

PERPETUAL LIMITED

ABN 86 000 431 827

AND ITS CONTROLLED ENTITIES

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2012

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Table of Contents

	Page No.
Directors' Report	3
Lead Auditor's Independence Declaration	9
Financial Statements	
Condensed Consolidated Statement of Comprehensive Income	10
Condensed Consolidated Balance Sheet	12
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Cash Flow Statement	14
Notes to the Condensed Financial Statements	
Note 1. Reporting entity	15
Note 2. Significant accounting policies	15
Note 3. Revenue	15
Note 4. Net profit before tax	16
Note 5. Individually significant and other items included in net profit for the period	16
Note 6. Segment information	17
Note 7. Discontinued operations held for sale	20
Note 8. Income tax expense	21
Note 9. Dividends	22
Note 10. Earnings per share	22
Note 11. Structured products assets and liabilities	23
Note 12. Interest-bearing liabilities	24
Note 13. Provisions	25
Note 14. Contributed equity	25
Note 15. Goodwill	26
Note 16. Cash and cash equivalents	26
Note 17. Business combinations	26
Note 18. Assets and liabilities held for sale	27
Note 19. Events subsequent to balance date	27
Directors' Declaration	28
Independent Auditor's Review Report	29

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated financial statements of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the half-year ended 31 December 2012 and the independent auditor's review report thereon.

Directors

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

Peter B Scott, Chairman and Independent Director
BE (Hons), M.Eng.Sc (Age 58)

Appointed as a Director in July 2005 and Chairman on 26 October 2010. He was formerly the Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and held a number of senior positions with Lend Lease. He is Chairman of Sinclair Knight Merz Pty Limited and a Director of Stockland Corporation Limited. Mr Scott is an advisory board member of Igniting Change. He is Chairman of Perpetual's Nominations Committee.

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

Listed company directorships held during the past three financial years:

- Stockland Corporation Limited from August 2005 to the present

Paul V Brasher, Independent Director
BEC (Hons), FCA (Age 62)

Appointed Director in November 2009. Mr Brasher was formerly Chairman of the Global Board of PricewaterhouseCoopers International. He previously chaired the Board of PricewaterhouseCoopers' Australian firm and held a number of other senior management and client services roles during his career with the firm. Mr Brasher was Client Service Partner and /or Lead Engagement Partner for some of the firm's most significant clients. He also spent significant periods working with PricewaterhouseCoopers in the US and UK. Mr Brasher is currently Chairman of Incitec Pivot Limited and a Board member of Essendon Football Club. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of the People and Remuneration Committee.

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

Listed company directorships held during the past three financial years:

- Incitec Pivot Limited from September 2010 to the present

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip. Ed. (Age 59)

Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was CEO and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a Director of CSG Limited. He also provides advice to the Federal Government, through his role as Chair of the Australian Workforce and Productivity Agency, as a member of the Education Investment Fund, the Australia India Education Council and a member of the now concluded, National Resources Sector Employment Taskforce. He is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Bullock brings to the Board extensive management experience in Australia and Asia in technology, sales and client management, product and brand management, distribution, marketing and talent development.

Listed company directorships held during the past three financial years:

- Healthscope Limited from September 2007 to October 2010
- CSG Limited from August 2009 to the present

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Directors (continued)

Sylvia Falzon, Independent Director

MIR(Hons), B.Bus, GAICD, SF Fin (Age 48)

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

Ms Falzon brings to Perpetual's Board her extensive knowledge and insight in the development of asset management businesses and products, with a particular focus on marketing, sales and service, as well as senior level experience in interaction with institutional clients, asset consultants and research houses.

Elizabeth M Proust AO, Independent Director

BA (Hons), LLB, FAICD (Age 62)

Appointed as a Director in January 2006. She was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ she was Secretary (CEO) of the Victorian Department of Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd and Bank of Melbourne Board; a Director of Insurance Manufacturers of Australia Pty Ltd and Sinclair Knight Merz Pty Ltd and a Trustee of the Prince's Charities Australia. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

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

Listed company directorships held during the past three financial years:

- Spotless Group Limited from June 2008 to 16 August 2012

P Craig Ueland, Independent Director

BA (Hons and Distinction), MBA (Hons), CFA (Age 54)

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. He is a member of Perpetual's Audit Risk and Compliance Committee and Investment Committee.

