Perpetual Limited
ABN 86 000 431 827

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20 August 2020

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Perpetual FY20 Financial Results

The following announcements to the market are provided:

- FY20 Appendix 4E
- FY20 ASX Announcement
- ✓ **FY20 Full Year Statutory Accounts**
- FY20 Results Presentation
- FY 20 Operating and Financial Review
- Appendix 4G
- FY20 Corporate Governance Statement

Yours faithfully,

Sylvie Dimarco

Sylvie Dimarco
Company Secretary
(Authorising Officer)

Perpetual Limited ABN 86 000 431 827
and its controlled entities

FINANCIAL STATEMENTS

For the year
ended 30 June 2020

Perpetual

Directors' Report for the year ended 30 June 2020

The Directors present their report together with the consolidated financial report of Perpetual Limited, ('Perpetual' or the 'Company') and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2020 and the auditor's report thereon.

Contents of the Directors' Report

Directors

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

Tony D'Aloisio AM, Chairman and Independent Director
BA LLB (Hons) (Age 70)

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

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

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

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

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

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

Listed company directorships held during the past three financial years:
- Perpetual Equity Investment Company Limited (from July 2017 to present)

Ian Hammond, Independent Director
BA (Hons) FCA FCPA FAICD (Age 62)

Appointed Director in March 2015. Mr Hammond was a partner at PricewaterhouseCoopers for 26 years and during that time held a range of senior management positions including lead partner for several major financial institutions. He has previously been a member of the Australian Accounting Standards Board and represented Australia on the International Accounting Standards Board. Mr Hammond is a Non-executive Director of Suncorp Group Limited and Venues NSW and a Board Member of not-for-profit organisations including Mission Australia and Chris O'Brien Lifehouse. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of Perpetual's Investment Committee and Nominations Committee.

Mr Hammond has a deep knowledge of the financial services industry and brings to the Board expertise in financial reporting and risk management.

Listed company directorships held during the past three financial years:
- Suncorp Group Limited (from October 2018 to present)

Directors' Report for the year ended 30 June 2020 (continued)

Directors (continued)

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

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

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

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

Appointed Director in September 2019. Mr Cooper has more than 26 years of global investment industry experience in the UK, Asia and Australia with a deep understanding of international funds management.

Mr Cooper brings strong financial services and strategy expertise to the Perpetual board predominantly gained from his executive career at Schroders where he was the Chief Executive Officer from 2006 to 2018 with responsibility for Schroders' institutional business across Asia Pacific and then globally.

Mr Cooper currently serves as a Non-executive Director of NSW Treasury Corporation, where he also chairs the Investment Committee. He is a Non-executive Director of Colonial First State Investments Limited, Catholic Church Insurance, OpenInvest Holdings, the Australian Indigenous Education Foundation and Kincoppal-Rose Bay School of Sacred Heart. Previously Mr Cooper acted as a Non-executive Director to the Financial Services Council and held the position of Chairman from 2014 to 2016.

Mr Cooper is a member of Perpetual's Audit, Risk and Compliance Committee, Investment Committee and People and Remuneration Committee.

Fiona Trafford-Walker, Independent Director
BEc, M. Fin (Age 53)

Appointed Director in December 2019. Ms Trafford-Walker has 28 years of senior executive and business management experience within the investment industry, bringing extensive knowledge of investment management and a strong institutional and international perspective to the Perpetual board.

Ms Trafford-Walker began her career in institutional investment consulting in 1992, and until December 2019 was an Investment Director at Frontier Advisors (Frontier). At various times during her tenure, she was responsible for the original development and on-going management of Frontier's business, as well as providing investment and governance advice to a number of the firm's clients.

Currently Ms Trafford-Walker is a Non-executive Director of Victorian Funds Management Corporation, Prospa Group Ltd, Link Administration Holdings, and an Investment Committee Member of the Walter and Eliza Hall Institute.

Ms Trafford-Walker is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Listed company directorships held during the past three financial years:
- Prospa Group Limited (from March 2018 to present)
- Link Administration Holdings (from October 2015 to present)

Directors (continued)

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

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

Mr Adams is a proven financial services business leader with over 30 years' experience locally and globally across funds management, financial advice and fiduciary services.

Before Perpetual, Mr Adams was Head of Pan-Asia and a member of the Global Executive Committee of Janus Henderson where he had been for six years. Prior to that, he was Chief Executive of Challenger Funds Management, and was then previously CEO of First State Investments UK.

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

Directors who retired during the year

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

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

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

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

Company secretary

Sylvie Dimarco
LLB, GradDipAppCorpGov, FGIA, MAICD

Appointed Company Secretary in April 2020. Ms Dimarco joined Perpetual in 2014 and is currently Head of Company Secretariat & Governance at Perpetual. She is also Company Secretary of Perpetual Equity Investment Company Limited (ASX: PIC) and all of Perpetual's subsidiary boards.

Ms Dimarco has over 13 years' experience in company secretariat practice and administration for listed and unlisted companies. Before Perpetual, she practiced as a commercial lawyer in Sydney and Canberra for 11 years, working in predominantly mid-sized law firms.

Ms Dimarco holds a Bachelor of Laws degree from the University of Sydney and has completed the Governance Institute of Australia's Graduate Diploma of Applied Corporate Governance. She is a member of the Perpetual Limited Continuous Disclosure Committee.

Directors' Report for the year ended 30 June 2020 (continued)

Company secretary (continued)

Christopher Green
BCom, LLB, MBA, MAICD

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

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

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

Mr Green resigned as Company Secretary on 8 April 2020.

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

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

Directors' meetings

The number of Directors' meetings which Directors were eligible to attend (including meetings of Board Committees) and the number of meetings attended by each Director during the financial year to 30 June 2020 were:

Director	Board		Audit, Risk and Compliance Committee (ARCC)		People and Remuneration Committee (PARC)		Investment Committee		Nominations Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony D'Aloisio	21	21	-	-	-	-	-	-	1	1
Philip Bullock[1]	5	5	2	2	2	2	-	-	1	1
Sylvia Falzon[2]	5	5	-	-	2	2	1	1	1	1
Nancy Fox[3]	21	21	6	6	6	6	-	-	1	1
Ian Hammond	21	21	6	6	-	-	4	4	1	1
Craig Ueland	21	21	6	6	-	-	4	4	1	1
Gregory Cooper[4]	17	17	4	4	4	4	3	3	-	-
Fiona Trafford-Walker[5]	14	14	-	-	3	3	2	2	-	-
Rob Adams	21	21	-	-	-	-	-	-	-	-

[1] Philip Bullock resigned from the Perpetual Limited Board and as member of the ARCC and PARC on 17 October 2019.

[2] Sylvia Falzon resigned from the Perpetual Limited Board and as Chair of PARC and member of Investment Committee and Nominations Committee on 17 October 2019.

[3] Nancy Fox was appointed as Chairman of the PARC and member of the Nominations Committee on 18 October 2019.

[4] Gregory Cooper was appointed as Director of Perpetual Limited effective 11 September 2019. He was appointed as a member of the ARCC, PARC and Investment Committee on 18 October 2019.

[5] Fiona Trafford-Walker was appointed as Director of Perpetual Limited and member of the PARC and Investment Committee on 9 December 2019.

Corporate Governance Statement

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

Principal activities

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

Review of operations

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

For the financial year to 30 June 2020, the consolidated entity reported a net profit after tax of $82.0 million compared to the net profit after tax for the financial year to 30 June 2019 of $115.9 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2020 financial year is as follows:

	30 June 2020 $'000	30 June 2019 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**81,999**	**115,929**
Significant items after tax		
Operating model review costs	9,616	-
Transaction and integration costs[1]	1,858	-
Underlying profit after tax attributable to equity holders of Perpetual Limited	**93,473**	**115,929**

[1] Costs relate to the acquisition of Trillium, refer section 2-1.

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

COVID-19

The World Health Organisation declared COVID-19 a global pandemic in March 2020. The pandemic has caused significant economic uncertainty and market volatility. Whilst the consolidated entity's business remains fully operational, the pandemic has also had a significant impact on the consolidated entity's working environment, with all staff, excluding those classified as essential services, working remotely from March 2020. The consolidated entity has considered the impact of COVID-19 in preparing the financial statements and related disclosures.

The consolidated entity's revenues have a high degree of exposure to market volatility which has the potential to lead to a material financial impact. The Directors and management continue to closely monitor developments with a focus on potential financial and operational impacts and note that the situation is continuing to evolve. The consolidated entity has not qualified for or received any payments to date under the JobKeeper program.

Directors' Report for the year ended 30 June 2020 (continued)

Dividends

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

	Cents per share	Total amount $'000	Franked[1]/ Unfranked	Date of payment
Declared and paid during the financial year 2020				
Final 2019 ordinary	125	58,307	Franked	30 Sep 2019
Interim 2020 ordinary	105	49,252	Franked	27 Mar 2020
Total		107,559		
Declared after the end of the financial year 2020				
After balance date, the Directors declared the following dividend:				
Final 2020 ordinary	50	28,067	Franked	25 Sep 2020
Total		28,067		

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

The financial effect of dividends declared after year end are not reflected in the 30 June 2020 financial statements and will be recognised in subsequent financial reports.

State of affairs

During the year, the consolidated entity acquired Trillium Asset Management, LLC, a Boston based specialist environmental, social and governance (ESG) investment firm. Refer section 2-1. The acquisition of Trillium is part of the consolidated entity's strategy of expanding its international asset management capabilities. The acquisition gives Perpetual a presence in the USA and expands the portfolio of products to socially responsible investors.

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

Events subsequent to reporting date

A final dividend of 50 cents per share fully franked was declared on 20 August 2020 and is to be paid on 25 September 2020.

On 27 July 2020, Perpetual announced its intention to acquire Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), a US based global investment management business. Perpetual will acquire 75% of Barrow Hanley for US$319 million (A$465 million).

In order to complete the transaction, on 24 July 2020 the consolidated entity accepted an offer of a new fully underwritten debt facility of US$195 million (A$284 million) and on 27 July 2020 completed a fully underwritten institutional placement of $225 million. The proceeds from the placement were received on 30 July 2020.

In addition, Perpetual Limited has provided a parent guarantee to its subsidiary, Perpetual US Holding Company, Inc (the buyer) to guarantee the funds will be available to complete settlement. This guarantee is not expected to be called upon and as such, its fair value is deemed to be nil.

A non underwritten share purchase plan targeting to raise up to $40 million has been announced, with the offer closing on 26 August 2020. The institutional placement and share purchase plan were also announced on 27 July 2020.

The consolidated entity has hedged its exposure to movements in the US Dollar as a result of this transaction.

Events subsequent to reporting date (continued)

The acquisition is part of Perpetual's strategy to deliver sustained, quality growth by adding world class investment capabilities and establishing a global footprint. Completion of the acquisition is expected on or before 31 December 2020, subject to customary regulatory and other approvals.

Subsequent to 30 June 2020, the COVID-19 pandemic has continued with Victoria entering into further self-isolation measures and restrictions. At 18 August 2020, the All Ordinaries index was 6,269 (30 June 2020: 6,001). As referred in the Operating & Financial Review, a movement of 1% in the All Ordinaries index impacts annualised revenue by approximately $1.5 million to $2.0 million.

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

Other than the matters noted above, the Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Likely developments

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

Environmental regulation

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

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

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

Indemnification of Directors and officers

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

Insurance

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

Directors’ Report for the year ended 30 June 2020 (continued)

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

The CEO and Managing Director, and the CFO declared in writing to the Board, in accordance with section 295A of the *Corporations Act 2001*, that the financial records of the Company for the financial year have been properly maintained, and that the Company's financial report for the year ended 30 June 2020 complies with accounting standards and presents a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Remuneration Report

Dear Shareholder,

On behalf of your Board, it is my pleasure to present our Remuneration Report for the financial year ended 30 June 2020 (FY20). Our Remuneration Report provides our shareholders and other stakeholders with a thorough and transparent explanation of how FY20 remuneration outcomes for our Key Management Personnel (KMP) align with our recent performance and long-term objectives.

This fiscal year has been challenging for Perpetual and while we have made good progress in many areas of our business, our financial performance has been impacted in the second half of the fiscal year by the economic effects of the COVID-19 pandemic and declining global investment markets. As shareholders would expect, these factors have impacted the Variable Incentive outcomes for KMP in FY20.

As outlined in the performance section of this report (Sections 6 and 7), Perpetual uses a balanced scorecard to focus the organisation on short, medium and long-term strategic priorities. This approach has served the business well and continues to do so. The overall weighting of financial performance in the FY20 scorecard is split 55% to financial performance measures and 45% to other strategically important non-financial measures. While some financial targets have not been met in FY20, targets have been met in other important non-financial measures, which all contribute to the medium to long-term performance of the business. We believe that the agreed non-financial measures included in the scorecard are key lead indicators of future business value accretion.

Despite the challenges presented in FY20, management has put in place strategic initiatives to position the business for the future, including the acquisition of Trillium Asset Management, an operating model review and implementation which has delivered substantial expense reductions and record technology investment. Further, we capitalised on continued disruption within the advice industry, with twenty new financial advisers joining Perpetual Private. The Perpetual Corporate Trust business has also continued to grow revenues across all lines of business.

COVID-19 has presented a number of risks and opportunities to the business in FY20. On balance, our management team responded remarkably well to the disruptive risks of COVID-19 by mobilising our workforce quickly, ensuring that all parts of the business continued to operate smoothly in a remote work environment, enhancing internal and client communications and quickly gaining the confidence of both employees and clients (as validated by positive employee sentiment results and record client Net Promoter Score outcomes).

Given a meaningful proportion of Perpetual's revenues are linked to equity and other capital market performance, COVID-19 has had a negative impact on financial performance in FY20. While this was an unforeseeable event, it has not resulted in any change to financial targets being made by the Board for the current performance year.

When performance is assessed overall for the year, the Board has determined that Variable Incentive awards should be allocated in respect of FY20. The range of Variable Incentive awarded to current KMP is between 37% and 69% of total target Variable Incentive targets, with an average outcome of 53%.The Board is mindful that NPAT for FY20 is 22% below target, and therefore to align shareholder returns and KMP Variable Incentive remuneration, Variable Incentive outcomes for FY20 will be awarded in Hurdled

Remuneration Report (continued)

Equity only. Delivering awards solely in the form of Hurdled Equity means that both shareholders and executives will benefit through share price recovery. Conversely, if long term share price growth is not delivered, the equity will be forfeited.

In addition, effective 1 July 2020, the CEO and Managing Director (CEO) will take a 20% reduction to fixed pay for a period of six months and other Group Executives will take a pay reduction of 10% over the same period. The Board will also take a similar reduction in its fees with the Chairman taking a 20% reduction for a period of six months and directors will take a base fee reduction of 10% over the same period.

Finally, on behalf of the Board I would like to acknowledge and thank the many people in our organisation for their daily contribution to delivering quality client outcomes demonstrated by another year of exceptional client advocacy results – particularly in the context of a difficult year given the many impacts and challenges presented by COVID-19.

Nancy Fox

Nancy Fox
Chairman, People and Remuneration Committee

Directors’ Report for the year ended 30 June 2020 (continued)

Remuneration Report (continued)

Contents

Remuneration Report (continued)

1. Key Management Personnel

Name	Position	Term as KMP in FY20
CEO and Managing Director		
Rob Adams[1]	Chief Executive Officer and Managing Director	Full year
Current Group Executives		
Amanda Gazal	Chief Operating Officer	Commenced 7 April 2020
Chris Green	Chief Financial Officer	Full year
David Lane[2]	Group Executive, International Asset Management	Full year
Richard McCarthy	Group Executive, Perpetual Corporate Trust	Full year
Sam Mosse	Chief Risk Officer	Full year
Mark Smith	Group Executive, Perpetual Private	Full year
Former Group Executives		
Rebecca Nash[3]	Group Executive, People and Culture	Ceased 18 October 2019
Andrew Wallace[4]	Acting Chief Operating Officer	From 19 August 2019 to 19 April 2020
Current Non-executive Directors		
Tony D'Aloisio	Chairman	Full year
Gregory Cooper	Independent Director	Commenced 11 September 2019
Nancy Fox	Independent Director	Full year
Ian Hammond	Independent Director	Full year
Fiona Trafford-Walker	Independent Director	Commenced 9 December 2019
Craig Ueland	Independent Director	Full year
Former Non-executive Directors		
Philip Bullock	Independent Director	Ceased 17 October 2019
Sylvia Falzon	Independent Director	Ceased 17 October 2019

1. Mr Adams has also been acting in the role of Group Executive, Perpetual Investments since 19 August 2019.
2. Mr Lane held the role of Group Executive, Perpetual Investments until 18 August 2019. He then held the role of Group Executive, Mergers and Acquisitions from 19 August 2019 to 19 February 2020.
3. Ms Nash ceased with Perpetual following the role of Group Executive, People and Culture being made redundant effective 18 October 2019.
4. Mr Wallace was appointed to the role of Acting Chief Operating Officer on 19 August 2019, a role created as part of the new operating model. He held this role until 19 April 2020. Mr Wallace and Ms Gazal shared the role from 7-19 April 2020. Mr Wallace ceased with Perpetual effective 30 June 2020 at which time he was no longer in a KMP role.

Remuneration Report (continued)

1.1 Summary of Key Outcomes for Group Executives

Fixed Remuneration

No increases to fixed remuneration were awarded to the CEO or to Group Executives during FY20. Effective 1 July 2020, the CEO will take a 20% reduction to fixed pay for a period of six months. Other Group Executives will take a pay reduction of 10% over the same period.

Variable Incentive awards FY20

In determining Variable Incentive outcomes for FY20, the Board sought to balance a range of stakeholder viewpoints and priorities which encourage long-term value creation, whilst linking performance, risk and reward. Whilst delivery against a number of non-financial balanced scorecard measures was strong in FY20, to reflect the financial performance delivered, the Board determined that no awards would be made under the Cash and Unhurdled Equity components of the KMP Variable Incentive. However, to recognise the contribution against key longer-term strategic scorecard measures as well as to maintain alignment and retention, Hurdled Equity awards, which vest subject to meeting the existing hurdle of CAGR Absolute TSR growth over three and four years, will still be granted. Full details of these awards and the hurdle conditions are outlined in section 7.1.

As we continue to evaluate the impacts of COVID-19 on Perpetual, and in accordance with our philosophy to continuously evaluate the effectiveness of remuneration practices, a review of the current Variable Incentive Plan for KMP will be undertaken during FY21.

