

Perpetual Limited
ABN 86 000 431 827

FINANCIAL STATEMENTS

For the 6 months
ended 31 December 2015

Perpetual 

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Table of Contents

Table of contents	Page No.
Directors' Report.....	3
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	8
Primary statements	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	11
Condensed Consolidated Statement of Cash Flows	12
Section 1	
Group performance.....	13
1-1 Operating segments	13
1-2 Revenue	15
1-3 Expenses	15
1-4 Income taxes	16
1-5 Earnings per share	17
1-6 Dividends	18
Section 2	
Operating assets and liabilities	19
2-1 Business combinations	19
2-2 Provisions	19
Section 3	
Capital management and financing	20
3-1 Cash and cash equivalents	20
3-2 Borrowings.....	20
3-3 Contributed equity	21
3-4 Contingencies	21
Section 4	
Other disclosures	23
4-1 Structured products assets and liabilities	23
4-2 Financial instruments.....	24
4-3 Events subsequent to balance date	25
Section 5	
Basis of preparation	26
5-1 Reporting entity	26
5-2 Significant accounting policies.....	26
Directors' Declaration.....	27
Independent auditor's review report to the members of Perpetual Limited	28

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 2015 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:

Peter B Scott, Chairman and Independent Director
BE (Hons), MEngSc (Age 61)

Appointed Director in July 2005 and Chairman on 26 October 2010. Mr Scott 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 Perpetual Equity Investment Company Limited, a Non-executive Director of Stockland Corporation Limited and will be joining the board of Transurban Group in April 2016. Mr Scott is also an advisory board member of Igniting Change. He is Chairman of Perpetual's Nominations 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 to the present)
- Perpetual Equity Investment Company Limited (from August 2014 to present)

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip Ed (Age 62)

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, GAICD, SF Fin (Age 51)

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 SAI Global Limited, Regis Healthcare Limited, Cabrini Health Ltd and the Museums Board of Victoria. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Investment Committee and Nominations Committee.

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 and compliance.

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Directors (continued)

Sylvia Falzon, Independent Director
MIR (Hons), BBus, GAICD, SF Fin (Age 51) (continued)

Listed company directorships held during the past three financial years:

- SAI Global Limited (from October 2013 to present)
- Regis Healthcare Limited (from September 2014 to present)

Nancy Fox, Independent Director
BA, JD (Law), FAICD, (Age 59)

Appointed Director in September 2015. Ms Fox has more than 30 years' experience in financial services, securitisation and risk management gained in Australia, the USA 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 a director of HCF Life, APA Ethane Limited and Kinetic Superannuation 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.

Ian Hammond, Independent Director
BA (Hon), FCA, FCPA, GAICD (Age 57)

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 a board member of a number of not-for-profit organisations including Mission Australia and the Chris O'Brien Lifehouse. He is a Chairman of Perpetual's Audit, Risk and Compliance Committee and a member of Perpetual's Investment Committee and Nominations Committee.

Mr Hammond has 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 57)

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 member of the board of the Stanford Australia Foundation and the Supervisory Board of OneVentures Innovation and Growth Fund II. He is Chairman of Perpetual's Investment Committee and a member of Perpetual's Audit, Risk and Compliance Committee and Nominations Committee.

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

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Directors (continued)

Geoff Lloyd

Chief Executive Officer and Managing Director

Barrister at Law, LLM (Distinction) (UTS), Adv Mgt Program (Harvard) (Age 47)

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, 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 is Co-Deputy Chair of the Financial Services Council, 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 also sits on the University of Technology, Sydney Law Advisory Board.

Mr Lloyd has a Masters of Law (Distinction) from the University of Technology, Sydney and has completed the Harvard University Advanced Management Program.

Directors who retired during the period

Paul V Brasher, Independent Director

BEC (Hons), FCA (Age 65)

Appointed Director in November 2009. On 31 August 2015, Mr Brasher retired as a director of Perpetual Limited and as Chairman of Perpetual's Audit, Risk and Compliance Committee and a member of the Nominations Committee and People and Remuneration Committee.

Elizabeth M Proust AO, Independent Director

BA (Hons), LLB, FAICD (Age 65)

Appointed Director in January 2006. On 5 November 2015, Ms Proust retired as a director of Perpetual Limited and as Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

Company secretaries

Joanne Hawkins

BCom, LLB, Grad Dip CSP, FGIA, GAICD

Appointed Company Secretary in June 2003. Ms Hawkins is head of Perpetual's Legal, Compliance and Company Secretariat teams. Prior to joining Perpetual, 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.

