13,884	-	-	-	-
- Exercise of staff options	-	-	-	-	33,779	1,096
- Executive share plans (vested during period)	208,443	11,960	67,801	5,097	78,828	4,689
- Employee equity allocation purchased on market	(28,124)	(1,095)	-	-	(19,503)	(865)
- Employee share plans (vested during period)	-	60	-	296	-	98
Balance at end of the period	39,908,923	199,031	39,358,781	174,222	39,290,980	168,829
Ordinary shares fully paid (excluding unvested shares from share plans)	39,908,923	199,031	39,358,781	174,222	39,290,980	168,829
Unvested shares from share plans	3,072,285	161,905	3,150,649	173,128	2,927,678	167,870
Ordinary shares fully paid	42,981,208	360,936	42,509,430	347,350	42,218,658	336,699

During the half-year, the Company issued nil (30 June 2009: nil, 31 December 2008: 33,779) ordinary shares in accordance with Perpetual's Executive Option Plan at a weighted average share price of nil (30 June 2009: nil, 31 December 2008: $32.46) per share.

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 all other shareholders and creditors and are fully entitled to any surplus capital.

Note 15. Business combination

On 24 September 2009 the Company acquired 100% of the issued share capital of Grosvenor Financial Services Pty Ltd, which specialises in providing financial advice and services to medical, dental and legal professionals. The acquired entity is based in the Sydney CBD.

The acquisition of Grosvenor is part of the consolidated entity's strategy to expand its private wealth business by acquiring complementary businesses specialising in the high net worth segment of the market.

The acquired business contributed revenue of $1.7 million and net profit after tax of $0.9 million to the consolidated entity for the period from 24 September 2009 to 31 December 2009. If this acquisition had occurred on 1 July 2009, the revenue and net profit would have been $2.9 million and $0.6 million respectively.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	**$'000**
Cash consideration	8,875
Equity consideration	10,569
Contingent consideration	682
Total consideration	20,126

The fair value of the ordinary shares issued (283,950) was based on the listed share price of the Company at 24 September 2009 of $37.22 per share.

Contingent consideration
The Company has agreed to pay the selling stakeholder additional cash consideration if the acquiree exceeds certain pre-determined revenue hurdles. The Company has included $0.7 million as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. The fair value of the contingent consideration was calculated by applying the income approach using the expected contingent consideration and a discount rate of 15 percent.

Identifiable assets acquired and liabilities assumed	**$'000**
Intangible assets	6,042
Receivables	1,117
Cash and cash equivalents	48
Current tax assets	172
Other current assets	418
Trade and other payables	(103)
Financial liabilities	(100)
Current tax liabilities	(497)
Provisions	(336)
Total identifiable net assets	6,761

All trade receivables are expected to be collectible at the acquisition date.

Goodwill	**$'000**
Goodwill was recognised as a result of the acquisition as follows:	
Total consideration transferred	20,126
Less value of identifiable net assets	(6,761)
Goodwill	13,365

The goodwill is attributable mainly to the skills and technical talent of the acquiree's work force, and the synergies expected to be achieved from integrating the company into the consolidated entity. None of the goodwill recognised is expected to be deductible for income tax purposes.

Note 15. Business combination (continued)

Transactions separate from the acquisition
The consolidated entity incurred acquisition-related costs of $0.3 million relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative and general expenses in the consolidated entity's condensed consolidated income statement.

Note 16. Goodwill

	$'000
Balance as at 1 July 2009	76,639
Acquisitions through business combinations	13,365
Balance as at 31 December 2009	90,004
Balance as at 1 July 2008	62,124
Acquisitions through business combinations	10,564
Balance as at 31 December 2008	72,688

Impairment testing of these goodwill balances is based on each cash generating units value in use, calculated as the present value of forecast future cash flows from those cash generating units using discount rates of between 11.7% and 14%. The forecast future cash flows used in the impairment testing are based on assumptions as to the level of profitability for each business over the forecast period. Forecasts have been extrapolated out based on revenue growth rates of between -3% and 44%.

Note 17. Cash and cash equivalents

For the purposes of the Condensed Consolidated Cash Flow Statement, cash and cash equivalents includes bank balances, deposits at call and short-term deposits.

	Consolidated		
	31 Dec 2009 $'000	30 Jun 2009 $'000	31 Dec 2008 $'000
Bank balances	83,049	67,270	41,840
Deposits at call	43,882	29,415	12,380
Short-term deposits	52,051	49,453	53,488
	178,982	146,138	107,708

Deposits at call and short-term deposits are predominately invested in Cash Management Trusts, Credit Income Funds and Credit Enhanced Cash Funds operated by the consolidated entity.

Note 18. Related parties

For a fixed term of six months commencing on 2 November 2009 and ending on 2 May 2010, Meredith Brooks is engaged to provide advisory and consulting services to Perpetual Investment's Global Equities business. In accordance with the consultancy agreement, Ms Brooks will receive $200,000 for providing those services. This cash payment is in addition to the fees Ms Brooks will receive in her capacity as a non-executive director.

Note 19. Events subsequent to balance date

On 15 December 2009, Perpetual Limited announced that it would acquire Fordham Group ("Fordham"). Fordham is a successful Melbourne based advisory firm for private business owners. It operates through two key divisions - Business Owner Accounting and Tax Services, and Investment Management and Advisory.

The acquisition was completed on 5 January 2010 and the operating results and acquired assets and liabilities of Fordham will be consolidated into Perpetual's financial statements from that date. The total consideration for the acquisition is approximately $35 million and will be funded through a combination of internal cash resources and deferred consideration, and is subject to earn out payments.

Management is currently working on the allocation of the purchase price between net tangible assets, identifiable intangible assets and goodwill. As this work is not yet completed we have not provided additional financial information on the fair values of the assets acquired.

Except for the above, 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 years.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Directors' Declaration

In the opinion of the directors of Perpetual Limited:

1. the financial statements and notes 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 2009 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:

Robert Savage	David Deverall
Director	Director

Dated at Sydney this 25th day of February 2010.

Independent auditor's review report to the members of Perpetual Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Perpetual Limited, which comprises the condensed consolidated balance sheet as at 31 December 2009, condensed consolidated income statement and condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 19 and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 Interim and Other Financial Reports 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 2009 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.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Perpetual Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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*.

KPMG

KPMG

Andrew Yates
Partner

Sydney

25 February 2010