Group Executive appointment arrangements for externally hired executives in FY20

The Board recognises that it is in shareholder interests to secure the very best executive talent available to lead our business. During FY20, Amanda Gazal was appointed to the Executive team, taking on the role of Chief Operating Officer. The Board agreed a competitive remuneration package including relocation benefits of up to $25,000 to support Ms Gazal's relocation to Sydney. To compensate Ms Gazal for forfeited unvested awards at her prior employer, the following grant of equity was made.

Executive	Grant Date	Grant Details	Vesting Schedule	Vesting Conditions
Amanda Gazal	7 April 2020	$250,000 Restricted Shares (9,734 shares)	$125,000 vesting on 7 October 2020 $125,000 vesting on 7 October 2021	Continued employment and compliance with Perpetual's policies including Risk Management

Arrangements for Group Executives who ceased in FY20

Executive	Vesting Conditions
Rebecca Nash	Payment in lieu of notice period Eligible for redundancy in accordance with Perpetual's Group Policy Eligible for pro-rata Variable Incentive award for FY20 to be paid entirely in cash in October 2020

1.2 Non-Executive Director changes in FY20

Sylvia Falzon and Phillip Bullock retired as Non-Executive Directors at the October 2019 AGM. Newly appointed directors, Fiona Trafford-Walker and Gregory Cooper bring new skillsets, experience and perspectives to the Board. More information can be found in the Board of Directors section on the Perpetual website.

2. Governance

2.1 The People and Remuneration Committee

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

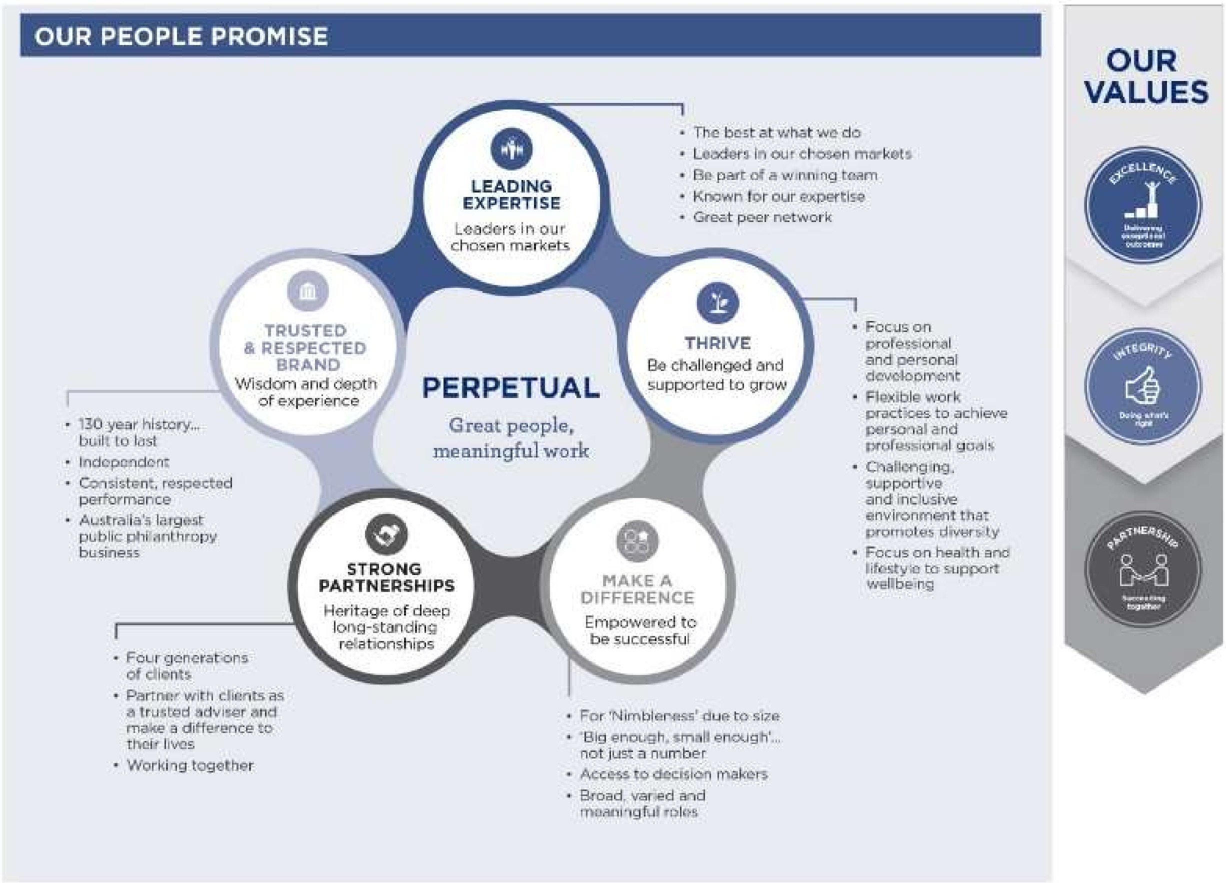
The PARC met six times during the year, with attendance details set out on page 6 of this Annual Report. A standing invitation exists to all Directors to attend PARC meetings. At the PARC's invitation, the CEO and the Executive General Manager People and Culture attended meetings, except where matters associated with their own performance evaluation, development and remuneration were considered. The PARC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration advisers.

2.2 Use of external advisers

PricewaterhouseCoopers (PwC) is the PARC's specialist provider of advice on Executive remuneration and other Group-wide remuneration matters. During the year, PwC provided limited general information to the PARC in respect of Executive and Non-executive Director remuneration practices and trends. This information did not include any specific recommendations in relation to the remuneration or fees paid to KMP.

3. Our people

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



3.1 Diversity and Inclusion

At Perpetual, we believe that building diverse and inclusive teams is the right thing to do, will enable growth and will deliver better outcomes for our people, clients and shareholders.

The Perpetual Board is responsible for the initial approval and any subsequent amendments to Perpetual's Diversity and Inclusion Policy, and the PARC has oversight responsibility of this Policy.

Our Diversity and Inclusion Strategy is developed by our Diversity Council. The Perpetual Limited Executive Committee and the PARC regularly review the progress of the Diversity and Inclusion Strategy, as well as diversity metrics at the organisation and business unit level. For example, we focus on:

- gender equality metrics (such as women in senior leadership metrics, women in key business line roles, gender representation in talent and development programs, mobility and turnover);
- flexibility utilisation; and
- gender pay gap analysis.

The Board will also review the Diversity and Inclusion Strategy at least annually including the objectives set for achieving gender and cultural diversity and progress toward achieving them.

Key diversity and inclusion achievements in FY20 are outlined below.

DIVERSITY & INCLUSION KEY ACHIEVEMENTS FY20

FLEXIBILITY

Employees empowered with control over where, when, and how they deliver optimal business outcomes

- ✓ Rapid transition to most employees working from home due to COVID-19
- ✓ 80% of people leaders have said that their teams have been at least as productive working remotely, compared to being in the office.
- ✓ Celebrated Flexible Working Day 2020, with internal and external social media campaign

GENDER EQUALITY

Building gender balanced leadership for Perpetual to deliver better business results

- ✓ Maintained WGEA Employer of Choice for Gender Equality citation for 3rd year
- ✓ Continued to make progress towards 40% Women in Leadership target by 2024
- ✓ Member of AICD '30% Directors Club', advocating for better gender diversity for Boards
- ✓ Endorsement for a new target to reduce our gender pay gap by 10% by 2024
- ✓ Continued targeted female talent development – Women in Banking and Finance Mentoring for Success Program
- ✓ Inspiring Women events (International Women's Day and Women in Asset Management Lunches)
- ✓ Joined Future/Impact initiative, aimed at increasing female participation in the Asset Management industry

CULTURAL DIVERSITY

Building relationships, respect and opportunity for Aboriginal and Torres Strait Islander peoples

- ✓ Key sponsor (Anwerne Sponsorship) for '20 Years of Jawun'
- ✓ Continued commitment to Cape York region, with four Jawun secondees in 2020
- ✓ Progress towards delivery of Stretch RAP (2020-2023)
- ✓ Celebrated National Reconciliation Week
- ✓ Commitment to education and celebration of NAIDOC week

INCLUSION

Enabling our people to contribute in their distinctive way and recognising diversity of thought

- ✓ Celebration of Perpetual's 'Pride Day'
- ✓ Hosted 100% Human Network gathering – Future of Work

4. Our remuneration philosophy and structure

Perpetual's remuneration philosophy is designed to enable the achievement of our business strategy, ensure that remuneration outcomes are aligned with our shareholders' and clients' best interests and are market competitive. To that end, we have created a set of guiding principles that direct our remuneration approach.

4.1 Remuneration principles

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

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

4.2 Remuneration policy and practice

Perpetual has implemented a transparent remuneration model that is aligned to our business strategy and supports the attraction and retention of talent. The core elements of our remuneration strategy in FY20 included both fixed and variable incentives as follows.

Fixed	Fixed remuneration	Set in consideration of the total target remuneration package and the desired remuneration mix for the role, taking into account the remuneration of market peers, internal relativities and the skill and expertise brought to the role. Calculated on a "total cost to company" basis, consisting of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax (FBT).	Paid as cash
Variable Incentive (if payable)	Cash[1]	Each participant has a Variable Incentive target, expressed as a defined $ target amount. Annual Variable Incentive outcomes are linked to performance against key business metrics directly linked to our strategy. The Variable Incentive is awarded as a mix of cash and equity. Equity must be retained for at least four years. The Unhurdled Equity component is awarded as Share Rights, which vest after two years into Restricted Shares for a further two years. The Hurdled Equity component is awarded in the form of Performance Rights (subject to performance hurdles of absolute total shareholder return) equally over three years (with any vested equity restricted for a further year) and four years. The emphasis on equity ensures that Variable Incentive outcomes are linked to shareholder experience through reinforcing long-term ownership of Perpetual shares.	
	Unhurdled Equity[1]		Awarded as equity
	Hurdled Equity		

[1] No cash or Unhurdled equity will be awarded for FY20. For more details see Section 7.

Remuneration Report (continued)

Asset Manager remuneration

Asset Manager (portfolio manager and investment analyst) remuneration policies align to Perpetual's performance-based remuneration philosophy and principles. All Asset Managers have a portion of their variable remuneration determined by outcomes delivered against investment performance targets, which is generally assessed over one, two and three years. Portfolio managers managing mature funds and those who are growing businesses may have a portion of their remuneration aligned to other business measures. For example, Perpetual's Australian Equities Portfolio Managers have their long-term incentives determined through a revenue share that provides a team-based goal and focus.

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

In FY20, total awarded variable reward outcomes to our equities asset management teams in Australia are expected to be down approximately 17% on FY19, due to a reduction in revenue share outcomes and mixed investment performance across key strategies.

General employee remuneration

Employees receive fixed pay, superannuation and are typically eligible to receive an STI.

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

Some senior employees are also eligible to participate in a long-term incentive plan. All other employees are eligible to participate in the One Perpetual Share Plan whereby eligible employees can be awarded annual grants of up to $1,000 of Perpetual shares subject to Perpetual meeting its profit target (see Section 7.3 for further detail, where we note that no awards will be made under this plan for FY20). In addition, Perpetual offers a comprehensive range of employee benefits across wealth, health and lifestyle categories.

5. Managing risk within Perpetual

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

Risk and behavioural performance

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

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

In addition to the above mechanisms, Perpetual:

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

Remuneration Report (continued)

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

Link Between Risk and Reward

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

FY20 risk performance

Divisional Risk Dashboards demonstrate a stable risk behaviour trend across the group over the last 12 months, with the vast majority of metrics within appetite, which was deemed to be a positive outcome given the operating model changes and the impacts of COVID-19 experienced in FY20. Areas that were identified at the half-year assessment requiring focus have been appropriately addressed by the relevant Group Executive and leadership teams.

Additionally, the increased level of operational risk imposed by COVID-19 has seen a raft of positive risk behaviours across all areas and levels of the group, which enabled the business to respond to changes in a controlled manner with minimal impact to our clients. This has been assessed favourably for all divisions as part of the risk assessment process.

Based on the assessments undertaken alongside the environment in which we have operated in the past 12 months, no risk adjustments were made to KMP incentive outcomes for FY20.

Minimum shareholding guideline

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

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

Remuneration Report (continued)

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

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

As at 30 June 2020, progress towards the minimum shareholding target for each Executive was as follows.

	Value of eligible shareholdings as at 30 June 2020[1] $	Value of minimum shareholding guideline $	Target date to meet minimum shareholding guideline	Guideline met[2]
Executives				
R Adams	262,134	1,953,945	24 September 2023	
A Gazal	-	242,500	7 April 2025	
C Green	404,432	325,000	1 October 2013	✓
D Lane	139,060	276,068	10 April 2022	
R McCarthy	-	215,000	15 October 2023	
S Mosse	-	247,500	18 February 2024	
M Smith[3]	310,689	315,740	19 November 2017	

1. Value is calculated through reference to the closing Perpetual share price at 30 June 2020 of $29.67
2. Executives have a five year transition period to meet their shareholding requirement.
3. Mr Smith met the minimum shareholding guidelines in FY19. He has fallen below the guidelline due to unexpected share price drop in FY20. A share price of $30.15 is sufficient for him to meet the guideline.

Hedging and share trading policy

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

Share dealing approval

Perpetual has a policy for trading in Perpetual Securities which stipulates certain trading black-out periods and requires all employees to seek pre-trade approval via an automated platform. A copy of the policy was lodged with the ASX and appears on Perpetual's website at https://www.perpetual.com.au/about/corporate-governance/informed-market-and-share-dealings.

Directors' Report for the year ended 30 June 2020 (continued)

Remuneration Report (continued)

6. Aligning Perpetual Group performance and reward

6.1 Alignment of Performance and Reward to Strategy

In FY20, Perpetual launched a new strategy and purpose of "Enduring Prosperity". For our shareholders, this means pursuing a strategy that is focused on delivering exceptional products and outstanding service. For our people, it means empowering them to deliver high performance and to explore new capabilities and establish a global footprint. In our view, this is best achieved by having highly engaged people creating superior client outcomes, which in turn delivers underlying earnings growth for shareholders. Successful delivery of the strategy is defined by clear client, people, strategic and financial measures which link our annual targets with our long-term strategic objectives; that is, balancing short-term shareholder outcomes with the necessary investments for long-term sustainable growth.

6.2 Setting performance expectations

Perpetual continues to use a balanced scorecard to measure and drive our performance. In FY20, the scorecard was weighted 55% to financial measures and 45% to non-financial measures that are designed to deliver value in current and future years, within appropriate risk tolerance levels. We set our balanced scorecard each year based on the business and financial plan approved by the Board.

6.2 Five-year Group performance

One of Perpetual's guiding principles for remuneration is that the remuneration structure should balance value creation for our shareholders, clients and employees. This section displays the degree of alignment between Perpetual Group performance and remuneration outcomes for Executives over the last five years.

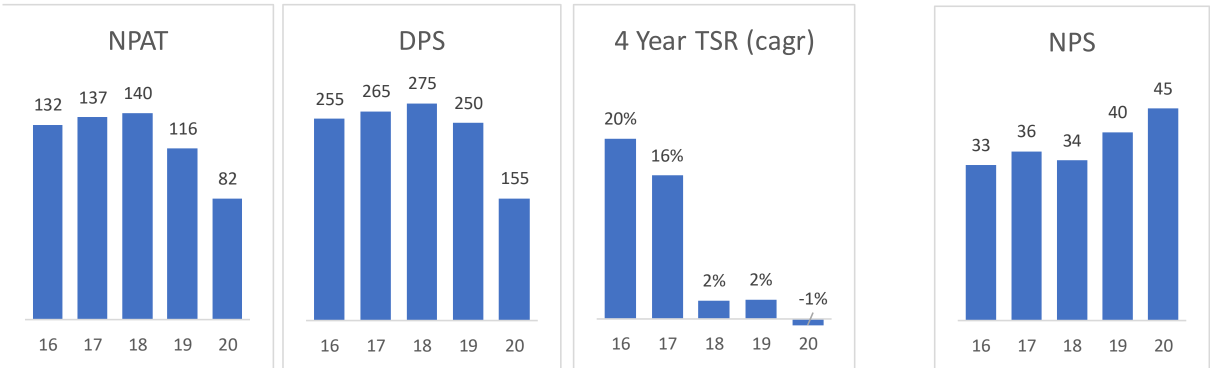
The table below shows Perpetual's five-year performance across a range of metrics and corresponding incentive outcomes. In FY20, this shows lower variable incentive outcomes (as a percentage of target), reflecting the impacts of subdued profit outcomes on the balanced scorecard performance. To allow for comparison, for FY20 we have expressed the proposed Hurdled Equity awards as a percentage of total Variable Incentive target. Whilst the average achievement level was 53% of target incentives, it is important to note that this will be taken entirely in Hurdled Equity, resulting in a substantially lower fair value for the CEO and Group Executives (see Section 7.1 for further information).

		30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Net profit after tax reported	$m	132.0	137.3	140.2	115.9	82.0
Basic earnings per share - NPAT	cps	291	300	305	251	176
Total dividends paid/payable per ordinary share[1]	cps	**255**	**265**	**275**	**250**	**155**
Closing share price	$	41.1	55.9	41.6	42.24	29.67
1-year TSR	%	-10	42	-21	8	-26
3-year CAGR TSR	%	10	10	-1	7	-13
4-year CAGR TSR	%	20	16	2	2	-1
5-year CAGR TSR	%	15	23	8	3	-3
CEO - Variable Incentive as % of target[2,3]	%	107	79	34	65	60
Group Executives - Average Variable Incentive as % of target[2]	%	105	91	76	56	48

1. Dividends paid are for the respective financial year.

2. CEO variable incentive outcomes for FY15 - FY18 are for Perpetual's previous CEO, Mr Lloyd. Mr Lloyd ceased employment with Perpetual in FY18, and therefore FY18 represents variable incentive cash only given the forfeiture of variable incentive equity for FY18. FY19 and FY20 variable incentive outcomes are for Mr Adams.

Shareholders | Clients



1. Four year CAGR TSR disclosed to align with the performance hurdle period of the CEO and Group Executives from FY20.

2. NPS FY19 has been rebased from 39 to 40 to reflect new target markets.

Performance commentary

- FY20 NPAT was down substantially on FY19. This outcome was driven predominantly by lower revenues in Perpetual Investments, caused by volatile equity and capital markets as well as continued net outflows. This outcome was partially offset by Perpetual Corporate Trust, which experienced a record year in FY20.
- Dividend payments for FY20 are within the Board's policy range of 80-100% of annualised NPAT. Dividends per share have reduced by 38% from FY19, driven by the decrease in NPAT and an increase in the number of shares on issue.
- Shareholders have experienced mixed results over the last five years. On an absolute basis, the one-year TSR of negative 26% compared with a positive 8% in the prior year reflects the decline

in both share price and dividends over the course of FY20. Four-year CAGR TSR is negative 1% and five-year CAGR TSR is negative 3%.