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Company secretaries (continued)

Glenda Charles

Grad. Dip. Corp. Gov. ASX Listed Entities, GIA (Cert)

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 20 years' experience in company secretarial practice and administration and has worked in the financial services industry for over 30 years.

Review of operations

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

For the half-year ended 31 December 2015, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of \$64.4 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2014 of \$58.6 million.

For the half-year ended 31 December 2015, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of \$63.6 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2014 of \$62.1 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 2015 is as follows:

	6 months ended	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	64,386	58,559
Significant items after tax:		
Recoveries	(682)	-
TrustCo integration costs	-	6,896
Loss/(gain) on disposal/impairment of investments	54	(3,230)
Gain on sale of business	(153)	(113)
Underlying profit after tax attributable to equity holders of Perpetual Limited	63,605	62,112

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.

**PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES**

DIRECTORS' REPORT (continued)

Dividends

On 25 February 2016, the Directors resolved to pay a fully franked interim dividend of \$1.25 per share (2015: \$1.15 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 2015.

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 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:



Peter Scott
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 25th day of February 2016.



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 2015 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

25 February 2016

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2015

	Section	31 Dec 2015	31 Dec 2014
		\$'000	\$'000
Revenue	1-2	244,008	254,126
Expenses	1-3	(153,868)	(168,555)
Financing costs		(1,409)	(1,800)
Net profit before tax from continuing operations		88,731	83,771
Income tax expense	1-4	(24,345)	(23,893)
Net profit after tax		64,386	59,878
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges - net change in fair value of effective portion		-	87
Foreign currency translation differences - foreign operations		(7)	20
Available-for-sale financial assets - net change in fair value		(1,546)	934
Impairment of available-for-sale financial assets reclassified to profit or loss		111	16
Loss on previously impaired available-for-sale financial assets reclassified to profit or loss upon disposal		-	(2,032)
Income tax on items that may be reclassified to profit or loss		431	(82)
Other comprehensive income, net of income tax		(1,011)	(1,057)
Total comprehensive income		63,375	58,821
Net profit after tax attributable to:			
Equity holders of Perpetual Limited		64,386	58,559
Non-controlling interests		-	1,319
		64,386	59,878
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		63,375	58,769
Non-controlling interests		-	52
Total comprehensive income		63,375	58,821
Earnings per share			
Basic earnings per share – cents per share		142.5	131.6
Diluted earnings per share – cents per share		139.1	126.8

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 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
as at 31 December 2015

	Section	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Assets			
Cash and cash equivalents	3-1	240,211	289,356
Receivables		92,420	91,435
Structured products - EMCF assets	4-1	303,863	294,882
Prepayments		11,698	10,736
Total current assets		648,192	686,409
Other financial assets		75,966	52,042
Property, plant and equipment		15,714	15,348
Intangible assets and goodwill		343,051	332,756
Deferred tax assets		22,936	30,225
Prepayments		5,809	6,550
Total non-current assets		463,476	436,921
Total assets		1,111,668	1,123,330
Liabilities			
Payables		41,685	37,167
Structured products - EMCF liabilities	4-1	300,966	291,478
Current tax liabilities		8,041	27,491
Employee benefits		26,486	48,584
Provisions	2-2	3,721	6,019
Total current liabilities		380,899	410,739
Payables		3,807	-
Borrowings	3-2	87,000	87,000
Deferred tax liabilities		21,784	19,591
Employee benefits		4,940	5,033
Provisions	2-2	17,866	17,273
Total non-current liabilities		135,397	128,897
Total liabilities		516,296	539,636
Net assets		595,372	583,694
Equity			
Contributed equity	3-3	493,220	481,888
Reserves		17,215	23,482
Retained earnings		84,937	78,324
Total equity attributable to holders of Perpetual Limited		595,372	583,694
Total equity		595,372	583,694

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 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2015

\$000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Non-controlling interest	Total
Balance at 1 July 2015	551,926	(70,038)	14,865	8,617	78,324	583,694	-	583,694
Total comprehensive income/(expense)	-	-	-	(1,011)	64,386	63,375	-	63,375
Movement on treasury shares	916	10,416	(11,777)	-	445	-	-	-
Equity remuneration expense	-	-	6,521	-	-	6,521	-	6,521
Dividends paid to shareholders	-	-	-	-	(58,218)	(58,218)	-	(58,218)
Balance at 31 December 2015	552,842	(59,622)	9,609	7,606	84,937	595,372	-	595,372