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

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (continued)

Directors (continued)

Geoff Lloyd, Managing Director and CEO
LLM (Distinction) (UTS), Adv. Mgt Program (Harvard) (Age 44)

Appointed Managing Director and Chief Executive Officer in February 2012. Mr Lloyd joined Perpetual in August 2010 as Group Executive of Perpetual Private and has led the development and implementation of the growth strategy for this business unit. He took on the additional responsibility of Head of Retail Distribution in September 2011. Mr Lloyd was previously General Manager, Advice and Private Banking at BT Financial Group (BTFG) following the merger with St George's Wealth Management business. Prior to the merger, he led St George's entire wealth management portfolio and was a member of the St George Bank Group Executive reporting to the CEO. He has held many senior positions at BTFG, including Chief Legal Counsel and Head of the Customer and Business Services Division.

Mr Lloyd has over 20 year's experience in the financial services industry and has an extensive understanding of the industry and demonstrated leadership skills.

Alternate Director

Gillian Larkins, Alternate Director
MBA, Grad Dip, BCom, GAICD, CA, (Age 41)

Appointed as Alternate Director for Geoff Lloyd on 25 January 2013. Ms Larkins joined Perpetual as Group Executive Transformation Office in October 2012, and assumed the role of Chief Financial Officer in January 2013. She has 20 years of experience in finance, strategy and management roles across a number of industries. Most recently, she was Chief Financial Officer, Managing Director of Westpac Institutional Bank, responsible for Finance and Strategy, and prior to that, Chief Financial Officer Australia & New Zealand of Citigroup. Ms Larkins has also served on the board of Hastings Fund Management as a non-executive Director from 2009 to 2011.

Directors who resigned during the period

E Paul McClintock AO, Independent Director
BA, LLB (Age 63)

Appointed as a Director in April 2004. Mr McClintock resigned as a Director at the conclusion of the company's Annual General Meeting on 1 November 2012.

Philip J Twyman, Independent Director
BSc, MBA, FAICD (Age 68)

Appointed as a Director in November 2004. Mr Twyman resigned as a Director on 30 November 2012.

Alternate directors who resigned during the period

Roger L Burrows, Alternate Director
BCom, CPA, MAICD (Age 49)

Appointed as Alternate Director for Peter Scott on 27 October 2010. Mr Burrows resigned as an Alternate Director for Mr Scott on 25 January 2013.

Ivan D Holyman, Alternate Director
BEC, LLB (Age 57)

Appointed as Alternate Director for Geoff Lloyd on 5 February 2012. Mr Holyman resigned as Alternate Director for Mr Lloyd on 6 July 2012.

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Company secretaries

Joanne Hawkins

BCom, LLB, Grad Dip CSP FCIS

Appointed Company Secretary in June 2003. Ms Hawkins is head of Perpetual's Legal, Risk and Compliance and Company Secretariat teams. Prior to joining Perpetual, Ms Hawkins was Assistant Company Secretary of Macquarie Bank and Ord Minnett and was Company Secretary, National Bank of the Solomon Islands. Ms Hawkins has also worked as a solicitor and legal adviser in New Zealand.

Glenda Charles

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

Joined Perpetual in August 1994. She was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 15 years experience in company secretarial practice and administration and has worked in the financial services industry for over 25 years.

Directors' meetings

The number of directors' meetings which directors were eligible to attend (including meetings of board committees) and the number of meetings attended by each director during the half-year to 31 December 2012 were:

Director	Board		Audit Risk and Compliance Committee		Investment Committee		Nominations Committee*		People & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P B Scott	8	8	-	-	-	-	-	-	-	-
P V Brasher	8	8	4	4	-	-	-	-	3	3
P Bullock	8	8	-	-	2	2	-	-	3	3
S Falzon¹	2	2	1	1	-	-	-	-	-	-
E P McClintock²	6	5	-	-	2	2	-	-	2	1
E M Proust	8	8	4	4	-	-	-	-	3	3
P J Twyman³	7	6	3	3	2	2	-	-	-	-
P C Ueland⁴	4	4	2	2	-	-	-	-	-	-
G Lloyd	8	8	-	-	-	-	-	-	-	-

¹ Sylvia Falzon was appointed as a Director of Perpetual Limited effective 20 November 2012 and a member of the Audit Risk and Compliance Committee and Investment Committee from 11 December 2012.

² Paul McClintock resigned from the Perpetual Limited board and committees at the conclusion of the Annual General Meeting on 1 November 2012.

³ Philip Twyman resigned from the Perpetual Limited board and committees on 30 November 2012.