- Net Promoter Score (NPS) was adopted as an organisational-wide client advocacy measure in FY13. It continues to be a critical measure, given our client-driven business and our long-term strategy. NPS targets are re-baselined each year, including adding and/or removing segments based on our strategy, to ensure annual targets are set appropriately. FY20 continued the strong improvement in NPS seen over the last five years.
- Investment performance was stronger for our equities teams in FY20 than in the previous financial year and remained strong across other asset classes, resulting in a total of 48% of Perpetual's funds performing in the 1st or 2nd quartile against peers over the past 12-24 months. More information on Perpetual's investment performance can be found here.
- The successful completion of our operating model review is delivering ongoing cost savings at the top end of the $18-23 million target range on an annualised basis as at 30 June 2020, while creating a nimbler and more efficient workforce. The decision to launch the project in September 2019 was critical in circumventing the need for more drastic and reactionary expense reductions to COVID-19.
- Continued investment in our business, including significant investment in our technology platform, the on-boarding of 20 new high net worth financial advisers and early progress on our global expansion, position Perpetual well to rebound from the impacts of COVID-19 experienced during FY20.

6.3 Measuring performance in FY20

Under our Variable Incentive plans, our balanced scorecard acts as the starting basis for evaluating current and future value creation with a risk management overlay. This section explains the performance outcomes for FY20.

- For FY20, given the unique operating environment and the unforeseen factor of COVID-19 which played into Perpetual's business plan and performance, the Board determined that whilst the balanced scorecard would continue to serve as the primary starting position for KMP Variable Incentive outcomes in FY20, additional factors of performance would also be considered.
- As highlighted in the table below, despite some below-target financial results in FY20, Perpetual delivered strong performance outcomes across a number of longer-term value creation components of the balanced scorecard including client, people and strategic measures.
- Despite this progress, the Board has made decisions relating to KMP remuneration for FY20 that we believe strike an appropriate balance of reflecting the financial outcomes delivered, whilst aligning our executive team to shareholder experience and future business growth (see Section 7.1).

Strategic Measure	Weighting	Full Year Performance	
Financial		**Outcome**	**Comments**
NPAT	40%	Target: $105.1m Actual: $82.0m **Not Achieved**	• In FY20 NPAT is substantially lower than prior year, which is attributable to volatile equity and capital markets and continued net outflows, primarily within the Australian Equities team within Perpetual Investments
Growth		**Outcome**	**Comments**
Perpetual Corporate Trust (PCT) – New business revenue	5%	Target: $14.9m Actual: $17.2m **Achieved**	• PCT new business revenue of $17.2m delivered an above plan outcome • PCT won several new mandates, supported growth with existing clients and consolidated market leader status in multiple segments
Perpetual Investments (PI) –	5%	Target: $10.8m Actual: ($28.4m) **Not Achieved**	• PI ANR of -$28.4m is significantly below target, driven by continued net outflow within Australian Equities and market impact in the second half of the financial year

Strategic Measure	Weighting	Full Year Performance	
Annualised Net Revenue (ANR)			
Perpetual Private (PP) – Net Flows	5%	Target: $668m Actual: $631m **Not Achieved**	• PP net flows outcome of $631m is 6% below target. Despite positive net flows from existing advisers, as well as strong net inflows from the 20 new advisers that have now joined under the Adviser Growth Strategy in FY20. Market volatility in late FY20 meant that flows did not reach the expected stretch target set at the commencement of the year
Clients		**Outcome**	**Comments**
Maintain client advocacy – external net promoter score (NPS) performance	7.5%	Target: +40 Actual: +45 **Achieved**	• Group NPS outcomes for FY20 yielded an outcome of 45 across the Group. This outcome was delivered by improvements across Perpetual Private (36 to 46) and PCT (55 to 62), offset by declining performance in PI (30 to 26) • The result represented a five-point increase on the 2019 baseline and was the fourth time in five years a five point increase relative to baseline has been achieved. The higher the base, the harder it is to make substantial improvement which makes this year's result more noteworthy • There are sixteen individual segments or business units that contribute to the score and the increase could only have been achieved through out-performance across the majority of teams
Investment Performance – % of Funds in first and second quartile over 1 and 2 years	7.5%	Target: 50% Actual: 48% **Not Achieved**	• PI investment performance is slightly below target outcome with 50% of funds being in the 1st or 2nd quartile over 1 year and 45% of funds being in the 1st or 2nd quartile over 2 years
People		**Outcome**	**Comments**
Employee sentiment	10%	Target: Discretion Actual: Achieved **Achieved**	• For FY20, an assessment of trend outcomes achieved as part of our regular Mood Monitor survey has been utilised by the Board. The outcomes reveal improving employee sentiment over the course of FY20, despite the backdrop of an operating model review and having to navigate the range of uncertainties presented by COVID-19 • The Mood Monitor is explained in more detail in the Key Terms section at the end of this report
Gender Diversity		Target: 40% women in senior roles Actual: 36% **Not Achieved**	• Perpetual assesses Women in Leadership by reference to the externally recognised WGEA classification. Despite progress having been made across certain target areas during FY20, the headline outcome of 36% did not meet the target of 40% representation agreed at the outset of the performance period
Voluntary attrition of high performers		Target: <14% Actual: 5.8% **Achieved**	• The voluntary turnover outcome of below 6% of FY19 high performers in a year of significant organisational change given the move to a new operating model alongside the challenges presented by COVID-19 represents an above-target outcome
Strategy		**Outcome**	**Comments**
Execute on agreed strategy	10%	Target: As assessed by Board **Achieved**	• PI: significant progress on M&A front, with Trillium closing on 30 June 2020 strengthening our ESG offering. New Head of Global Distribution commenced in December and Head of North American Distribution commenced 1 February 2020. Significant additional focus has been placed on identifying additional M&A targets. Early signs of improving investment performance have assisted in stemming negative net flows in H2 • PP: 20 new advisers hired and commenced to date, with $290m of net flows achieved for FY20. Priority Life have been successfully onboarded and initial referrals have proven promising. The Perpetual

Remuneration Report (continued)

Strategic Measure	Weighting	Full Year Performance	
			Private Professional Services Model has been implemented, bringing together the discrete accounting and financial advisory service offerings of Fordham and Private Clients into one consolidated practice • PCT: A very strong year across all elements of performance, with a strong pipeline of product initiatives, operating model changes in Managed Fund Services completed to deliver more scalable and focused client service and new senior role established to capitalise on Asian-based growth opportunities
Optimise operating model	10%	Target: As assessed by Board **Achieved**	• Financials: delivering annualised savings at the top-end of the target range of $18-23 million as at 30 June 2020, circumventing the need for more drastic expense-related decisions in response to COVID-19 • Non-financials: the full-year assessment of People, Change & Communications, Process & Automation, Decision Making & Delegations and Operational Change and Transition Risk revealed a majority of project measures delivered to the agreed levels

7. Variable Remuneration

7.1 Executive Variable Incentive plans

Features of the KMP Variable Incentive Plan

FY20 was the first year where our Group Executives’ variable remuneration arrangements were aligned with those of the CEO under the Executive Committee Variable Incentive Plan. The Board believes the Executive remuneration framework will operate most effectively if all participants have consistent measures and hurdles. Under the Variable Incentive Plan, the full Variable Incentive is subject to a holistic assessment of performance at year-end, of which the annual group balanced scorecard is a key input to this assessment.

In a typical year, the Variable Incentive Plan has a cash component and an equity component split into Share Rights (Unhurdled) and two tranches of Performance Rights (Hurdled) with different vesting schedules. However, for FY20 the Board have determined not to make Cash or Unhurdled Equity allocations, with awards for FY20 made solely in the form of Hurdled Equity.

KMP Variable Incentive Awards for FY20

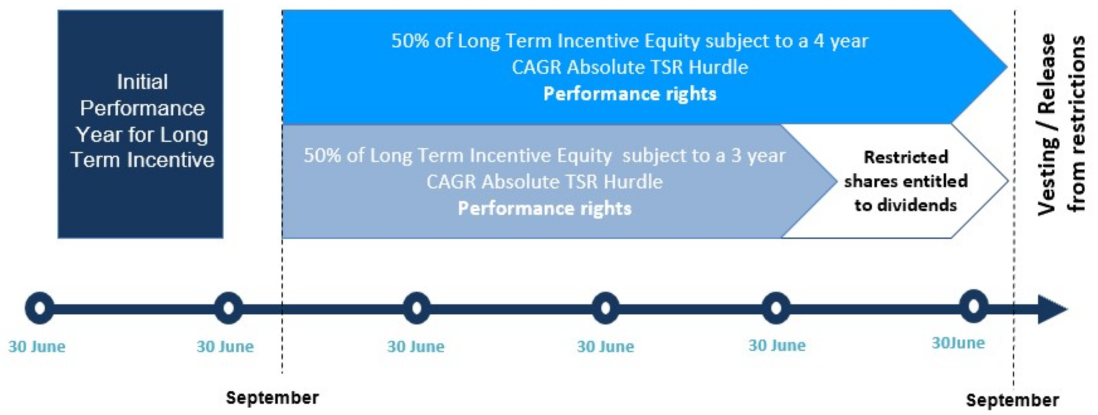
In determining Variable Incentive outcomes for FY20, the Board sought to balance employee and shareholder viewpoints and priorities in a manner which encourages long term value creation and links performance, risk and reward, as summarised below.

- While some financial targets have not been met in FY20, including Group NPAT, targets have been met in other important non-financial measures, which all contribute to the medium to long-term performance of the business. Overall, this meant the formulaic outcome of the balanced scorecard delivered funding for incentive awards in FY20.
- Despite the challenges presented in FY20, management has made important progress against our strategic initiatives which will position the business for recovery. As discussed in Section 6.3, this includes the acquisition of Trillium Asset Management, an operating model review which has delivered substantial expense reductions, significant investment into technology and capitalisation of disruption within the advice industry by recruiting twenty new advisers.

Directors' Report for the year ended 30 June 2020 (continued)

Remuneration Report (continued)

- Further, despite the challenges presented by COVID-19, the Executive team has responded well by mobilising our workforce quickly and ensuring that all parts of the business continued to operate smoothly in a remote work environment. Internal and client communications have been a key focus, with employee sentiment results and record Net Promoter Score outcomes demonstrating the impact of this strategy across both clients and employees.
- The Board has agreed to award an average grant of 53% of the Variable Incentive Target in respect of FY20. For the CEO, the Hurdled Equity award is equivalent to 60% of Total Variable Incentive Target and for the current Group Executives, the range of Hurdled Equity awarded is between 37% and 69% of target[2].
- In recognition of the below target outcome in financial performance, FY20 Variable Incentive outcomes will be awarded using only the Hurdled Equity component of the structure, and in that way, the award will better align to shareholder interests given zero rights will vest if CAGR Absolute TSR growth of 7-10% is not achieved over the vesting period. Given the outcome is not delivered across the three elements of the Variable Incentive plan and solely in Hurdled Equity, the fair value of these awards is significantly lower using this approach.
- When comparing the outcomes to those delivered in FY19 for the CEO and current Group Executives, it is important to note that zero Cash or Unhurdled Equity has been allocated in FY20 and therefore direct comparisons are not possible.
- The diagram below summarises the vesting schedule of Hurdled KMP Variable Incentive Plan awards for FY20. 50% of the award will be subject to the standard CAGR Absolute TSR hurdle after 3-years (with any vested rights becoming restricted shares for a further year) and 50% subject to the same hurdle after 4-years.



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

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

[2] Rebecca Nash, as a former Group Executive, has been awarded a Variable Incentive equivalent to 25% of the total target, payable entirely in Cash.

10% or above per annum	100%

Malus and Clawback provisions give the Board the discretion to claw back vested and unvested equity. The number of Performance Rights granted for FY20 performance will be determined by dividing the relevant variable incentive award dollar amount by the five-day VWAP prior to the grant date. This approach is consistent with the practice adopted every year for CEO and Group Executive awards.

FY20 CEO performance and reward outcomes

The CEO's FY20 Variable Incentive outcome was determined with a 70% weighting placed on Company performance and a 30% weighting on individual contribution over the course of the performance year. The Board has considered the individual contribution of Mr Adams for FY20 with reference to progress against key strategic priorities agreed at the commencement of the performance year. While key financial targets were not met, the CEO had a number of achievements which are highlighted below:

- Delivery of a number of key initiatives that reposition Perpetual for future growth (e.g. Trillium acquisition and the execution of an organisation-wide operating model review);
- Key appointments to support the distribution strategy with Adam Quaife joining as the Global Head of Distribution and Chuck Thompson to lead distribution in the United States, while completing his leadership team with the appointment of Amanda Gazal as COO; and
- Throughout a difficult financial year, the CEO has earned and continues to earn strong support from employees, clients and investors (as validated by employee sentiment surveys and client NPS surveys).

The Board has determined to award the CEO an overall incentive outcome of 60% of target in respect of FY20. To reflect the challenging financial performance for Perpetual in FY20, the CEO's FY20 award will be delivered exclusively in the form of Hurdled Equity. Consistent with the other KMP in FY20, 50% of the award will be subject to the standard CAGR Absolute TSR hurdle after 3-years (with any vested rights becoming restricted shares for a further year) and 50% subject to the same hurdle after 4-years. This means that zero rights will vest if CAGR Absolute TSR growth of 7-10% is not achieved over the vesting period.

Total Variable Incentive outcome received in FY20 for Executives

The table below provides the total Variable Incentive outcome (both cash and equity portions) received by the Executives for the FY20 performance year.

Directors' Report for the year ended 30 June 2020 (continued)

Remuneration Report (continued)

Name	Variable Incentive Cash $	Variable Incentive Equity[1] $	Total Variable Incentive $	FY20 Variable Incentive (as % of Target)[2]	Percentage Forfeited	Maximum Opportunity @ 175% of target[3] $
Current Executives						
R Adams	-	1,366,732	1,366,732	60%	40%	3,986,301
A Gazal[4]	-	-	-	-	-	-
C Green	-	500,000	500,000	48%	52%	1,812,433
D Lane	-	375,000	375,000	47%	53%	1,390,172
R McCarthy	-	375,000	375,000	63%	37%	1,049,017
S Mosse	-	250,000	250,000	69%	31%	635,250
M Smith	-	375,000	375,000	37%	63%	1,791,545
Former Executives						
R Nash[5]	35,163	-	35,163	25%	75%	246,141
A Wallace[6]	-	-	-	-	-	-
Total	**35,163**	**3,241,732**	**3,276,895**			

1. For Group Executives, with the exception of Ms Nash, 100% of the Variable Incentive equity value will be awarded as Performance rights with an absolute Total Shareholder Return hurdle.
2. Represents the total Variable Incentive outcome for FY20 as a percentage of target Variable Incentive.
3. Maximum opportunity Executives may earn under the CEO or Group Executive Variable Incentive Plan.
4. Ms Gazal was not eligible for an incentive payment in FY20 due to insufficient service.
5. Ms Nash was eligible for a pro-rata Variable Incentive for FY20. It will be paid 100% in cash at the discretion of the Board.
6. Mr Wallace was not eligible for a Variable Incentive in FY20 under the terms of his separation.

Approval process

The Board, through the Chairman of the Board, conduct a formal review of the performance of the CEO and senior management on an annual basis.

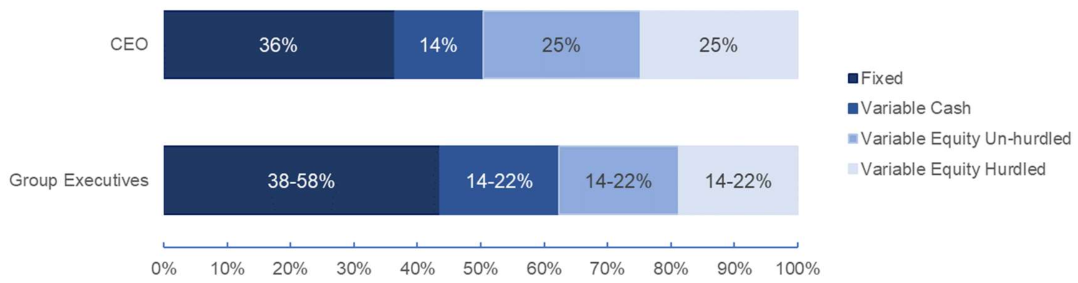
For Group Executives, the CEO makes recommendations to the PARC on Variable Incentive allocations for the Group Executives. Once recommendations are reviewed and endorsed, the PARC makes recommendations for the Group Executives to the Board for final approval.

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

Remuneration mix

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

Total remuneration continues to be determined using a range of factors including Perpetual's market peers. The table below shows the FY20 on-target remuneration mix (using full time equivalent remuneration) for the Executives under the CEO and Group Executive Variable Incentive plans.



Our long-term intention is to position all Executives with a Variable Incentive mix of one third cash and two thirds equity.

Termination of employment

Treatment upon termination of employment is as follows.

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

• Retirement (requires Board approval)[3] • Redundancy • Total and permanent disablement (TPD)	normal terms and conditions) and the remaining incentive will be paid in cash.		

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

7.3 Employee share plans

Perpetual offers all employees the opportunity to participate in share plans. These are described below.

Open Plans
Perpetual Limited Long-term Incentive Plan From February 2011, this is the primary plan used for LTI grants to eligible employees, and Executives in the CEO and Group Executive Variable Incentive plans 189 members with LTI (Performance rights) 43 members with LTI (Shares) 7 members with Variable Incentive equity
One Perpetual Share Plan (OPSP) This plan, introduced in FY15, awards eligible employees with annual grants of up to $1,000 worth of Perpetual shares subject to Perpetual meeting its profit target. No awards will be made under this plan for FY20. 513 members

Dilution limits for share plans

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

As at 30 June 2020, the proportion of unvested shares and Performance Rights (excluding unallocated shares as a result of forfeitures) held in Perpetual's employee share plans as a percentage of issued shares was 2.02%. This has remained flat compared to last year.