\$000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Non-controlling interest	Total
Balance at 1 July 2014	555,296	(94,489)	26,766	5,497	51,701	544,771	11,631	556,402
Total comprehensive income/(expense)	-	-	-	210	58,559	58,769	52	58,821
Issue of ordinary shares	-	-	-	-	-	-	-	-
Movement on treasury shares	2,442	18,869	(21,262)	-	-	49	-	49
Equity remuneration expense	-	-	7,943	-	-	7,943	-	7,943
Dividends paid on treasury shares	-	-	-	-	(44,246)	(44,246)	-	(44,246)
Non-controlling interest	-	-	-	-	-	-	(11,683)	(11,683)
Balance at 31 December 2014	557,738	(75,620)	13,447	5,707	66,014	567,286	-	567,286

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 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Cash Flows
for the half-year ended 31 December 2015

Section	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	260,582	256,627
Cash payments in the course of operations	(186,124)	(195,989)
Dividends received	58	235
Interest received	3,481	4,951
Interest paid	(1,409)	(1,800)
Income taxes paid	(35,012)	(18,293)
Net cash provided by operating activities	41,576	45,731
Cash flows from investing activities		
Payments for property, plant, equipment and software	(4,912)	(6,301)
Payments for investments	(27,125)	(57,033)
Repayments of advances made under the Employee Share Purchase Plan	-	24
Payment for acquisition of business	(5,831)	-
Proceeds from sale of business	153	1,523
Proceeds from the sale of investments	5,212	49,350
Net cash used in investing activities	(32,503)	(12,437)
Cash flows from financing activities		
Dividends paid	1-6 (58,218)	(44,246)
Sale of units in seed funds to non-controlling interests	-	(5,846)
Net cash used in financing activities	(58,218)	(50,092)
Net decrease in cash and cash equivalents	(49,145)	(16,798)
Cash and cash equivalents at 1 July	289,356	282,585
Cash and cash equivalents at 31 December	240,211	265,787

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 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements
for the half-year ended 31 December 2015

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	Manufacturer of financial products, management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Perpetual Private	Perpetual Private 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. Perpetual Private also provides many of these services to charities, not for profit and other philanthropic organisations.
Perpetual Corporate Trust	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 2015

1-1 Operating segments (continued)

	Perpetual Investments ¹ \$'000	Perpetual Private \$'000	Perpetual Corporate Trust \$'000	Total \$'000
31 December 2015				
External revenues	112,655	82,254	42,398	237,307
Interest revenue	399	96	15	510
Total revenue for reportable segment	<u>113,054</u>	<u>82,350</u>	<u>42,413</u>	<u>237,817</u>
Depreciation and amortisation	(931)	(4,674)	(2,349)	(7,954)
Reportable segment net profit before tax	57,162	17,228	16,621	91,011
Reportable segment assets	344,163	214,003	192,296	750,462
31 December 2014				
External revenues	122,544	82,220	39,304	244,068
Interest revenue	714	217	19	950
Total revenue for reportable segment	<u>123,258</u>	<u>82,437</u>	<u>39,323</u>	<u>245,018</u>
Depreciation and amortisation	(643)	(4,456)	(2,047)	(7,146)
Reportable segment net profit before tax	60,306	18,854	14,322	93,482
30 June 2015				
Reportable segment assets	345,741	204,381	191,662	741,784

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

31 Dec 2015	31 Dec 2014
\$'000	\$'000

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

Revenues

Total revenue for reportable segments	237,817	245,018
Add: Group and Support Services revenue	6,017	3,799
Total revenue from continuing operations	<u>243,834</u>	<u>248,817</u>

Net profit before tax

Total net profit before tax for reportable segments	91,011	93,482
Financing costs	(1,409)	(1,800)
Profit on disposal of investments	21	5,196
Impairment of assets	(111)	(16)
Gain on sale of business	153	113
Recoveries	682	-
TrustCo integration costs	-	(9,552)
Group and Support Services expense	(1,616)	(3,652)
Net profit before tax from continuing operations	<u>88,731</u>	<u>83,771</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 2015

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000

1-1 Operating segments (continued)

Total assets

Total assets for reportable segments	750,462	741,784
Group and Support Services assets	361,206	381,546
Total assets	1,111,668	1,123,330

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000

1-2 Revenue

Revenue from the provision of services	233,163	238,662
Income from structured products	4,152	5,292
Dividends	50	52
Interest and unit trust distributions	6,469	4,811
Revenue from continuing operations	243,834	248,817
Net gain on sale of investments	21	5,196
Gain on sale of business	153	113
	244,008	254,126