⁴ P Craig Ueland was appointed as a Director of Perpetual Limited effective 25 September 2012 and a member of the Audit Risk and Compliance Committee and Investment Committee from 12 November 2012.

* A meeting of the Perpetual Limited board, in place of the Nominations Committee was held on 28 August 2012 and a circular resolution was approved by the Nominations Committee on 17 September 2012.

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES
DIRECTORS' REPORT (continued)

Review of operations

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

For the half-year ended 31 December 2012, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of \$27.3 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2011 of \$22.9 million.

For the half-year ended 31 December 2012, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of \$35.5 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2011 of \$34.7 million.

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

The reconciliation of net profit after tax attributable to equity holders of Perpetual Limited to underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2012 is as follows:

	6 months ended	
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	27,342	22,931
Add : Transformation/Restructuring costs (after tax) ¹	5,965	10,219
Add : Foreign currency translation costs ²	5,242	-
Add : Loss on disposal/impairment of investments (after tax)	701	2,736
(Less) : Gain on disposal of discontinued business (after tax)	(2,391)	-
Add/(Less) : (Loss)/gain on disposal of business	199	(593)
Less : Research and development tax incentive	(1,864)	-
Add : Impairment of intangibles	101	-
Add/(Less) : (Loss)/profit after tax attributable to non-controlling interests ³	214	(607)
Underlying profit after tax attributable to equity holders of Perpetual Limited	35,509	34,686
Underlying profit after tax from discontinued operation	437	351
Underlying profit after tax from continuing operations	35,072	34,335

¹ Transformation office costs relate to the continued investment of the Group to achieve its Transformation 2015 strategy announced on 25 June 2012 of reducing annualised operating expenses of \$50 million per annum by FY 2015.

² The Foreign currency translation costs of \$5.2m are a non cash expense which relate to the reclassification of the Foreign Currency Translation Reserve (FCTR) to the Statement of Comprehensive Income as a result of the closure of the business in Dublin which has ceased operations. The legal entity through which the business operated is now in voluntary liquidation.

³ (Loss)/profit after tax attributable to non-controlling interests within seed fund investments.

This table has been prepared in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 *Disclosing non-IFRS financial information*. The amounts disclosed for each individual reconciling item have been reviewed by our external auditors.

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Dividends

On 28 February 2013, the directors resolved to pay a fully franked interim dividend of 50 cents per share (2011: 50 cents per share).

State of affairs

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

Events subsequent to reporting date

On 29 November 2012 Perpetual Limited entered into a sale agreement with AMAL Asset Management Limited to sell its Loan Servicing Business, subject to several conditions precedent. The sale was completed on 11 February 2013. The financial impact of the sale has been recognised in the financial statements as at 31 December 2012.

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

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

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2012.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the condensed consolidated half-year financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Peter Scott
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 28th day of February 2013.




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

To: the directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

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

KPMG



Andrew Yates
Partner

Sydney

28 February 2013

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2012

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
			Re-presented *
Revenue from the provision of services		171,192	176,683
Income from structured products		15,349	24,342
Investment income		4,018	4,392
Total revenue	3	<u>190,559</u>	<u>205,417</u>
Staff related expenses excluding equity remuneration expense		(82,067)	(95,441)
Occupancy expenses		(9,349)	(8,889)
Administrative and general expenses		(41,389)	(29,471)
Distributions and expenses relating to structured products		(11,521)	(20,505)
Financing costs		(929)	(1,299)
Equity remuneration expense		(6,109)	(6,278)
Depreciation and amortisation expense	4	(4,386)	(6,690)
Proceeds from sale of investments		21,900	30,429
Cost of investments disposed of		(21,966)	(30,448)
Impairment of available-for-sale securities		(635)	(3,267)
Impairment of intangible assets		(144)	-
(Loss)/gain on sale of business		(199)	593
Share of loss of equity accounted investment		<u>(329)</u>	<u>-</u>
Net profit before tax from continuing operations		33,436	34,151
Income tax expense		(9,358)	(13,610)
Income tax benefit on disposal of investments		-	550
Income tax expense	8	<u>(9,358)</u>	<u>(13,060)</u>
Net profit after tax from continuing operations		24,078	21,091
Discontinued operation			
Net profit after tax from discontinued operation	7	2,828	351
Net profit after tax		<u>26,906</u>	<u>21,442</u>
Loss after tax attributable to non-controlling interests		<u>(436)</u>	<u>(1,489)</u>
Net profit after tax attributable to equity holders of Perpetual Limited		<u>27,342</u>	<u>22,931</u>

* Prior year comparatives have been re-presented due to the discontinued operation, refer to note 7.