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

8. Data disclosures – Executives

Remuneration of Executives – Statutory Reporting

	Short-term benefits				Post-employment benefits		Equity-based benefits[5]			Termination payments	Total
	Cash salary[1]	Variable Incentive Cash[2]	Non-monetary benefits[3]	Other[4]	Superannuation	Other long- term benefits[6]	Variable Incentive Equity[7]	Shares	Performance rights		
Name	$	$	$	$	$	$	$	$	$	$	$
Current Executives											
R Adams											
2020	**1,277,776**	-	-	**1,651**	**24,976**	**37,438**	**158,139**	**327,001**	-	-	**1,826,981**
2019[8]	980,799	249,315	-	1,277	21,224	946	92,784	210,000	-	-	1,556,345
A Gazal											
2020	**108,160**	-	-	**384**	**6,250**	**1,883**	-	**79,712**	-	-	**196,389**
2019	-	-	-	-	-	-	-	-	-	-	-
C Green											
2020	**625,146**	-	-	**1,651**	**24,976**	**6,196**	**308,315**	-	-	-	**966,284**
2019	584,165	235,874	-	1,674	24,674	(7,923)	382,022	-	14,617	-	1,235,103
D Lane											
2020	**487,802**	-	**40,757**	**3,695**	**24,976**	**26,488**	**175,867**	**7,801**	-	-	**767,386**
2019	502,383	150,000	24,899	3,458	24,674	2,186	110,608	62,596	-	-	880,804
R McCarthy											
2020	**405,146**	-	-	**1,651**	**24,976**	**(4,881)**	**74,037**	-	**95,657**	-	**596,586**
2019[8]	287,753	80,153	-	1,179	18,640	2,036	56,071	-	104,474	-	550,306
S Mosse											
2020	**470,146**	-	-	-	**24,976**	**11,093**	**18,958**	**148,133**	-	-	**673,306**
2019[8]	169,899	22,045	-	-	12,235	171	6,013	176,823	-	-	387,185
M Smith											
2020	**606,626**	-	-	**1,651**	**24,976**	**43,024**	**269,425**	-	-	-	**945,702**
2019	606,626	147,854	-	1,674	24,674	13,454	331,271	-	17,197	-	1,142,750
Former Executives											
R Nash											
2020[9]	**286,180**	**35,163**	**3,501**	-	**12,476**	-	**40,849**	-	-	**567,340**	**945,509**
2019	582,840	79,781	10,502	1,674	30,568	13,660	165,137	-	5,674	-	889,836
A Wallace											
2020[10]	**261,916**	-	**8,984**	**1,095**	**17,159**	-	-	-	**23,363**	-	**312,517**
2019	-	-	-	-	-	-	-	-	-	-	-
Total 2020	**4,528,898**	**35,163**	**53,242**	**11,778**	**185,741**	**121,241**	**1,045,590**	**562,647**	**119,020**	**567,340**	**7,230,660**
Total 2019	3,714,465	965,022	35,401	10,936	156,689	24,530	1,143,906	449,419	141,961	-	6,642,329

1. Cash salary is the ordinary cash salary received in the year including payment for annual, long service, sick or other types of paid leave taken.
2. Variable Incentive cash payments consist of cash payments to be made in September 2020 for the CEO and Group Executives.
3. Non-monetary benefits represents those amounts salary sacrificed from fixed remuneration to pay for benefits such as leased motor vehicles, car parking, and purchased leave.
4. Other short-term benefits relate to:
- salary continuance and death and total and permanent disability insurance provided as part of the remuneration package; and
- the value of accrued annual leave for FY20 less leave taken which is depicted as cash salary.
5. Share-based remuneration has been valued using the binomial method, which considers the performance hurdles relevant to each issue of equity instruments. The value of each equity instrument has been provided by PricewaterhouseCoopers. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including earnings per share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as total shareholder return hurdles, the number of shares expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements (except if service conditions are not met). The accounting treatment of non-market and market conditions are in accordance with accounting standards.
6. The value of accrued long service leave for FY20 less leave taken, which is depicted as cash salary.
7. Variable incentive equity includes costs incurred in FY20 for the FY17, FY18, FY19 Variable Incentive equity grants.
8. FY19 remuneration of Mr Adams and Ms Mosse reflects part-year service with Perpetual. FY19 remuneration of Mr McCarthy is reflective of part-year only in KMP role.
9. Ms Nash FY20 cash salary is higher than FY19 due to payment in lieur of notice period and payment for Long Service Leave on departure.
10. Mr Wallace was not a KMP in FY19. His FY20 remuneration is reflective of time in his KMP role only.

Remuneration Report (continued)

Executive Remuneration received FY20

The table below represents the actual remuneration received by the Executives during FY20. This table differs to the statutory remuneration table on page 33 that has been prepared in accordance with the Corporations Act and Australian Accounting Standards. The difference between the two tables is predominantly due to the accounting treatment of the share-based payments.

Name	Total fixed remuneration[1]	Variable Incentive cash[2]	Equity vested during year[3]	Dividends paid on unvested shares during year[4]	Sign-on and relocation benefits[5]	Payments made on termination	Total
	$	$	$	$	$	$	$
Current Executives							
R Adams	1,304,403	249,315	-	49,273	-	-	1,602,991
A Gazal	114,794	-	-	-	275,000	-	389,794
C Green	651,773	235,874	-	21,408	-	-	909,055
D Lane	557,230	150,000	42,977	1,435	-	-	751,642
R McCarthy	431,773	80,153	285,645	5,347	-	-	802,918
S Mosse	495,122	22,045	277,137	19,787	-	-	814,091
M Smith	633,253	147,854	-	18,182	-	-	799,289
Former Executives							
R Nash	302,157	79,781	-	9,598	-	567,340	958,876
A Wallace	289,154	-	33,930	-	-	-	323,084
Totals	**4,779,659**	**965,022**	**639,689**	**125,030**	**275,000**	**567,340**	**7,351,740**

1. Fixed remuneration consists of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax.

2. Represents the cash portion of Variable Incentive outcome for FY19 paid in September 2019. There is no FY19 Variable Incentive outcome for Ms Gazal who joined Perpetual in FY20. There is also no FY19 Variable Incentive outcome for Mr Wallace as this relates to his prior role before he was a KMP.

3. Represents the value of equity grants awarded in previous years which vested during the year. For Mr Lane, this represents the third tranche of shares granted 10 April 2017, as a sign-on bonus that vested 30 September 2019. For Ms Mosse, this represents the first tranche of shares granted 18 Fenruary 2019, as a sign-on bonus that vested 1 October 2019. For Mr McCarthy, this represents Performance Rights granted on 1 October 2016 as a Long Term Incentive that vested on 1 October 2019, as well as shares granted on 4 September 2017 that vested on 30 September 2019. For Mr Wallace, this represents Performance Rights granted on 1 October 2016 as a Long Term Incentive that vested on 1 October 2019.

4. Dividends paid during FY20 on deferred STI shares, and sign-on shares granted to Mr Adams on 24 September 2018, Mr Lane on 10 April 2017 and Ms Mosse on 18 February 2019.

5. Ms Gazal received a sign-on allocation of shares, details of which are outlined in the Unvested Shares and Performance rights table on page 37. Ms Gazal also received a reimbursement of $25,000 for relocation costs.

Remuneration components as a proportion of total remuneration

The remuneration components below are determined based on the Remuneration of the Executives – Statutory Reporting table on page 33. This table includes fixed remuneration and Variable Incentives – cash and equity.

Name	Fixed remuneration %	Performance linked benefits		Other Equity[1]	Total %
		Variable Incentive Cash %	Variable Incentive Equity %		
Current Executives					
R Adams	73%	0%	9%	18%	100%
A Gazal	59%	0%	0%	41%	100%
C Green	68%	0%	32%	0%	100%
D Lane	76%	0%	23%	1%	100%
R McCarthy	72%	0%	28%	0%	100%
S Mosse	75%	0%	3%	22%	100%
M Smith	72%	0%	28%	0%	100%
Former Executives					
R Nash	92%	4%	4%	0%	100%
A Wallace	93%	0%	7%	0%	100%

1. Other equity includes sign-on equity for Mr Adams, Ms Gazal, Mr Lane and Ms Mosse.
2. Ms Nash received a pro-rata STI reflecting period of service in FY20.
3. Mr Wallace apportionment reflects his time as a KMP during FY20.

Remuneration Report (continued)

Value of unvested remuneration that may vest in future years

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

	30/06/2021[1] Maximum $	30/06/2022[1] Maximum $	30/06/2023[1] Maximum $	30/06/2024[1] Maximum $	30/06/2025[1] Maximum $
CEO and Managing Director					
R Adams	394,227	345,293	95,220	9,127	-
Current Group Executives					
A Gazal	148,935	23,074	-	-	-
C Green	206,807	71,861	17,346	2,380	-
D Lane	113,068	46,573	13,009	1,785	-
R McCarthy	127,370	53,903	13,009	1,785	-
S Mosse	103,958	45,666	8,673	1,190	-
M Smith	153,613	52,371	13,009	1,785	-

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

Directors' Report for the year ended 30 June 2020 (continued)

Remuneration Report (continued)

Shareholdings

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

Name	Total shares held at 1 July 2019	Purchases	Vesting of Shares	Vesting of Performance rights	Sales / Reductions	Shares held personally at 30 June 2020	Shares held nominally at 30 June 2020[1]	Total shares held at 30 June 2020
Current Executives								
R Adams[2]	1,835	7,000	-	-	-	7,780	1,055	8,835
A Gazal	-	-	-	-	-	-	-	-
C Green	8,977	-		9,308	-	18,285	-	18,285
D Lane	3,539	-	1,148	-	-	4,687	-	4,687
R McCarthy[2]	2,035	-	2,449	5,076	9,560	-	-	-
S Mosse	-	-	7,253	-	7,253	-	-	-
M Smith	11,692	-	-	7,905	3,000	7,905	8,692	16,597
Former Executives	-							-
R Nash	9,271	-	-	4,173	-	13,444	-	13,444
A Wallace	23	-	-	888	911	-	-	-

1. Shares held nominally are included in the "Total shares held at 30 June 2020" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

2. Mr Adams and Mr McCarthy held these shares prior to being a KMP.

Remuneration Report (continued)

Unvested share and Performance rights holdings of the Executives

The table below summarises the Share and Performance Rights holdings and movements by number granted to the Executives by Perpetual, for the year ended 30 June 2020. For details of the fair valuation methodology, refer to section 4-1 of the notes to, and forming part of the financial statements.

Name	Instrument	Grant date	Grant price	Vesting date	Held at 1 July 2019	Movement during the year			Held at 30 June 2020	Fair value of instrument at grant date
						Granted	Forfeited	Vested		
			$		Number of instruments	Number of instruments			Number of instruments	$
Current Executives										
R Adams[2]	Shares	24 September 2018	42.01	24 September 2020	10,712	-	-	-	10,712	42.01
	Shares	24 September 2018	42.01	24 September 2022	10,711	-	-	-	10,711	42.01
	Performance Rights	2 September 2019	42.01	1 September 2021	-	10,551	-	-	10,551	28.89
	Performance Rights	2 September 2019	42.01	1 September 2022	-	5,276	-	-	5,276	8.22
	Performance Rights	2 September 2019	42.01	1 September 2023	-	5,275	-	-	5,275	8.40
		Aggregate value				$ 886,495	$ -	$ -		
A Gazal[2]	Shares	7 April 2020	25.86	7 October 2020	-	4,867	-	-	4,867	25.86
	Shares	7 April 2020	25.86	7 October 2021	-	4,867	-	-	4,867	25.86
		Aggregate value				$ 251,721	$ -	$ -		
C Green	Shares[3]	1 September 2017	55.52	1 September 2021	9,308	-	-	-	9,308	35.30
	Performance rights	3 September 2018	44.29	1 September 2020	9,623	-	-	-	9,623	38.63
	Performance rights	2 September 2019	35.30	1 September 2021	-	12,063			12,063	28.89
		Aggregate value				$ 425,824	$ -	$ -		
D Lane[2]	Shares	10 April 2017	52.27	30 September 2019	1,148	-	-	1,148	-	52.27
	Performance rights	3 September 2018	44.29	1 September 2020	7,080	-	-	-	7,080	38.63
	Performance rights	2 September 2019	35.30	1 September 2021	-	5,665	-	-	5,665	28.89
		Aggregate value				$ 199,975	$ -	$ 42,977		
R McCarthy[4]	Performance rights	1 October 2016	39.40	1 October 2019	5,076	-	-	5,076	-	39.40
	Shares	4 September 2017	55.34	30 September 2019	2,449	-	-	2,449	-	55.34
	Performance rights	1 October 2017	44.64	1 October 2020	2,240	-	-	-	2,240	44.64
	Shares	3 September 2018	44.29	30 September 2020	994	-	-	-	994	44.29
	Performance rights	1 October 2018	34.97	1 October 2021	2,859	-	-	-	2,859	34.97
	Performance rights	2 September 2019	35.30	1 September 2021	-	3,663	-	-	3,663	28.89
		Aggregate value				$ 129,304	$ -	$ 285,645		
S Mosse[2]	Shares	18 February 2019	35.37	1 October 2019	7,253	-	-	7,253	-	35.37
	Shares	18 February 2019	35.37	1 October 2021	4,661	-	-	-	4,661	35.37
	Performance rights	2 September 2019	35.30	1 September 2021	-	1,010	-	-	1,010	28.89
		Aggregate value				$ 35,653	$ -	$ 277,137		
M Smith	Shares[3]	1 September 2017	55.52	1 September 2021	7,905	-	-	-	7,905	35.30
	Performance rights	3 September 2018	44.29	1 September 2020	9,788	-	-	-	9,788	38.63
	Performance rights	2 September 2019	35.30	1 September 2021	-	8,343	-	-	8,343	28.89
		Aggregate value				$ 294,508	$ -	$ -		
Former Executive										
R Nash	Shares[3]	1 September 2017	55.52	1 September 2021	4,173	-	-	-	4,173	35.30
	Performance rights	3 September 2018	44.29	1 September 2020	4,460	-	-	-	4,460	38.63
	Performance rights	2 September 2019	35.30	1 September 2021	-	3,569	-	-	3,569	28.89
		Aggregate value				$ 125,986	$ -	$ -		
A Wallace[5]	Performance rights	1 October 2016	39.40	1 October 2019	888	-	-	888	-	39.40
	Performance rights	1 October 2017	44.64	1 October 2020	1,120	-	-	-	1,120	44.64
	Performance rights	1 October 2018	34.97	1 October 2021	1,429	-	-	-	1,429	34.97
	Performance rights	1 October 2019	31.53	1 October 2022	-	3,171	-	-	3,171	31.53
		Aggregate value				$ 99,975	$ -	$ 33,930		

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

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

3. Performance Rights granted to Mr Green, Mr Smith and Ms Nash on 1 September 2017 converted to Restricted Shares on 1 September 2019, as per the terms of the Executive Leadership Team Variable Incentive Plan. The fair value of these Restricted Shares is the 5 day VWAP of Perpetual shares leading up to and including the conversion date.

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

5. Some of Mr Wallace's shares and Performance rights were granted prior to his KMP appointment date of 19 August 2019. We've included his holdings and movements prior to 19 August 2019 for completeness.

Directors' Report for the year ended 30 June 2020 (continued)

Remuneration Report (continued)

Termination terms for Executives

Following are the Executive contractual arrangements.

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

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

9. Non-executive Director remuneration

9.1 Remuneration policy and data

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

Fee reduction for FY21

As mentioned in the Chairman's introductory letter, in response to the business impacts experienced as a result of Covid-19, the Perpetual Limited Chairman will take a 20% reduction in base Director fees for the first six months of FY21, with the other Board members taking base Director fee reductions of 10% for the same period.

Fee framework

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

Non-executive Directors' fees	FY19 $	FY20 $
Chairman	300,000	300,000
Directors	150,000	150,000
Audit, Risk and Compliance Committee Chairman	35,000	35,000
Audit, Risk and Compliance Committee member	17,000	17,000
People and Remuneration Committee Chairman	35,000	35,000
People and Remuneration Committee member	17,000	17,000
Investment Committee Chairman	17,500	17,500
Investment Committee member	10,000	10,000
Nominations Committee member	Nil	Nil

The fees above are inclusive of superannuation contributions, capped at the maximum prescribed under Superannuation Guarantee legislation. Non-executive Directors may receive employer superannuation contributions in one of Perpetual's employee superannuation funds or in a complying fund of their choice. Non-executive Directors may also salary sacrifice superannuation contributions out of their base fee if they so wish.

Total remuneration available to Non-executive Directors of $2,250,000 was approved by shareholders at the 2006 Annual General Meeting and has remained unchanged since this date. Total fees paid to Non-executive Directors in FY20 were $1,239,514. More details are provided in the table on page 40.

Remuneration Report (continued)

Retirement policy

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

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

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

Remuneration of the Non-executive Directors (statutory reporting)

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

Name	Short-term benefits Perpetual Board fees $	Post employment benefits Superannuation[1] $	Total[2] $
Current Non-executive Directors			
T D'Aloisio			
2020	**278,997**	**21,003**	**300,000**
2019	279,469	20,531	300,000
G Cooper[3]			
2020	**138,651**	**13,172**	**151,823**
2019	-	-	-
N Fox			
2020	**179,614**	**17,063**	**196,677**
2019	168,037	15,963	184,000
I Hammond			
2020	**186,541**	**8,459**	**195,000**
2019	178,082	16,918	195,000
F Trafford-Walker[3]			
2020	**90,816**	**8,628**	**99,444**
2019	-	-	-
C Ueland			
2020	**168,493**	**16,007**	**184,500**
2019	168,516	16,007	184,523
Former Non-executive Directors			
P Bullock			
2020	**49,688**	**4,720**	**54,408**
2019	168,037	15,963	184,000
S Falzon			
2020	**52,659**	**5,003**	**57,662**
2019	178,082	16,918	195,000
Total 2020	**1,145,459**	**94,055**	**1,239,514**
Total 2019	1,140,222	102,301	1,242,523

1. Non-Executive Directors can elect to take superannuation contributions in excess of their Superannuation Guarantee Contribution as additional base fees.
2. Non-executive Directors do not receive any non-cash benefits as part of their remuneration.
3. Mr Cooper and Ms Trafford-Walker FY20 amounts represent less than a full year as Non-Executive Directors.

Remuneration Report (continued)

Alignment with shareholder interests

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

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

Non-executive Director shareholdings

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

Name	Total shares held at 1 July 2019	Purchases	Sales / Reductions	Shares held personally at 30 June 2020	Shares held nominally at 30 June 2020[1]	Total shares held at 30 June 2020	1,000 shareholding requirement met
	Number of shares						
T D'Aloisio	8,081	-	-	-	8,081	8,081	✓
G Cooper	-	1,000	-	-	1,000	1,000	✓
N Fox	4,000	-	-	4,000	-	4,000	✓
I Hammond	4,201	3,212	-	1,202	6,211	7,413	✓
F Trafford-Walker[2]	-	-	-	-	-	-	
C Ueland	3,000	-	-	1,500	1,500	3,000	✓
Former Directors							
P Bullock	4,319	314	-	4,633	-	4,633	✓
S Falzon	5,042	207	-	5,249	-	5,249	✓

1. Shares held nominally are included in the "Total shares held at 30 June 2020" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

2. Ms Trafford-Walker has been subject to trading restrictions since her appointment so has been unable to purchase shares.