1-3 Expenses

Staff related expenses excluding equity remuneration expense	82,367	87,486
Occupancy expenses	8,896	9,389
Administrative and general expenses	45,388	52,874
Distributions and expenses relating to structured products	3,171	4,116
Equity remuneration expense	5,869	7,341
Depreciation and amortisation expense	8,066	7,333
Impairment of assets	111	16
	153,868	168,555

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 2015

	31 Dec 2015 \$'000	31 Dec 2014 \$'000
1-4 Income taxes		
Current tax expense		
Current period	17,237	20,359
Adjustment for prior periods	(450)	(26)
Research and development tax incentives from prior periods	(1,061)	-
Total current tax expense	<u>15,726</u>	<u>20,333</u>
Deferred tax expense		
Temporary differences	8,619	3,560
Total income tax expense	<u>24,345</u>	<u>23,893</u>
Reconciliation of effective tax rate		
Profit before tax for the period from continuing operations	88,731	83,771
Profit before tax		
Prima facie income tax expense calculated at 30% (2014: 30%) on profit for the period	26,619	25,131
– Accounting gains on disposal of investment and businesses	(6)	(1,558)
– Accounting impairment on assets	33	5
– Acquisition/disposal costs	(46)	(32)
– Prior period adjustments	(1,511)	(53)
– Other non-deductible expenses and tax credits	(744)	400
Total	<u>24,345</u>	<u>23,893</u>
Income tax recognised in other comprehensive income		
Cash flow hedges	-	(26)
Available-for-sale financial assets	431	(56)
Total	<u>431</u>	<u>(82)</u>

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

The total tax benefits of realised capital losses are \$34,124,000 (30 June 2015: \$34,992,000), comprising \$2,386,000 (30 June 2015: \$2,392,000) recognised in deferred tax assets and \$31,737,000 (30 June 2015: \$32,600,000) 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.

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 2015

	31 Dec 2015	31 Dec 2014
	Cents per share	
1-5 Earnings per share		
Basic earnings per share	142.5	131.6
Diluted earnings per share	139.1	126.8
	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	<u>64,386</u>	<u>58,559</u>

	31 Dec 2015	31 Dec 2014
	Number of shares	
Weighted average number of ordinary shares (basic)	45,196,176	44,498,462
Effect of dilutive potential ordinary shares (including those subject to performance rights)	<u>1,098,778</u>	<u>1,701,594</u>
Weighted average number of ordinary shares (diluted)	<u>46,294,954</u>	<u>46,200,056</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 2015

1-6 Dividends

	Cents per share	Total amount \$'000	Franked / Unfranked	Date of payment
31 December 2015				
Final 2015 ordinary	125	58,218	Franked	25 Sep 2015
Total amount	125	58,218		
31 December 2014				
Final 2014 ordinary	95	44,246	Franked	3 Oct 2014
Total amount	95	44,246		

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. The dividend has not been provided for and there are no tax consequences.

	Cents per share	Total amount ¹ \$'000	Franked / Unfranked	Date of payment
Interim 2016 ordinary	125	58,218	Franked	24 Mar 2016

¹Calculation based on the ordinary shares on issue as at 31 December 2015.

The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2015 and will be recognised in subsequent financial reports.

Dividend franking account	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Amount of franking credits available to shareholders for subsequent financial periods	37,116	41,357

The above available amounts are based on the balance of the dividend franking account at 31 December 2015 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 2015

Section 2 Operating assets and liabilities

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

2-1 Business combinations

Fintuition Group

On 10 December 2015, Perpetual acquired 100% of Fintuition and its related brands (collectively referred to as the Fintuition Group) including the Private Practice, one of Australia's leading business, financial and lifestyle educators for medical specialists.

The acquisition of the Fintuition Group extends the consolidated entity's ability to offer its breadth of services across accounting, tax, estate planning and financial advice to the medical sector and is directly aligned with the Lead & Grow Strategy.

This acquisition was not material to the Group's assets or results.

Fair values measured on a provisional basis

As at 31 December 2015 the acquisition accounting balances were provisional and have been accounted for in these half-year financial statements. These balances will be subject to an independent valuation whereby on completion of that valuation the accounting balances for the acquisition may be revised in accordance with Australian Accounting Standards Board AASB 3 – *Business Combinations*.