Remuneration Report (continued)

10. Key terms

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

Directors' Report for the year ended 30 June 2020 (continued)

Non-audit services provided by the External Auditor

Fees for non-audit services paid to KPMG in the current year were $75,878 (2019: $305,784).

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

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

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

The Lead Auditor's independence declaration for the 30 June 2020 financial year is included at the end of this report.

Rounding off

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

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

Tony D'Aloisio
Chairman

Rob Adams
Chief Executive Officer and
Managing Director

Sydney 20 August 2020

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

To the Directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Perpetual Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

Brendan Twining

Partner

Sydney

20 August 2020

Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2020

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Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Section	2020 $'000	2019 $'000
Revenue	1-2	491,297	519,405
Expenses	1-3	(370,664)	(354,456)
Financing costs		(4,026)	(2,787)
Net profit before tax		**116,607**	**162,162**
Income tax expense	1-4	(34,608)	(46,233)
Net profit after tax		**81,999**	**115,929**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(121)	136
Other comprehensive income, net of income tax		**(121)**	**136**
Total comprehensive income		**81,878**	**116,065**
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		81,878	116,065
Earnings per share			
Basic earnings per share – cents per share	1-5	176.3	250.9
Diluted earnings per share – cents per share	1-5	172.8	246.3

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 51 to 109.

Consolidated Statement of Financial Position as at 30 June 2020

	Section	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	3-1	164,143	299,587
Receivables	2-2	92,016	99,774
Current tax assets	1-4	-	1,846
Structured products – EMCF assets	5-1	236,390	252,522
Other assets		13,134	14,538
Total current assets		505,683	668,267
Other financial assets	2-3	80,685	69,663
Property, plant and equipment	2-4	89,493	26,564
Intangibles	2-5	444,454	345,779
Deferred tax assets	1-4	39,973	31,512
Other assets		8,862	10,483
Total non-current assets		663,467	484,001
Total assets		1,169,150	1,152,268
Liabilities			
Payables		71,980	52,574
Structured products – EMCF liabilities	5-1	236,196	252,169
Current tax liabilities	1-4	13,291	-
Employee benefits	2-7	52,966	40,716
Lease liabilities	2-8	13,783	-
Provisions	2-6	2,638	4,652
Total current liabilities		390,854	350,111
Payables		18,241	3,659
Borrowings	3-2	-	87,000
Deferred tax liabilities	1-4	17,397	16,244
Employee benefits	2-7	13,160	15,352
Lease liabilities	2-8	68,880	-
Provisions	2-6	6,282	17,663
Total non-current liabilities		123,960	139,918
Total liabilities		514,814	490,029
Net assets		**654,336**	**662,239**
Equity			
Contributed equity	3-3	539,807	519,201
Reserves	3-4	19,377	20,008
Retained earnings		95,152	123,030
Total equity attributable to equity holders of Perpetual Limited		**654,336**	**662,239**

The Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 51 to 109.

Consolidated Statement of Changes in Equity for the year ended 30 June 2020

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2019	550,635	(31,434)	19,600	408	123,030	662,239	662,239
Adjustment on initial application of AASB 16, net of tax[1]	-	-	-	-	(2,916)	(2,916)	(2,916)
Adjusted balance at 1 July 2019	**550,635**	**(31,434)**	**19,600**	**408**	**120,114**	**659,323**	**659,323**
Total comprehensive income/(expense)	-	-	-	(121)	81,999	81,878	81,878
Movement on treasury shares	3,035	9,659	(13,292)	-	598	-	-
Issue of ordinary shares	28,435	(14,727)	-	-	-	13,708	13,708
Repurchase of shares on market	-	(5,796)	-	-	-	(5,796)	(5,796)
Equity remuneration expense	-	-	12,782	-	-	12,782	12,782
Dividends paid to shareholders	-	-	-	-	(107,559)	(107,559)	(107,559)
Balance at 30 June 2020	**582,105**	**(42,298)**	**19,090**	**287**	**95,152**	**654,336**	**654,336**

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2018	550,249	(41,576)	18,893	5,303	128,265	661,134	661,134
Adjustment on initial application of AASB 9, net of tax	-	-	-	(5,031)	5,031	-	-
Adjustment on initial application of AASB 15, net of tax	-	-	-	-	(3,784)	(3,784)	(3,784)
Adjusted balance at 1 July 2018	**550,249**	**(41,576)**	**18,893**	**272**	**129,512**	**657,350**	**657,350**
Total comprehensive income/(expense)	-	-	-	136	115,929	116,065	116,065
Movement on treasury shares	386	12,264	(13,661)	-	1,011	-	-
Repurchase of shares on market	-	(2,122)	-	-	-	(2,122)	(2,122)
Equity remuneration expense	-	-	14,368	-	-	14,368	14,368
Dividends paid to shareholders	-	-	-	-	(123,422)	(123,422)	(123,422)
Balance at 30 June 2019	**550,635**	**(31,434)**	**19,600**	**408**	**123,030**	**662,239**	**662,239**

[1] Adjustment to the opening balance of retained earnings reflect the initial application of AASB16 which came into effect on 1 July 2019 (refer to section 6-4).

The Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 51 to 109.

Consolidated Statement of Cash Flows for the year ended 30 June 2020

	Section	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		543,577	552,125
Cash payments in the course of operations		(367,157)	(374,964)
Dividends received		70	180
Interest received		3,574	6,911
Interest paid		(4,095)	(2,788)
Income taxes paid		(26,138)	(48,784)
Net cash from operating activities	1-7	**149,831**	**132,680**
Cash flows from investing activities			
Payments for property, plant, equipment and software		(13,616)	(20,002)
Payments for investments		(19,717)	(35,437)
Payment for acquisition of a business		(51,722)	(13,481)
Proceeds from sale of investments		11,885	41,134
Net cash used in investing activities		**(73,170)**	**(27,786)**
Cash flows from financing activities			
Lease financing costs		(14,059)	-
Repayment of borrowings		(87,000)	-
Repurchase of shares on market		(5,796)	(2,122)
Dividends paid		(105,250)	(123,422)
Net cash used in financing activities		**(212,105)**	**(125,544)**
Net decrease in cash and cash equivalents		(135,444)	(20,650)
Cash and cash equivalents at 1 July		299,587	320,237
Cash and cash equivalents at 30 June	3-1	**164,143**	**299,587**

The Consolidated Statement of Cash Flows is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 51 to 109.

Notes to and forming part of the financial statements for the year ended 30 June 2020

Section 1 Group performance

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

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

1-1 Operating segments

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

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

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

i. Services provided

Perpetual is an independent Australian wealth manager operating in Australia, United States of America (USA) and Singapore and provides a diverse range of financial products and services including asset management, financial advice and trustee services via its three business segments, supported by Group Support Services.

Perpetual Investments	Supplies investment products and services to retail, corporate, superannuation and institutional clients.
Perpetual Private	Delivers a range of tailored wealth advice services to high net worth individuals, charities, not-for-profit and other philanthropic organisations. The comprehensive suite of financial advisory services includes financial advice, portfolio management, estate planning and administration, trustee services, as well as tax advice and accounting services provided by Fordham.
Perpetual Corporate Trust	Provides trustee and fiduciary services to institutional clients including custodial, trustee responsible entity and other ancillary services to Managed Investment Funds in Australia and Singapore, as well as specialised trust management and accounting services to the debt capital markets and data services to the Australian securitisation market.
Group Support Services	Comprising Group Investments, Finance, Corporate Affairs, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Operations, Product and People & Culture.

ii. Geographical information

The consolidated entity operates in Australia, USA and Singapore. The majority of the consolidated entity's revenue and assets relate to operations in Australia. The USA (refer to section 2-1) and Singapore operations do not meet the definition of an operating segment as at balance date.

iii. Major customer

The consolidated entity does not rely on any major customer.

Notes to and forming part of the financial statements for the year ended 30 June 2020

1-1 Operating segments (continued)

	Perpetual Investments[1] $'000	Perpetual Private $'000	Perpetual Corporate Trust $'000	Total $'000
30 June 2020				
Major service lines				
Equities	136,500	-	-	136,500
Cash and fixed income	30,312	-	-	30,312
Other FUM related	5,000	-	-	5,000
Market related	-	122,132	-	122,132
Non-market related	-	60,803	-	60,803
Income from structured products	3,718	12	-	3,730
Debt Market Services	-	-	69,926	69,926
Managed Funds Services	-	-	55,494	55,494
Total revenue by Major service line	175,530	182,947	125,420	483,897
Interest revenue	50	42	112	204
Total revenue for reportable segment	175,580	182,989	125,532	484,101
Depreciation and amortisation	(6,383)	(13,135)	(10,599)	(30,117)
Financing costs [2]	(137)	(990)	(527)	(1,653)
Reportable segment net profit before tax	55,448	30,143	55,175	140,766
Reportable segment assets[3]	385,156	225,520	206,059	816,735
Reportable segment liabilities[3]	(302,447)	(31,771)	(12,679)	(346,897)
Capital expenditure	34	333	3,591	3,958
30 June 2019				
Major service lines				
Equities	169,138	-	-	169,138
Cash and fixed income	27,024	-	-	27,024
Other FUM related	6,594	-	-	6,594
Market related	-	120,387	-	120,387
Non-market related	-	65,573	-	65,573
Income from structured products	7,245	62	-	7,307
Debt Market Services	-	-	61,616	61,616
Managed Funds Services	-	-	51,232	51,232
Total revenue by Major service line	210,001	186,022	112,848	508,871
Interest revenue	303	77	67	447
Total revenue for reportable segment	210,304	186,099	112,915	509,318
Depreciation and amortisation	(2,637)	(9,738)	(7,456)	(19,831)
Reportable segment net profit before tax	79,947	41,160	47,654	168,761
Reportable segment assets	300,367	202,638	210,142	713,147
Reportable segment liabilities	(282,367)	(25,499)	(12,999)	(320,865)
Capital expenditure	402	5,699	9,145	15,246

[1]Segment information for Perpetual Investments includes the Exact Market Cash Funds, refer to section 5-1(i).

[2]Includes costs related to AASB16 - Leases which came into effect from 1 July 2019. Prior period comparatives have not been restated (refer to section 6-4)

[3]Trillium assets and liabilities as at 30 June 2020 are included within the Perpetual Investments segment.

	2020 $'000	2019 $'000
1-1 Operating segments (continued)		
Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities		
Revenues		
Total revenue for reportable segments	484,101	509,318
Add: Group and Support Services revenue	5,882	12,954
Net realised gains on sale of investments	275	426
Unrealised gains/(losses) on financial assets[4]	1,039	(3,293)
Total revenue from continuing operations	491,297	519,405
Net profit before tax		
Total net profit before tax for reportable segments	140,766	168,761
Financing costs	(4,026)	(2,787)
Operating model review costs	(13,737)	-
Acquisition costs	(1,964)	-
Net realised gains on sale of investments	275	426
Group and Support Services expense	(4,707)	(4,238)
Net profit before tax	116,607	162,162
Total assets		
Total assets for reportable segments	816,735	713,147
Group and Support Services assets	352,415	439,121
Total assets	1,169,150	1,152,268
Total liabilities		
Total liabilities for reportable segments	346,897	320,865
Group and Support Services liabilities	167,917	169,164
Total liabilities	514,814	490,029

[4]Total net unrealised gains on financial assets for the consolidated entity is $880k (2019: $3.4m losses). This comprises $159k (2019: $126k) of unrealised losses on EMCF disclosed in PI segment, and $1,039k of unrealised gains (2019: $3,293k losses) that forms part of Group and Support Services.

1-2 Revenue

	2020 $'000	2019 $'000
Revenue from contracts with customers	480,290	501,699
Income from structured products	3,730	7,307
Dividends	67	159
Interest and unit trust distributions	6,055	13,233
Net realised gains on sale of investments	275	426
Unrealised gains/(losses) on financial assets	880	(3,419)
	491,297	519,405

Accounting policies

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

Revenue from contracts with customers

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

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

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

1-2 Revenue (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

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

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

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

	2020 $'000	2019 $'000
1-3 Expenses		
Staff related expenses excluding equity remuneration expense	187,823	185,381
Occupancy expenses[1]	7,884	17,623
Administrative and general expenses	112,895	115,070
Distributions and expenses relating to structured products	2,138	5,299
Equity remuneration expense	12,035	11,058
Depreciation and amortisation expense[1]	32,187	20,025
Operating model review costs	13,737	-
Transaction and integration costs	1,964	-
	370,664	354,456

[1]Movements primarily due to the adoption of AASB16 *Leases* from 1 July 2019 (refer Section 6-4).

Accounting policies

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

	2020 $'000	2019 $'000
1-4 Income taxes		
Current year tax expense		
Current year tax expense	42,117	41,665
Prior year adjustments	(427)	(751)
Total current tax expense impacting income taxes payable	41,690	40,914
Deferred tax expense		
Prior year adjustments	118	469
Temporary differences	(7,200)	4,850
Total deferred tax expense	(7,082)	5,319
Total income tax expenses	34,608	46,233
Net profit before tax for the year	116,607	162,162
Prima facie income tax expense calculated at 30% (2019: 30%) on profit for the year	34,982	48,649
– Recognition of previously unrecognised capital and revenue losses	(521)	(1,922)
– Prior year adjustments	(309)	(282)
– Other non-taxable income/expenses and tax credits	504	(295)
– Other non-deductible expenses	(48)	83
Total	34,608	46,233
Effective tax rate (ETR)	29.7%	28.5%
Income taxes (receivable)/payable at the beginning of the year	(1,846)	5,984
Income taxes payable for the financial year	41,690	40,914
Less: Tax paid during the year	(26,138)	(48,784)
Other	(415)	40
Income taxes payable/(receivable) at the end of the year	13,291	(1,846)
Represented in the Statement of Financial Position by:		
Current tax (assets)/liabilities	13,291	(1,846)

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

The consolidated entity operates in Australia, USA and Singapore. The USA and Singapore operations are not material to the consolidated entity and have no material impact on the calculation of the ETR.

Explanation of variance to the legislated 30% tax rate
The consolidated entity's effective tax rate for the year was 29.7% (2019: 28.5%). The 0.3% reduction in the effective tax rate compared to the legislated 30% is mainly attributed to the utilisation of previously unrecognised capital losses and prior year adjustments relating to the Research and Development tax concession.

Capital tax (gains)/losses calculated at 30% tax in Australia
The total tax benefits of realised capital losses are $26,521,502 (30 June 2019: $27,872,955), comprising $3,000,000 (30 June 2019: $3,000,000) recognised in deferred tax assets and $23,521,502 (30 June 2019: $24,872,955) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior years and are available to be utilised by the Australian income tax consolidated group in future years.

Notes to and forming part of the financial statements for the year ended 30 June 2020

1-4 Income taxes (continued)

Movement in deferred tax balances

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

[1] Includes opening balance adjustment of $1.49m recognised on transition to AASB16 (refer to Section 6-4).

2019	Balance 1 July 2018 $'000	Recognised in profit or loss $'000	Acquired in Business Combination $'000	Balance 30 June 2019 $'000
Deferred tax assets				
Provisions and accruals	8,791	535	236	9,562
Capital expenditure deductible over five years	43	(33)	-	10
Employee benefits	21,118	(4,318)	52	16,852
Property, plant and equipment	1,191	349	-	1,540
Recognised revenue losses	430	(122)	-	308
Recognised capital losses	3,000	-	-	3,000
Other items	346	(106)	-	240
Deferred tax assets	34,919	(3,695)	288	31,512
Deferred tax liabilities				
Intangible assets	(10,452)	1,624	(2,002)	(10,830)
Unrealised net capital gains	(2,156)	1,026	-	(1,130)
Contract liabilities	-	(1,135)	-	(1,135)
Capital raising costs	-	(2,959)	-	(2,959)
Other items	(10)	(180)	-	(190)
Deferred tax liabilities	(12,618)	(1,624)	(2,002)	(16,244)
Net deferred tax assets	22,301	(5,319)	(1,714)	15,268

Notes to and forming part of the financial statements for the year ended 30 June 2020

1-4 Income taxes (continued)

Accounting policies

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

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

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

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

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

1-5 Earnings per share

	2020	2019
	Cents per share	
Basic earnings per share	176.3	250.9
Diluted earnings per share	172.8	246.3
	$'000	$'000
Net profit after tax attributable to equity holders of Perpetual Limited	81,999	115,929
	Number of shares	
Weighted average number of ordinary shares (basic)	46,520,630	46,206,314
Effect of dilutive potential ordinary shares (including those subject to rights)	935,330	866,056
Weighted average number of ordinary shares (diluted)	47,455,960	47,072,370

Accounting policies

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

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

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

1-6 Dividends

	Cents per share	Total amount $'000	Franked / Unfranked	Date of payment
2020				
Final 2019 ordinary	125	58,307	Franked	30 Sep 2019
Interim 2020 ordinary	105	49,252	Franked	27 Mar 2020
Total amount	230	107,559		
2019				
Final 2018 ordinary	140	65,204	Franked	8 Oct 2018
Interim 2019 ordinary	125	58,218	Franked	29 Mar 2019
Total amount	265	123,422		

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

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

Subsequent events

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

	Cents per share	Total amount[1] $'000	Franked / Unfranked	Date of payment
Final 2020 ordinary	50	28,067	Franked	25 Sep 2020

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

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 and will be recognised in subsequent financial reports.

Dividend franking account	**2020 $'000**	**2019 $'000**
Amount of franking credits available to shareholders for subsequent financial years	36,804	45,108

The above available amounts are based on the balance of the dividend franking account at 30 June 2020 adjusted for franking credits that will arise from the payment of the current tax liabilities, and franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date, but not recognised as a liability, is to reduce it to $24,715,000 (2019: $20,157,000).

Accounting policies

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

1-7 Net cash from operating activities

	2020 $'000	2019 $'000
Reconciliation of profit for the year to net cash from operating activities		
Profit for the year	81,999	115,929
Items classified as investing/financing activities:		
Profit on sale of investments	(275)	(426)
Deferred acquisition consideration	(42,033)	(3,893)
Assets acquired from business combinations	1,362	(2,130)
Lease financing costs	14,059	-
Non-cash items:		
Depreciation and amortisation expense	32,187	20,025
Equity remuneration expense	12,486	11,058
Transfer to foreign currency translation reserve	121	(136)
Reinvestment of dividends and unit distributions	(2,395)	(3,253)
Accrued fixed asset additions	732	742
Mark to market movements on financial assets	(880)	3,419
Other	3,205	(375)
(Increase)/decrease in assets		
Receivables	7,758	60,534
Current tax assets	1,846	(1,846)
Other assets	3,025	(6,404)
Deferred tax assets	(8,461)	3,407
Increase/(decrease) in liabilities		
Payables	33,988	16,948
Provisions	(13,395)	(64,165)
Current tax liabilities	13,291	(5,984)
Deferred tax liabilities	1,153	3,626
Employee benefits	10,058	(14,396)
Net cash from operating activities	149,831	132,680

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

Trillium

On 30 June 2020, Perpetual acquired 100% of Trillium Asset Management, LLC (Trillium), a Boston based specialist environmental, social and governance (ESG) investment firm.

The acquisition of Trillium is part of the consolidated entity's strategy of expanding its international asset management capabilities. The acquisition gives Perpetual a presence in the USA and expands the portfolio of products to socially responsible investors.

The below summarises the total consideration and the recognised amounts of assets acquired and liabilities assumed at the acquisition date in Australian dollars.

In accordance with Australian Accounting Standards Board AASB 3 – Business Combinations, the consideration was calculated as the fair value of the assets transferred by the acquirer and the liabilities incurred by the acquirer to former owners of the acquiree.

The fair value of the consideration was calculated on the settlement date of 30 June 2020 when the initial consideration was transferred. A portion of the deferred consideration is contingent upon the achieving of client consent and assets under management thresholds and a revenue hurdle.

Consideration transferred	**$'000**
Cash consideration	32,109
Fair value of deferred consideration	42,892
Total consideration transferred	**75,001**

Identifiable assets acquired and liabilities assumed	**$'000**
Cash and cash equivalents	3,387
Receivables	1,749
Other assets	759
Property, plant and equipment	5,506
Intangibles	25,549
Deferred tax assets	1,696
Payables	(902)
Employee benefits	(4,716)
Lease liabilities	(6,485)
Total identifiable assets acquired and liabilities assumed	**26,543**

All trade receivables were expected to be recovered at the acquisition date.

The goodwill created by this acquisition is attributable mainly to the skills and technical talent of the acquiree's work force and the synergies expected to be achieved from integrating Trillium into the consolidated entity. The goodwill recognised is expected to be deductible for tax purposes under US tax legislation.

Goodwill	**$'000**
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	75,001
Less value of identifiable net assets	(26,543)
Total goodwill acquired	**48,458**

2-1 Business Combinations (continued)

Trillium (continued)

The consolidated entity incurred acquisition and integration related costs of $2.0 million before tax which are included in expenses in the consolidated entity's statement of profit or loss and other comprehensive income.

Priority Life

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

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

Accounting policies

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

As at 30 June 2020 the acquisition accounting balances were provisional and have been accounted for in these financial statements on that basis. These balances may be revised up to 12 months form the acquisition date in accordance with AASB 3.

The consolidated entity measures goodwill at the acquisition date as:

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

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement award is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

	2020 $'000	2019 $'000
2-2 Receivables		
Current		
Trade receivables	85,961	94,352
Less : Provision for doubtful debts	(1,171)	(1,407)
	84,790	92,945
Other receivables	7,226	6,829
	92,016	99,774

Movements in the provision for doubtful debts are as follows:

	2020 $'000	2019 $'000
Balance as at beginning of the year	1,407	1,081
Doubtful debts provided for during the year	966	972
Receivables written off during the year as uncollectible	(1,202)	(646)
Balance as at end of the year	1,171	1,407

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

Accounting policies

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

	2020 $'000	2019 $'000
2-3 Other financial assets		
Non-current		
Listed equity securities	1,533	2,383
Unlisted unit trusts	79,150	66,758
Other	2	522
	80,685	69,663

Accounting policies

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

2-4 Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	ROU assets $'000	Project work in progress $'000	Total $'000
Year ended 30 June 2020					
Cost	8,946	55,243	76,586	3,792	144,567
Accumulated depreciation	(7,521)	(35,561)	(11,992)	-	(55,074)
Carrying amount	1,425	19,682	64,594	3,792	89,493
Movement					
Balance as at 1 July 2019	1,544	24,112	-	908	26,564
Recognition of right-of-use asset on initial application of AASB16[1]	-	-	71,543	-	71,543
Adjusted balance as at 1 July 2019	1,544	24,112	71,543	908	98,107
Additions	235	3	-	3,840	4,078
Additions through business combinations	210	57	5,624	-	5,891
Transfers from work in progress	121	835	-	(956)	-
Depreciation	(629)	(4,941)	(11,992)	-	(17,562)
Disposals	(56)	(384)	(581)	-	(1,021)
Balance as at 30 June 2020	1,425	19,682	64,594	3,792	89,493

[1] Adjustment reflect the initial application of AASB16 which came into effect on 1 July 2019 (refer to section 6-4).

Accounting policies

Recognition and measurement

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

Right-of-use assets represents leased office premises and are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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

Project work in progress

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

Depreciation

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

2-5 Intangibles

$'000	Goodwill	Intangible assets: Customer contracts	Capitalised software	Project work in progress	Other	Total
Year ended 30 June 2020						
At cost	361,328	87,850	82,129	12,065	10,007	553,379
Accumulated amortisation	-	(46,918)	(60,300)	-	(1,707)	(108,925)
Carrying amount	361,328	40,932	21,829	12,065	8,300	444,454
Balance at 1 July 2019	289,790	21,344	28,928	5,217	500	345,779
Additions	-	-	-	8,417	-	8,417
Additions through business combinations	71,538	25,488	7	-	7,850	104,883
Transfers	-	-	1,569	(1,569)	-	-
Amortisation expense	-	(5,900)	(8,675)	-	(50)	(14,625)
Balance as at 30 June 2020	361,328	40,932	21,829	12,065	8,300	444,454
Year ended 30 June 2019						
At cost	289,790	62,362	80,553	5,217	2,157	440,079
Accumulated amortisation	-	(41,018)	(51,625)	-	(1,657)	(94,300)
Carrying amount	289,790	21,344	28,928	5,217	500	345,779
Balance at 1 July 2018	276,959	20,961	26,144	3,059	549	327,672
Additions	12,831	6,674	398	12,437	-	32,340
Transfers	-	-	10,279	(10,279)	-	-
Amortisation expense	-	(6,291)	(7,893)	-	(49)	(14,233)
Balance as at 30 June 2019	289,790	21,344	28,928	5,217	500	345,779

	2020 $'000	2019 $'000
Goodwill Impairment Testing		
The following cash-generating units have significant carrying amounts of goodwill:		
Perpetual Private	168,401	146,490
Perpetual Corporate Trust	140,973	139,804
Perpetual Investments, comprising CGUs:		
- Australian Equities	3,496	3,496
- US Asset Management	48,458	-
	361,328	289,790

2-5 Intangibles (continued)

Goodwill Impairment Testing (continued)

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

- The value in use is estimated based on the net present value of future cash flow projections to be realised from each of the CGUs over the next five years plus a terminal value.
- The pre-tax discount rates used in the current year ranged from 22.1% to 25.0% (2019: 15.0% to 17.2%).

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

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

The estimated recoverable amount is greater than the carrying value for each CGU. For the estimated recoverable amount to be equal to the carrying amount, the pre-tax discount rate would have to increase from 22.1% to 52.7% (2019: 15.0% to 33.6%).

Accounting policies

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

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

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

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

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

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

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

2-5 Intangibles (continued)

Accounting policies (continued)

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

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

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

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

	2020 $'000	2019 $'000
2-6 Provisions		
Current		
Insurance and legal provision	434	53
Operational process review provision	2,181	3,083
Occupancy related provisions	-	1,487
Other provisions	23	29
	2,638	4,652
Non-current		
Make good and other occupancy related provisions	6,282	17,663
	6,282	17,663

2-6 Provisions (continued)

$'000	Carrying amount at 1 July 2019	Derecognition on initial application of AASB16[1]	Adjusted balance at 1 July 2019	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2020
Legal provision	53	-	53	495	-	(114)	434
Operational process review provision	3,083	-	3,083	5,490	(485)	(5,907)	2,181
Make good and other occupancy related provisions	19,150	(13,285)	5,865	516	-	(99)	6,282
Other provisions	29	-	29	-	-	(6)	23
Total provisions	22,315	(13,285)	9,030	6,501	(485)	(6,126)	8,920

[1] Adjustment reflect the initial application of AASB16 which came into effect on 1 July 2019 (refer to section 6-4).

Accounting policies

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

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

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

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

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

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

2-7 Employee benefits

Aggregate liability for employee benefits, including on-costs

	2020		2019	
$'000	**Current**	**Non-current**	**Current**	**Non-current**
Provision for annual leave	4,504	-	5,720	-
Provision for long service leave	8,279	2,722	7,440	3,141
Other employee benefits[1]	38,501	10,438	27,556	12,211
Restructuring provision	1,682	-	-	-
	52,966	13,160	40,716	15,352

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

The non-current portion of the long service leave provision has been discounted using a rate of 2.5% (2019: 2.7%) which is based on the 10 year corporate bond rate.

The number of full time equivalent employees at 30 June 2020 was 999 (2019: 960).

$'000	Carrying amount at 1 July 2019	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2020
Restructuring provision	-	2,520	(710)	(128)	1,682

Accounting policies

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

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

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

2-8 Lease Liabilities

	2020 $'000	2019 $'000
Current		
Lease liabilities	13,783	-
	13,783	-
Non-current		
Lease liabilities	68,880	-
	68,880	-

Accounting policies

Lease liabilities

The consolidated entity initially adopted AASB 16 *Leases* on 1 July 2019. As a result, the consolidated entity as a lessee, has recognised lease liabilities representing its obligation to make lease payments.

The consolidated entity has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly the comparative information presented for 2019 has not been restated. The details of the changes in accounting policies are disclosed in section 6-4.

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

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.

	2020 $'000	2019 $'000
3-1 Cash and cash equivalents		
Bank balances	158,775	136,044
Short-term deposits	5,368	163,543
	164,143	299,587

Short-term deposits represent rolling 90 day term deposits.

	2020 $'000	2019 $'000
3-2 Borrowings		
The consolidated entity has access to the following line of credit:		
Total facility used (Non-current)	-	87,000
Facility unused	50,000	43,000
Total facility	50,000	130,000

During the year, the consolidated entity refinanced and entered into new facility arrangements with ANZ. These facilities consist of a $50 million debt facility (undrawn as at 30 June 2020) as well as a $135 million bank guarantee facility, both with two year terms. Prior to refinancing, the consolidated entity had used the $87 million of borrowings under its $130 million NAB facility to help meet its regulatory capital requirements (refer section 4-1(ii)).

From June 2020, the consolidated entity relies on bank guarantees issued under its new bank guarantee facility (refer section 3-5) to meet its regulatory capital requirements. The free cash was used to repay and cancel the NAB facility in June 2020.

The consolidated entity has agreed to various debt covenants including shareholders' funds as a specified percentage of total assets, a maximum ratio of gross debt to EBITDA and a minimum interest cover. The consolidated entity is in compliance with the covenants at 30 June 2020. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

3-2 Borrowings (continued)

Accounting policies

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

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

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

	2020 $'000	2019 $'000
3-3 Contributed equity		
Fully paid ordinary shares 47,388,608 (2019: 46,574,426)	582,105	550,635
Treasury shares 673,858 (2019: 348,813)	(42,298)	(31,434)
	539,807	519,201

	2020 Number of shares	2020 $'000	2019 Number of shares	2019 $'000
Movements in share capital				
Balance at beginning of year	46,225,613	519,201	46,013,857	508,673
Shares issued:				
- Issue of ordinary shares	814,182	28,435	-	-
- Movement on treasury shares	(325,045)	(7,829)	211,756	10,528
Balance at end of year	46,714,750	539,807	46,225,613	519,201

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

Terms and conditions

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

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

Accounting policies

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

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

	2020 $'000	2019 $'000

3-4 Reserves

	2020 $'000	2019 $'000
General reserve	103	103
Foreign currency translation reserve	184	305
	287	408
Equity compensation reserve	19,090	19,600
	19,377	20,008

Accounting policies

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

3-5 Commitments and contingencies

(a) Commitments

	2020 $'000	2019 $'000
Capital expenditure commitments		
Contracted but not provided for and payable within one year	4,322	763

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

	2020 $'000	2019 $'000
3-5 Commitments and contingencies (continued)		
(b) Contingencies		
Contingent liabilities		
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of certain Group subsidiaries in relation to the provision of responsible entity services and custodial or depository services[1]	129,500	10,000
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,612	1,612
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	644	644
	132,756	13,256

[1] Increase due to use of bank guarantees to satisfy Australian Financial Services Licence requirements as prescribed by ASIC

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

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

Accounting policies

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

Section 4 Risk management

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

4-1 Financial risk management

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

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

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

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

i. Credit risk

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

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

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

	2020 $'000	2019 $'000
Cash and cash equivalents	164,143	299,587
Trade receivables	84,790	92,945
Other receivables and other financial assets	7,228	7,351
Listed equity securities and unlisted unit trusts	80,683	69,141

4-1 Financial risk management (continued)

i. Credit risk (continued)

Credit risk is managed on a functional basis across the various business segments. As a result of the swap agreements between the EMCF and the consolidated entity, the consolidated entity consolidates EMCF and is hence exposed to credit risk on its exposure to the $236.4 million (2019: $252.5 million) of underlying investments held by the EMCF.

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

(a) Investments held by incubation funds

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

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

Credit risk is not considered to be significant to the incubation funds as investments held by the funds are predominantly equity securities.

(b) Other financial assets

The consolidated entity's exposure to trade receivables is influenced mainly by the individual characteristic of each customer.

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

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

The consolidated entity held cash and cash equivalents of $164.1 million at 30 June 2020 (2019: $299.6 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated 'BBB' or higher, based on Standard & Poor's rating.

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

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

	30 June 2020					30 June 2019				
	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000
Trade and other receivables	2,507	2,029	1,188	5,147	10,871	3,949	3,377	1,443	8,202	16,971

Notes to and forming part of the financial statements for the year ended 30 June 2020

4-1 Financial risk management (continued)

i. Credit risk (continued)

(b) Other financial assets (continued)

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

	2020 $'000	2019 $'000
Trade and other receivables	1,171	1,407

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

ii. Liquidity risk

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

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

At 30 June 2020, total base capital requirements were $101 million ($87 million for operational risk, $10 million for credit risk and $4 million for market risk), compared to $205 million of available liquid funds. During the financial year, the consolidated entity has changed the way it manages it's regulatory capital requirements. Prior to the change, cash and cash equivalents were used to meet these requirements. During the financial year, bank guarantees provided by ANZ were put in place, which has removed the requirement for the consolidated entity to hold restricted cash. However, based on the consolidated entity's Treasury Risk Management Framework, it's operational risk requirement is based on the greater of 25% of direct cash expenses or regulatory capital requirements. With the removal of the regulatory capital requirements, the basis for this minimum requirement becomes 25% of direct cash expenses on a rolling 12 month period.

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

The $130 million NAB bank facility was terminated on 19 June 2020. The $87 million drawn under this facility was repaid on the same day. A new $50 million facility has been agreed with ANZ (refer to section 3-2 for further information).

Notes to and forming part of the financial statements for the year ended 30 June 2020

4-1 Financial risk management (continued)

ii. Liquidity risk (continued)

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

	30 June 2020				30 June 2019		
	Less than 1 year $'000	1 to 5 years $'000	Greater than 5 years $'000	Total $'000	Less than 1 year $'000	1 to 5 years $'000	Total $'000
Liabilities							
Payables	71,980	26,470	-	98,450	52,574	3,659	56,233
Borrowings	-	-	-	-	-	87,000	87,000
Lease liabilities	15,105	53,310	16,635	85,050	-	-	-
	87,085	79,780	16,635	183,500	52,574	90,659	143,233

There were no financial liabilities maturing in more than five years as at 30 June 2019.

iii. Market risk

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

The consolidated entity is subject to the following market risks:

(a) Currency risk
The exposure to currency risk arises when financial instruments are denominated in a currency that is not the functional currency of the entity and are of a monetary nature.

A significant proportion of the monetary financial instruments held by the consolidated entity, being liquid assets, receivables, borrowings and payables are denominated in Australian dollars. The consolidated entity is exposed to currency risk relating to the US and the Singapore operations. The exposure to currency risk arising from these operations is currently immaterial. Hence the gains/(losses) arising from the translation of the controlled entities' financial statements into Australian dollars are not considered in this note.

Notes to and forming part of the financial statements for the year ended 30 June 2020

4-1 Financial risk management (continued)

iii. Market risk (continued)

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

The consolidated entity's exposure to interest rate risk arises predominantly on the $50 million ANZ facility, which was undrawn as at 30 June 2020 (refer to section 3-2). This loan facility is rolled on a three month or six month term.

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

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
At 30 June 2020				
Financial assets				
Cash and cash equivalents	158,775	5,368	-	164,143
Receivables	1,636	-	90,380	92,016
Other financial assets	-	2	80,683	80,685
	160,411	5,370	171,063	336,844
Financial liabilities				
Payables	-	-	90,221	90,221
Lease liabilities	-	82,663	-	82,663
	-	82,663	90,221	172,884
At 30 June 2019				
Financial assets				
Cash and cash equivalents	138,387	161,200	-	299,587
Receivables	1,298	-	98,476	99,774
Other financial assets	-	2	69,661	69,663
	139,685	161,202	168,137	469,024
Financial liabilities				
Payables	-	-	56,233	56,233
Borrowings	87,000	-	-	87,000
	87,000	-	56,233	143,233

4-1 Financial risk management (continued)

iii. Market risk (continued)

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

	30 June 2020		30 June 2019	
	Impact on net profit after tax $'000	Impact on equity $'000	Impact on net profit after tax $'000	Impact on equity $'000
+/- 1%	1,145/(1,145)	1,145/(1,145)	369/(369)	369/(369)

The impact on net profit after tax for the year would be mainly as a result of an increase/(decrease) in interest revenue earned on cash and cash equivalents.