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
<hr/>		
2-2 Provisions		
Current		
Insurance and legal provision	2,584	3,791
Operational process review provision	420	1,041
Lease expense provision	717	1,187
	3,721	6,019
Non-current		
Lease expense provision	17,866	17,273
	17,866	17,273

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 2015

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 2015	30 Jun 2015
	\$'000	\$'000
3-1 Cash and cash equivalents		
Bank balances	216,507	238,146
Deposits at call	4,334	4,334
Short-term deposits	19,370	46,876
	240,211	289,356

Deposits at call are investments in a cash management trust operated by the consolidated entity. Included within short-term deposits are investments in the Perpetual High Grade Treasury Fund which invests in high grade credit products with the intention of generating a return in excess of the UBS Bank Bill Index. Funds are generally available at seven days' notice.

In accordance with the consolidated entity's treasury policy, the consolidated entity mainly holds cash and cash equivalents to support its regulatory capital requirements of \$171.9 million as at 31 December 2015 (\$176.7 million as at 30 June 2015).

	31 Dec 2015	30 Jun 2015
	\$'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	130,000	130,000

The \$43 million unused bank facility may be drawn at any time at the discretion of the consolidated entity. The floating rate bank bill facility is unsecured and had a floating interest rate of 3.55 per cent at 31 December 2015, inclusive of the undrawn line fee (30 June 2015: 3.46 per cent). Repayment of the existing facility of \$87 million is due on 31 October 2017.

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 2015. 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 management intends to refinance the existing facility for a further period prior to the due date.

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 2015

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
3-3 Contributed equity		
Fully paid ordinary shares 46,574,426 (30 June 2015: 46,574,426)	552,842	551,926
Treasury shares 991,731 (30 June 2015: 1,477,623)	(59,622)	(70,038)
	493,220	481,888

	31 Dec 2015		30 Jun 2015	
	Number of shares	\$'000	Number of shares	\$'000
Movements in share capital				
Balance at beginning of period/year	45,096,803	481,888	44,046,969	460,807
Shares issued:				
- Movement on treasury shares	485,892	11,332	1,049,834	21,081
Balance at end of period/year	45,582,695	493,220	45,096,803	481,888

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 2015	30 Jun 2015
	\$'000	\$'000

3-4 Contingencies

Contingent liabilities

Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of the Australian Securities and Investments Commission in relation to the provision of responsible entity services and custodial services	10,000	10,000
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,796	1,796
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	1,491	1,581
	14,287	14,377

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 2015

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. TrustCo is strongly defending the actions.

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 2015

Section 4 Other disclosures

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

	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
4-1 Structured products assets and liabilities		
i. Exact Market Cash Funds		
Current assets		
Perpetual Exact Market Cash Fund	204,078	189,627
Perpetual Exact Market Cash Fund No. 2	99,785	105,255
	303,863	294,882
Current liabilities		
Perpetual Exact Market Cash Fund	201,308	186,629
Perpetual Exact Market Cash Fund No. 2	99,658	104,849
	300,966	291,478

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 swap agreement and reflect the net assets of the funds for unit pricing purposes.

The Exact Market Cash Fund 1 (EMCF 1) was established 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 \$3 million (30 June 2015: \$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 Exact Market Cash Fund 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 2015: \$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 2015

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 2015. 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 2015				
Financial assets				
Available-for-sale listed equity securities	2,177	-	-	2,177
Available-for-sale unlisted unit trusts	-	73,366	-	73,366
Structured products - EMCF assets	-	303,863	-	303,863
	<u>2,177</u>	<u>377,229</u>	<u>-</u>	<u>379,406</u>

At 30 June 2015

Financial assets

Available-for-sale listed equity securities	2,014	-	-	2,014
Available-for-sale unlisted unit trusts	-	49,617	-	49,617
Structured products - EMCF assets	-	294,882	-	294,882
	<u>2,014</u>	<u>344,499</u>	<u>-</u>	<u>346,513</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.

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.

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 2015

4-2 Financial instruments (continued)

	31 Dec 2015		30 Jun 2015	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Current				
Structured products – EMCF liabilities	300,966	303,863	291,478	294,882

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.

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 2015

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 2015 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 2015 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 2015.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 25 February 2016.

The Company is of a kind referred to in ASIC *Class Order 98/100* dated 10 July 1998 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.

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 2015.

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 2015.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

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 26 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 2015 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:



Peter Scott
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 25th day of February 2016.



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 (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2015, 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 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 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.

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 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 2015 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 2015 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

Martin McGrath
Partner

Sydney

25 February 2016