(c) Market risks arising from Funds Under Management and Funds Under Advice
The consolidated entity's revenue is significantly dependent on Funds Under Management (FUM) and Funds Under Advice (FUA) which are influenced by equity market movements. Management calculates the expected impact on revenue for each 1% movement in the ASX All Ordinaries Index. Based on the level of this index at the end of 30 June 2020 (6,001), a 1% movement in the market changes annualised revenue by approximately $1.5 million to $2.0 million.

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

4-1 Financial risk management (continued)

iii. Market risk (continued)

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

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

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

iv. Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 30 June 2020. The different levels have been defined as follows:

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2019				
Financial assets				
Listed equity securities	2,383	-	-	2,383
Unlisted unit trusts	-	66,758	-	66,758
Structured products - EMCF assets	50,582	201,940	-	252,522
	52,965	268,698	-	321,663

4-1 Financial risk management (continued)

iv. Fair value (continued)

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

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

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

	2020		2019	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Structured products – EMCF liabilities	236,196	236,390	252,169	252,522

v. Capital risk management

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

(a) Dividend policy
Dividends paid to shareholders are typically in the range of 80-100% of the consolidated entity's net profit after tax attributable to members of the Company, which is in line with the historical dividend range paid to shareholders. In certain circumstances, the Board may declare a dividend outside that range.

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

(c) Gearing policy
The current gearing policy aims to target an investment grade credit rating by maintaining a corporate debt to capital ratio (corporate debt/(corporate debt + equity)) of 30% or less and EBIT interest cover (EBIT/interest expense) of more than ten times. The gearing ratio is 0% as at 30 June 2020 (2019: 11.6%). The EBIT interest cover ratio for the consolidated entity as at 30 June 2020 was 33 times (2019: 73 times).

Notes to and forming part of the financial statements for the year ended 30 June 2020

4-1 Financial risk management (continued)

Accounting policies

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

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

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

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

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

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

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

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

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

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

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

Section 5 Other disclosures

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

	2020 $'000	2019 $'000

5-1 Structured products assets and liabilities

i. Exact Market Cash Funds

	2020 $'000	2019 $'000
Current assets		
Perpetual Exact Market Cash Fund	166,297	176,610
Perpetual Exact Market Cash Fund No. 2	70,093	75,912
	236,390	252,522
Current liabilities		
Perpetual Exact Market Cash Fund	166,217	176,410
Perpetual Exact Market Cash Fund No. 2	69,979	75,759
	236,196	252,169

The Exact Market Cash Funds' current asset balances reflect the fair value of the net assets held by the Funds. The current liabilities balances represent the consolidated entity's obligation to the Funds' investors. The difference between the current assets and current liabilities balance has been recorded in profit and loss.

The Perpetual Exact Market Cash Fund (EMCF 1) was established with the purpose of providing an exact return that matched the Bloomberg AusBond Bank Bill Index (the benchmark index), or a variant thereon, to investors. The Fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of $3 million (2019: $3 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity and credit risks.

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

The Perpetual Exact Market Cash Fund No. 2 (EMCF 2) was established to provide an exact return that matches the benchmark index to investors in the Fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the Fund and in the consolidated entity's financial statements. National Australia Bank has provided the Fund with a guarantee to the value of $1.5 million (2019: $1.5 million) to be called upon in the event that the consolidated entity does not meet its obligations.

EMCF 1 and EMCF 2 (jointly EMCF) use professional investment managers to manage the impact of the above risks by using prudent investment guidelines and investment processes. The investment managers explicitly target low volatility and aim to achieve this through a quality screening process that is designed to assess the likelihood of default and difficult trading patterns during periods of rapid systematic risk reduction.

Notes to and forming part of the financial statements for the year ended 30 June 2020

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

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

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

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

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

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

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

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

30 June 2019	**AAA to AA- $'000**	**A+ to A- $'000**	**BBB+ to BBB- $'000**	**Total $'000**
Corporate bonds and money market securities	58,792	46,046	8,405	113,243
Mortgage and asset backed securities	88,697	-	-	88,697
Cash	50,582	-	-	50,582
	198,071	46,046	8,405	252,522

Notes to and forming part of the financial statements for the year ended 30 June 2020

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

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

	2020 $'000	2019 $'000
1% increase	2,364	2,525
1% decrease	(2,364)	(2,525)

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

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

Accounting policies

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

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

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

	2020 $'000	2019 $'000

5-2 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the consolidated entity was Perpetual Limited.

	2020 $'000	2019 $'000
Result of the parent entity		
Profit after tax for the year	65,471	91,584
Other comprehensive income	-	-
Total comprehensive income for the year	**65,471**	**91,584**
Financial position of the parent entity at year end		
Current assets	286,299	297,836
Total assets	**950,362**	**933,844**
Current liabilities	212,779	211,181
Total liabilities	**287,200**	**246,166**
Total equity of the parent entity comprising:		
Share capital	539,807	519,201
Reserves	19,186	19,698
Retained earnings	104,169	148,779
Total equity	**663,162**	**687,678**

Parent entity contingencies

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

	2020 $'000	2019 $'000
Uncalled capital of the controlled entities	12,450	12,450

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

5-2 Parent entity disclosures (continued)

Parent entity guarantees

In June 2020, the Company provided a financial guarantee to secure a bank facility ($nil is utilised) amounting to $50,000,000. The bank facility covers a period of 2 years.

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

5-3 Controlled entities

Name of company	Beneficial interest 2020 %	Beneficial interest 2019 %	Country of incorporation and principal place of business
Perpetual Limited[5]			
Controlled Entities [1]			
Australian Trustees Limited[5]	100	100	Australia
Commonwealth Trustees Pty. Ltd.[2]	100	100	Australia
Fordham Business Advisors Pty Ltd[2]	100	100	Australia
Perpetual Acquisition Company Limited[5]	100	100	Australia
Perpetual Assets Pty. Ltd.[2]	100	100	Australia
Perpetual Australia Pty Limited[2,5]	100	100	Australia
Perpetual Digital Holdings Pty Limited[2]	100	100	Australia
Perpetual Investment Management Limited	100	100	Australia
Perpetual Mortgage Services Pty Limited[2]	100	100	Australia
Perpetual Nominees Limited	100	100	Australia
Perpetual Services Pty Limited[2]	100	100	Australia
Perpetual Superannuation Limited	100	100	Australia
Perpetual Tax and Accounting Pty Ltd[2]	100	100	Australia
Perpetual Trust Services Limited	100	100	Australia
Perpetual Trustee Company (Canberra) Limited[5]	100	100	Australia
Perpetual Trustee Company Limited[4]	100	100	Australia
Perpetual Trustees Consolidated Limited[5]	100	100	Australia
Perpetual Trustees Queensland Limited[5]	100	100	Australia
Perpetual Trustees Victoria Limited[5]	100	100	Australia
Perpetual Trustees W.A. Ltd[5]	100	100	Australia
Queensland Trustees Pty. Ltd.[2]	100	100	Australia
Perpetual Australian Equity Model Portfolio	100	100	Australia
Perpetual Capital Accumulation Portfolio	100	100	Australia
Perpetual Exact Market Cash Fund	100	100	Australia
Perpetual Exact Market Cash Fund No. 2	100	100	Australia
Entities under the control of Perpetual Acquisition Company Limited			
The Trust Company Limited	100	100	Australia
Fintuition Pty Limited[2]	100	100	Australia
Fintuition Institute Pty Limited[2]	100	100	Australia
Skinner Macarounas Pty Limited[2]	100	100	Australia
Perpetual US Holding Company, Inc[7]	100	-	USA
Entities under the control of Perpetual Digital Holdings Pty Limited			
Perpetual Digital Pty Ltd[2]	100	100	Australia
Perpetual Roundtables Pty Limited[2]	100	94	Australia

5-3 Controlled entities (continued)

Name of company	Beneficial interest 2020 %	Beneficial interest 2019 %	Country of incorporation and principal place of business
Entities under the control of Perpetual Trustee Company Limited			
Perpetual Corporate Trust Limited	100	100	Australia
Perpetual Custodians Ltd	100	100	Australia
Perpetual Legal Services Pty Limited[2,6]	100	100	Australia
P.T. Limited	100	100	Australia
Entities under the control of P.T. Limited			
Perpetrust Nominees Proprietary Limited[2]	100	100	Australia
Entities under the control of The Trust Company Limited			
Perpetual (Asia Holdings) Pte. Ltd.	100	100	Singapore
The Trust Company (Australia) Limited	100	100	Australia
The Trust Company (UTCCL) Limited	100	100	Australia
Perpetual C T (Asia) Limited	100	100	Hong Kong
Entities under the control of The Trust Company (Australia) Limited			
The Trust Company (Nominees) Limited	100	100	Australia
The Trust Company (PTAL) Limited	100	100	Australia
The Trust Company (RE Services) Limited	100	100	Australia
Entities under the control of Perpetual US Holding Company, Inc[7]			
Trillium Asset Management Group, LLC[8]	100	-	USA
Perpetual US Services, LLC[9]	100	-	USA
Perpetual US TDC, LLC[10]	100	-	USA
Entities under the control of Trillium Asset Management Group, LLC			
Trillium Asset Management, LLC[8]	100	-	USA
Trillium Impact GP, LLC[8]	100	-	USA
Entities under the control of Perpetual (Asia Holdings) Pte. Ltd.			
Perpetual (Asia) Limited	100	100	Singapore
Entities under the control of The Trust Company (RE Services) Limited			
The Trust Company (Sydney Airport) Limited	100	100	Australia
Associates			
Loan RQ Ltd[3]	26	26	Australia

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

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

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

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

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

[6] Indirectly owned through PLS Charitable Trust Fund.

[7] Perpetual US Holding Company, Inc was incorporated on 21 January 2020.

[8] Acquired on 30 June 2020.

[9] Perpetual US Services, LLC was incorporated on 24 January 2020.

[10] Perpetual US TDC, LLC was incorporated on 5 February 2020.

Notes to and forming part of the financial statements for the year ended 30 June 2020

5-4 Deed of cross guarantee

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

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

The subsidiaries to the Deed forming the Closed Group are:

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

A summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position comprising the Closed Group as at 30 June 2020 are set out below.

	Year ended 30 June 2020 $'000	**Year ended 30 June 2019 $'000**
Revenue	106,756	154,715
Expenses	(46,278)	(61,390)
Financing costs	(3,858)	(2,787)
Net profit before tax	**56,620**	**90,538**
Income tax benefit	9,826	1,414
Net profit after tax	**66,446**	**91,952**
Other comprehensive income, net of income tax	-	-
Total comprehensive income	66,446	91,952
Total comprehensive income attributable to:		
Equity holders of the Company	66,446	91,952

5-4 Deed of cross guarantee (continued)

	2020 $'000	2019 $'000
Current assets		
Cash and cash equivalents	85,922	125,180
Receivables	140,420	201,151
Current tax assets	-	1,887
Structured Products - EMCF assets	236,390	252,522
Prepayments	11,641	12,995
Total current assets	474,373	593,735
Non-current assets		
Other financial assets	554,185	590,537
Property, plant and equipment	70,320	11,952
Intangibles	926	166
Deferred tax assets	34,190	28,912
Total non-current assets	659,621	631,567
Total assets	1,133,994	1,225,302
Current liabilities		
Payables	127,916	173,396
Structured Products - EMCF liabilities	236,196	252,169
Current tax liabilities	13,446	-
Employee benefits	12,706	13,152
Lease liabilities	12,851	-
Provisions	54,627	59,645
Total current liabilities	457,742	498,362
Non-current liabilities		
Borrowings	-	87,000
Deferred tax liabilities	1,254	1,198
Employee benefits	2,722	3,141
Lease liabilities	60,211	-
Total non-current liabilities	64,187	91,339
Total liabilities	521,929	589,701
Net assets	612,065	635,601
Equity		
Contributed equity	539,807	519,201
Reserves	19,186	19,698
Retained earnings	53,072	96,702
Total equity	612,065	635,601

5-5 Unconsolidated structured entities

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

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

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

Investment funds - Company managed	Carrying amount $'000	Maximum exposure to loss[1] $'000
Year ended 30 June 2020		
Statement of Financial Position line item		
Other financial assets - non-current	79,113	74,677
Year ended 30 June 2019		
Statement of Financial Position line item		
Other financial assets - non-current	66,739	63,571

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

Company managed investment funds

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

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

5-6 Share-based payments

i. Employee share purchase plans

(a) Long-term Incentive Plan (LTI)

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

(b) One Perpetual Share Plan (OPSP)

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

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

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

(c) Details of the movement in employee shares

All shares granted under the LTI and OPSP plans in the 2020 financial year were issued at market price. Dividends on employee shares are either received directly by the employees or held in the share plan bank account depending on the likelihood of the shares vesting.

During the year, $12,035,515 (2019: $11,058,095) of amortisation relating to shares, performance rights and share rights was recognised as an expense with the corresponding entry directly in equity.

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

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

Number	Opening balance 1 July	Vested shares	Shares purchased on market	Shares issued on market	Forfeited shares	Granted shares	Closing balance at 30 June
2020	348,813	(315,068)	195,606	444,507	(79,506)	79,506	673,858
2019	560,569	(361,756)	150,000	-	(93,618)	93,618	348,813

ii. Rights

During the year, the Company granted $9,424,794 (30 June 2019: $16,393,698) of Share Rights and Performance Rights in accordance with the LTI plan.

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

5-6 Share-based payments (continued)

ii. Rights (continued)

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

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

30 June 2020					Movement in number of rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2019	Granted	Forfeited	Vested	Outstanding at 30 June 2020
Oct 2016	Oct 2019	Sep 2023	Non TSR	$39.40	107,515	-	(2,537)	(100,919)	4,059
Sep 2017	Sep 2019	Sep 2032	Non TSR	$46.93	21,386	-	-	-	21,386
Oct 2017	Oct 2020	Sep 2032	Non TSR	$44.64	115,570	-	(6,418)	(9,171)	99,981
Jul 2018	Oct 2020	Oct 2034	Non TSR	$35.76	-	3,404 [1]	-	-	3,404
Jul 2018	Sep 2021	Sep 2034	Non TSR	$28.70	-	34,313 [1]	-	-	34,313
Jul 2018	Sep 2021	Sep 2034	Non TSR	$34.15	-	10,551 [1]	-	-	10,551
Jul 2018	Oct 2021	Oct 2034	Non TSR	$33.64	-	2,474 [1]	-	-	2,474
Jul 2018	Sep 2022	Sep 2034	Non TSR	$9.79	-	5,276 [1]	-	-	5,276
Jul 2018	Oct 2022	Oct 2034	Non TSR	$31.53	-	16,411 [1]	-	-	16,411
Jul 2018	Sep 2023	Sep 2034	Non TSR	$10.00	-	5,275 [1]	-	-	5,275
Sep 2018	Sep 2020	Sep 2033	Non TSR	$37.03	30,951	-	-	-	30,951
Oct 2018	Oct 2019	Oct 2033	Non TSR	$39.77	112,223	-	-	(112,223)	-
Oct 2018	Oct 2020	Sep 2033	Non TSR	$37.29	1,417	-	-	-	1,417
Oct 2018	Oct 2021	Oct 2033	Non TSR	$34.97	290,316	-	(18,777)	(10,228)	261,311
Oct 2019	Oct 2021	Oct 2034	Non TSR	$33.64	-	16,558	(838)	-	15,720
Oct 2019	Oct 2022	Oct 2034	Non TSR	$31.53	-	212,381	(20,851)	(1,345)	190,185
					679,378	306,643	(49,421)	(233,886)	702,714

[1] Performance Rights granted during the year and back dated to July 2018.

5-6 Share-based payments (continued)

ii. Rights (continued)

30 June 2019					Movement in number of rights granted				
Grant date	**Vest date**	**Expiry date**	**TSR hurdle or non-TSR hurdle**	**Issue price**	**1 July 2018**	**Granted**	**Forfeited**	**Vested**	**Outstanding at 30 June 2019**
Oct 2015	Oct 2018	Sep 2022	TSR	$19.50	38,672	-	(38,672)	-	-
Oct 2015	Oct 2018	Sep 2022	Non TSR	$33.07	184,712	-	(755)	(183,957)	-
Oct 2016	Oct 2019	Sep 2023	Non TSR	$39.40	124,388	-	(4,585)	(12,288)	107,515
Sep 2017	Sep 2019	Sep 2032	Non TSR	$46.93	29,951	-	(8,565)	-	21,386
Oct 2017	Oct 2018	Sep 2032	Non TSR	$44.64	3,989	-	-	(3,989)	-
Oct 2017	Oct 2020	Sep 2032	Non TSR	$44.64	119,266	2,912 [1]	(5,543)	(1,065)	115,570
Sep 2018	Sep 2020	Sep 2033	Non TSR	$37.03	-	39,749	(8,798)	-	30,951
Oct 2018	Oct 2019	Oct 2033	Non TSR	$39.77	-	112,223	-	-	112,223
Oct 2018	Oct 2020	Sep 2033	Non TSR	$37.29	-	1,417	-	-	1,417
Oct 2018	Oct 2021	Oct 2033	Non TSR	$34.97	-	292,029	(1,713)	-	290,316
					500,978	448,330	(68,631)	(201,299)	679,378

[1] Performance Rights granted during the year and back dated to October 2017.

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

	Valuation Date 1 Oct 2016	Valuation Date 1 Sep 2017	Valuation Date 1 Oct 2017	Valuation Date 1 Sep 2018	Valuation Date 1 Oct 2018	Valuation Date 1 Oct 2018	Valuation Date 1 Oct 2018	Valuation Date 1 Sep 2019	Valuation Date 1 Sep 2019	Valuation Date 1 Sep 2019
Performance period	3 years	2 years	3 years	2 years	1 year	2 years	3 years	1 year	2 years	3 years
Share price ($)	46.28	54.70	51.94	43.89	42.40	42.40	42.40	35.55	35.55	35.55
Dividend yield (%)	5.51	5.10	5.18	6.40	6.63	6.63	6.63	6.50	6.70	6.70
Expected volatility (%)	N/A	25	N/A	20	N/A	N/A	N/A	25	25	25
Risk free interest rate (%)	N/A	N/A	N/A	N/A	1.93	2.00	2.07	0.70	0.70	0.70

Accounting policies

Employee share purchase plans

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

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

5-6 Share-based payments (continued)

Accounting policies (continued)

Deferred staff incentives

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

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

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

Rights

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

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

5-7 Key management personnel and related parties

Total compensation of key management personnel

	2020 $	2019 $
Short-term	4,629,080	5,776,222
Post-employment	185,738	201,091
Share-based	1,727,257	778,667
Other long-term	121,242	(12,148)
Termination benefits	567,340	-
Total	7,230,657	6,743,832

Related party disclosures

Executives have not entered into material contracts with the Company or a member of the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel's interests existing at year end.

Controlled entities and associates

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

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

5-8 Auditor's remuneration

	2020 $	2019 $
Audit and review services		
Auditors of the Group - KPMG Australia		
Audit and review of financial statements - Group	537,744	586,970
Audit and review of financial statements - controlled entities	171,416	170,874
Audit and review of financial statements - Perpetual Funds[1]	1,933,353	1,940,486
Audit and review of financial statements - Administrator or Trustee[2]	315,090	322,672
	2,957,603	3,021,002
Overseas KPMG Firms		
Audit and review of financial statements - controlled entities	36,341	35,531
Total audit and review services	2,993,944	3,056,533
Assurance Services		
Auditors of the Group - KPMG Australia		
Regulatory assurance services	316,767	307,049
Other assurance services	403,136	395,338
	719,903	702,387
Overseas KPMG Firms		
Other assurance services	23,183	22,611
Total Assurance Services	743,086	724,998
Other Services		
Auditors of the Group - KPMG Australia		
Advisory Services	37,260	256,530
Tax compliance services	8,034	18,963
Other non-assurance services	30,584	30,291
Total Other Services	75,878	305,784
	3,812,908	4,087,314

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

5-9 Subsequent events

A final dividend of 50 cents per share fully franked was declared on 20 August 2020 and is to be paid on 25 September 2020.

On 27 July 2020, Perpetual announced its intention to acquire Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley), a US based global investment management business. Perpetual will acquire 75% of Barrow Hanley for US$319 million (A$465 million).

In order to complete the transaction, on 24 July 2020 the consolidated entity accepted an offer of a new fully underwritten debt facility of US$195 million (A$284 million) and on 27 July 2020 completed a fully underwritten institutional placement of $225 million. The proceeds from the placement were received on 30 July 2020.

In addition, Perpetual Limited has provided a parent guarantee to its subsidiary, Perpetual US Holding Company, Inc (the buyer) to guarantee the funds will be available to complete settlement. This guarantee is not expected to be called upon and as such, its fair value is deemed to be nil.

A non underwritten share purchase plan targeting to raise up to $40 million has been announced, with the offer closing on 26 August 2020. The institutional placement and share purchase plan were also announced on 27 July 2020.

The consolidated entity has hedged its exposure to movements in the US Dollar as a result of this transaction.

The acquisition is part of Perpetual's strategy to deliver sustained, quality growth by adding world class investment capabilities and establishing a global footprint. Completion of the acquisition is expected on or before 31 December 2020, subject to customary regulatory and other approvals.

Subsequent to 30 June 2020, the COVID-19 pandemic has continued with Victoria entering into further self-isolation measures and restrictions. At 18 August 2020, the All Ordinaries index was 6,269 (30 June 2020: 6,001). As referred in the Operating & Financial Review, a movement of 1% in the All Ordinaries index impacts annualised revenue by approximately $1.5 million to $2.0 million.

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

Other than the matters noted above, the Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Section 6 Basis of preparation

This section sets out Perpetual's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2020 or later years. We explain how these changes are expected to impact the financial position and performance of Perpetual.

6-1 Reporting entity

Perpetual Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2020 comprises the Company and its controlled entities (together referred to as 'the consolidated entity') and the consolidated entity's interests in associates**.**

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

The financial report was authorised for issue by the Directors on 20 August 2020.

The Company is a public company listed on the Australian Securities Exchange (code: PPT), incorporated in Australia and operating in Australia and Singapore.

The consolidated annual report for the consolidated entity as at and for the year ended 30 June 2020 is available at www.perpetual.com.au.

6-2 Basis of preparation

i. Statement of compliance

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

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

ii. Basis of preparation

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

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

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

This is the first set of the consolidated entity's financial report in which AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in section 6-4.

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

6-2 Basis of preparation (continued)

Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the consolidated entity's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The consolidated entity has considered the impact of COVID-19 when preparing the consolidated financial statements and related note disclosures, including the impact on the consolidated entity's forecast cash flows and liquidity. While the effects of COVID-19 do not change the significant estimates, judgements and assumptions considered by the Directors and management in the preparation of the consolidated financial statements, they have increased the level of estimation uncertainty and application of further judgement within these identified areas.

(a) Judgements

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

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2020 are included in the following notes:

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

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

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

Measurement of fair values

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

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

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

6-2 Basis of preparation (continued)

ii. Basis of preparation (continued)

(b) Assumptions and estimation uncertainties (continued)

Measurement of fair values (continued)

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

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

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

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

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

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

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

6-3 Other significant accounting policies

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

i. Basis of consolidation

(a) Subsidiaries

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

(b) Transactions eliminated on consolidation

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

6-3 Other significant accounting policies (continued)

ii. Foreign currency

(a) Foreign currency transactions and balances

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

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

(b) Foreign operations

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

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

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

iii. Payables

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

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

iv. Impairment

(a) Financial assets (including receivables)

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

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

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

6-3 Other significant accounting policies (continued)

iv. Impairment (continued)

(b) Non-financial assets

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

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

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

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

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

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

6-4 Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the consolidated entity's financial statements as at and for the year ended 30 June 2019.

The consolidated entity has initially adopted AASB16 from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the consolidated entity's financial statements.

(a) AASB 16 *Leases*

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

6-4 Changes in significant accounting policies (continued)

(a) AASB 16 *Leases* (continued)

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

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

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

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

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

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

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

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2020

6-4 Changes in significant accounting policies (continued)

(a) AASB 16 *Leases* (continued)

ii. Transition (continued)

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

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

As a lessor

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

Impacts on financial statements on transition

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

At transition, the consolidated entity recognised lease liabilities of $89.1 million as a part of Other liabilities and right-of-use assets of $71.6 million as a part of property, plant and equipment. After adjusting related amounts previously recorded on the balance sheet, this resulted in a reduction to retained earnings of $2.9 million.

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

	1 July 2019 **$'000**
Operating lease commitment at 30 June 2019 as disclosed in the Consolidated entity's consolidated financial statements	104,580
Discounted using the incremental borrowing rate at 1 July 2019	83,475
- Extension options reasonably certain to be exercised	5,591
Lease liabilites recognised at 1 July 2019	89,066

6-5 New standards and interpretations not yet adopted

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

Directors' declaration

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

   (a) the consolidated financial statements and notes set out on pages 47 to 109, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

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

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

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Managing Director and the Chief Financial Officer for the financial year ended 30 June 2020.

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

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 20th day of August 2020.

Tony D'Aloisio
Director

Rob Adams
Chief Executive Officer & Managing Director

Independent Auditor's Report

To the shareholders of Perpetual Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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

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

Revenue recognition ($480m)

Refer to Section 1-2 'Revenue' of the Financial Report

The key audit matter

The Consolidated Entity generates revenue from multiple products and services, including fees from investment management, securitisation, adviser, custody, trustee and accounting services. Revenue recognition is a key audit matter given the complexity associated with the number of different revenue streams, and the significance of revenue to the Consolidated Entity's results.

We focussed on the:

- Key revenue streams, each with varying fee rates and contractual terms, which required significant audit effort to test the fees recognised.
- Drivers of fee calculations, which include funds under management (FUM) and funds under advice (FUA). This information is sourced from several of the Consolidated Entity's third party service organisations which provide investment administration, custody and unit registry services. This required us to understand the key processes and assess the key controls of these service organisations relevant to the Consolidated Entity's revenue recognition.
- Performance fees, for which the Consolidated Entity's revenue recognition policy is dependent on varying contractual terms. We involved our senior team members in assessing the Consolidated Entity's accounting policy for performance fees against the requirements of the accounting standards.

How the matter was addressed in our audit

Our procedures included:

- Inquiring of the Consolidated Entity to understand processes for key revenue streams, and testing key controls at the Consolidated Entity related to these revenue streams.
- Assessing the Consolidated Entity's policies for recognition of revenue against the requirements of the accounting standards.
- Testing statistical samples of revenue across each key revenue stream. We performed the following:
  - Recalculated the investment management and adviser services revenue recognised based on the various fee rates in the underlying contracts, and the underlying FUM or FUA sourced from third party service organisation reports. We compared this to the revenue recognised by the Consolidated Entity.
  - Agreed securitisation and trustee services revenue to invoices and subsequent cash receipts.
  - Agreed accounting services revenue to invoices, engagement letters and subsequent cash receipts.
- Analysing data within the investment management revenue stream to identify trends and outliers to further inform our work. Examples of outliers included contracts where fees exhibit an inverse movement to FUM flows or client fees falling considerably outside of statistical trends. For outliers identified, we recalculated the revenue recognised based on the underlying contracts and the FUM. We compared this to the revenue recognised by the Consolidated Entity.
- Obtaining and reading the Consolidated Entity's third party service organisations GS007 *(Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services)* assurance reports to understand the service organisations' processes and assess controls related to investment administration, custody and unit registry.
- Assessing the reputation, professional competence and independence of the auditors of the GS007 assurance reports.
- Testing a sample of performance fee revenue recognised to the Consolidated Entity's bank

	statements. We recalculated the performance fee based on the underlying contractual terms and product performance relative to the market benchmark, such as the MSCI All Country World Index. We compared this to the performance fee revenue recognised by the Consolidated Entity.

Valuation of goodwill ($361m)	
Refer to Section 2-5 'Intangibles' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Consolidated Entity's annual testing of goodwill for impairment is a key audit matter given the: • Size of the balance (being 31% of total assets); • Impact of the Novel Coronavirus (COVID-19) pandemic which has impacted global markets and economies. This significantly impacted FUM as a result of falling market values of assets, a key driver of the Consolidated Entity's revenue and financial performance; • Net outflow of FUM experienced by the Consolidated Entity in the current year. This increases the possibility of goodwill being impaired; and • Completion of acquisition of Trillium Asset Management LLC, a US based business over the period where markets were impacted by COVID-19. These conditions impacting the Consolidated Entity are uncertain and increase the judgment applied by the Consolidated Entity in conducting its annual testing of goodwill for impairment. We focussed on the significant forward-looking assumptions the Consolidated Entity applied in its value in use models, including: • Forecast operating cash flows, growth rates and terminal growth rates. These assumptions include subjective drivers such as FUM, FUA, securitisation and capital flows which are difficult to predict as they rely on the Consolidated Entity's expectations of future customer activity and market performance. This increases the risk of inaccurate forecasts or a wider range of possible outcomes. • Discount rates, including Cash Generating Unit (CGU) specific risk premiums. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time.	Working with our valuation specialists, our procedures included: • Considering the appropriateness of the value in use method applied by the Consolidated Entity to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • Assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • Assessing the accuracy of previous Consolidated Entity forecasts to inform our evaluation of forecasts incorporated in the models. • Comparing the forecast cash flows contained in the value in use models to Board approved forecasts. • Challenging the Consolidated Entity's significant forecast operating cash flows and growth assumptions in light of the global market uncertainty arising from the COVID-19 pandemic and the Consolidated Entity's net FUM outflows in the current year. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations. We considered differences for the Consolidated Entity's operations. We used our knowledge of the Consolidated Entity, its past performance, business, customers and our industry experience. • Independently developing a range of discount rates considered comparable using publicly available market data for comparable entities, adjusted by CGU specific risk factors. • Considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • Assessing the disclosures in the financial report using our understanding of the issues obtained from

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	our testing, and against the requirements of the accounting standards.

Acquisition accounting ($75m purchase price resulting in $48m goodwill)

Refer to Section 2-1 'Business combinations' of the Financial Report

The key audit matter	How the matter was addressed in our audit
The Consolidated Entity's acquisition of Trillium Asset Management LLC for consideration of $75m completed on 30 June 2020 and represents a significant transaction for the Consolidated Entity. The acquisition accounting associated with this is a key audit matter given the complex calculations which involve judgmental assumptions. We focused on the: • Measurement of the fair value of the identifiable assets and liabilities acquired as part of the acquisition. This included consideration of material differences between accounting standards in the United States and Australia. • Significant judgments made by the Consolidated Entity in relation to the valuation and preliminary purchase price allocation (PPA) at 30 June 2020. The Consolidated Entity engaged an external valuation expert to assist with the identification and measurement of acquired assets and liabilities, in particular the determination of the purchase price allocation to goodwill and separately identifiable intangible assets. These complex aspects required significant audit effort. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • Reading the Business Purchase Agreement and Merger Agreement related to these acquisitions to understand the structure, key terms and conditions, and nature of certain payments. Using this, we evaluated the accounting treatment of the acquisition consideration and transaction costs against the criteria in the accounting standards. • Assessing the alignment of accounting policies between the Consolidated Entity and the acquired entities in order to determine any accounting policy alignment or fair value adjustments at acquisition date. Working with our valuation specialists, our procedures included: • Evaluating the Consolidated Entity's external valuation expert's scope of work, competence and objectivity with respect to their determination of the purchase price allocation to goodwill and separately identifiable intangible assets. • Assessing the valuation methodology against accepted industry practice and the requirements of accounting standards. • Comparing the inputs used by the Consolidated Entity's external valuation expert to approved business forecasts. • Challenging the Consolidated Entity's significant judgmental assumptions such as identification of separate identifiable intangible assets. We did this by benchmarking assumptions to external market data and valuations from other comparable transactions. • Assessing the disclosures in the financial report by comparing these to our understanding of the acquisition and the requirements of the accounting standards.

KPMG

Employee remuneration ($209m)	
Refer to Section 1-3 'Expenses' and Section 5-6 'Share-based payments' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Employee remuneration is a key audit matter due to the size of the balance relative to the Consolidated Entity's results and the complexity associated with the varying share incentive programs across the Consolidated Entity for different staff groups. We focussed on the: • Valuation methodology and inputs, such as the share price and vesting period, used by the Consolidated Entity and its external valuation experts in the valuation of share incentive rights granted during the year. This necessitated the involvement of senior team members to assess the valuation methodology and inputs used by the Consolidated Entity. • Complexity of the Consolidated Entity's different share incentive programs, which increases the risk of interpretational differences against the principles based criteria contained in the accounting standards. • Largely manual calculation of equity remuneration expenses, which increases the risk of error.	Our procedures included: • Enquiring of the Consolidated Entity and inspecting a sample of share incentive programs to understand the remuneration process, structure and various share incentive program offerings. • Assessing the Consolidated Entity's accounting policy for share incentive program arrangements against the principles based criteria in the accounting standards. • Evaluating the Consolidated Entity's external valuation expert's scope of work, competence and objectivity with respect to their valuation of share incentive program rights granted during the year. • Assessing the valuation methodology against industry practice and the requirements of the accounting standards. • Checking the grant date share price and vesting period used in the external expert's valuation against the Consolidated Entity's share price and share incentive program agreements. • Testing a statistical sample of equity remuneration expenses. We checked the various inputs to the Consolidated Entity's manual calculation, such as grants, vests and forfeitures to underlying offer letters, share incentive program agreements and the grant date fair value calculated by the Consolidated Entity's external expert. We recalculated the equity remuneration expense and compared this to the expense recognised by the Consolidated Entity. • Assessing the Consolidated Entity's disclosures of the key terms and valuation assumptions, as required by the accounting standards.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Corporate Governance Statement, Remuneration Report, Operating and Financial Review and Securities Exchange and Investor Information. The Chairpersons' Report, 2020 Highlights, CEO's Report, 2020 Group Results and Business Unit Overview are expected to be made available to us after the date of the Auditor's Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 10 to 42 of the Directors' report for the year ended 30 June 2020.

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

KPMG

Brendan Twining

Partner

Sydney

20 August 2020

Securities exchange and investor information

2020 Annual General Meeting

The 2020 Annual General Meeting of the Company will be held at Perpetual's offices, Level 18, 123 Pitt Street, Sydney on 15 October 2020 commencing at 10:00am.

Securities exchange listing

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

Substantial shareholders

There are no substantial holders in Perpetual Limited as at 4 August 2020.

Distribution schedule of holdings as at 4 August 2020	Number of holders	Number of shares
1 – 1,000 shares	17,920	6,801,253
1,001 – 5,000 shares	5,213	10,902,717
5,001 – 10,000 shares	487	3,404,587
10,001 – 50,000 shares	252	4,512,798
50,001 – 100,000 shares	14	1,072,335
100,001 and over shares	26	28,120,661
Total	23,912	54,814,351

Twenty largest shareholders as at 4 August 2020

Name	Number of ordinary shares	Percentage of issued capital
HSBC Custody Nominees (Australia) Limited	10,449,881	19.06%
JP Morgan Nominees Australia Pty Limited	4,876,168	8.90%
Citicorp Nominees Pty Limited	4,061,312	7.41%
National Nominees Limited	2,090,017	3.81%
Milton Corporation Limited	1,231,982	2.25%
BNP Paribas Nominees Pty Ltd (Agency Lending)	1,009,873	1.84%
Queensland Trustees Pty Ltd[1] (Long Term Incentive Plan)	506,787	0.92%
Carlton Hotel Ltd	423,973	0.77%
Enbeear Pty Ltd	368,841	0.67%
BNP Paribas Noms Pty Ltd (DRP)	349,023	0.64%
Citicorp Nominees Pty Limited (Colonial First State Inv)	333,748	0.61%
CS Third Nominees Pty Limited (HSBC Cust Nom Au Ltd 13)	289,311	0.53%
HSBC Custody Nominees (Australia) Limited – A/C 2	243,869	0.44%
David Davidson Financial Services Pty Ltd (David Davison Financial Services Unit)	216,161	0.39%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	204,443	0.37%
Pacific Custodians Pty Limited (PPT Plans Ctrl)	183,807	0.34%
J S Millner Holdings Pty Limited	166,300	0.30%
Diversified United Investment Limited	160,000	0.29%
Argo Investments Limited	158,622	0.29%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP)	148,192	0.27%
Total	27,472,310	50.10%

[1] The total number of shares held by Queensland Trustees Pty Ltd as trustee of the various Employee Share Plans is 667,532 shares.

Securities exchange and investor information (continued)

Other information

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

Voting rights

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

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

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

Voting by proxy

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

Shareholders who are unable to attend the 2020 Annual General Meeting are encouraged to complete and return the proxy form that accompanies the notice of meeting enclosed with this report.

On-market buyback

There is no current on-market buyback.

Final dividend

The final dividend of 50 cents per share will be paid on 25 September 2020 to shareholders entitled to receive dividends and registered on 4 September 2020, being the record date.

Enquiries

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

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

Locked Bag A14
Sydney South NSW 1235

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

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

Principal registered office
Level 18
123 Pitt Street
Sydney NSW 2000

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

Company Secretary
Sylvie Dimarco

Website address: www.perpetual.com.au

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