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 15 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Comprehensive Income (continued)
for the half-year ended 31 December 2012

	Note	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Net profit after tax		26,906	21,442
Other comprehensive income, net of tax:			Re-presented *
Available-for-sale reserve			
Net increase/(decrease) in fair value of available-for-sale financial assets		8,468	(8,033)
Impairment of available-for-sale financial assets reclassified to profit or loss		635	3,267
Loss of previously impaired available-for-sale financial assets reclassified to profit or loss upon disposal		(2,758)	(1,039)
Cash flow hedge reserve			
Effective portion of changes in fair value of cash flow hedges		46	(115)
Foreign currency reserve			
Foreign exchange translation differences		5,259	(497)
Other comprehensive income/(expense), net of tax		11,650	(6,417)
Total comprehensive income		38,556	15,025
Total comprehensive income is attributable to:			
Non-controlling interests		1,317	(2,994)
Equity holders of Perpetual Limited		37,239	18,019
Total comprehensive income		38,556	15,025
Earnings per share			
Basic earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	71.4	57.3
Diluted earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	67.0	53.8
Earnings per share - continuing operations			
Basic earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	64.0	56.4
Diluted earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	60.1	53.0

* Prior year comparatives have been re-presented due to the discontinued operation, refer to note 7.

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 15 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Balance Sheet
as at 31 December 2012

	Note	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Current assets			
Cash and cash equivalents	16	180,255	153,057
Receivables		58,928	58,237
Assets held for sale	18	2,184	14,033
Other financial assets		100	100
Current tax assets		-	1,282
Structured products - EMCF assets	11a	694,273	694,621
Structured products - receivable from investors	11b	8,141	24,222
Prepayments		6,666	8,803
Total current assets		950,547	954,355
Non-current assets			
Equity-accounted investees		1,471	-
Other financial assets		38,479	39,716
Structured products - loans receivable from investors	11b	74,907	84,943
Property, plant and equipment		18,924	19,668
Intangibles		125,334	122,691
Deferred tax assets		29,520	30,820
Prepayments		247	369
Total non-current assets		288,882	298,207
Total assets		1,239,429	1,252,562
Current liabilities			
Payables		31,992	31,283
Liabilities held for sale	18	-	5,612
Structured products - EMCF liabilities	11a	691,243	695,199
Structured products - interest-bearing liabilities	11b	7,498	23,046
Structured products - income received in advance		3,344	7,138
Derivative financial instruments		248	768
Current tax liabilities		5,510	-
Employee benefits		33,894	40,592
Provisions	13	2,328	2,226
Total current liabilities		776,057	805,864
Non-current liabilities			
Interest-bearing liabilities	12	45,000	45,000
Structured products - interest-bearing liabilities	11b	78,414	88,370
Deferred tax liabilities		8,129	8,471
Employee benefits		2,875	3,255
Provisions	13	21,764	21,141
Total non-current liabilities		156,182	166,237
Total liabilities		932,239	972,101
Net assets		307,190	280,461
Equity			
Contributed equity	14	248,508	236,530
Reserves		27,150	24,228
Retained earnings		19,209	7,440
Total equity attributable to holders of Perpetual Limited		294,867	268,198
Non-controlling interest		12,323	12,263
Total equity		307,190	280,461

The Condensed Consolidated Balance Sheet is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 15 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
as at 31 December 2012

\$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 July 2012	379,567	(143,037)	236,530	(370)	103	(5,379)	30,369	(495)	24,228	7,440	268,198	12,263	280,461
Total comprehensive (expense)/income	-	-	-	4,592	-	5,259	-	46	9,897	27,342	37,239	1,317	38,556
Employee Share Purchase Plan loan repayments during the period	-	68	68	-	-	-	-	-	-	-	68	-	68
Treasury shares vested during the period	-	11,886	11,886	-	-	-	(11,886)	-	(11,886)	-	-	-	-
Employee share plan recycled shares during the period	-	24	24	-	-	-	-	-	-	-	24	-	24
Fair value adjustment on recycled and vested TSR shares	(6,211)	6,211	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(16,790)	(16,790)	-	(16,790)
Dividends paid on treasury shares	-	-	-	-	-	-	(1,217)	-	(1,217)	1,217	-	-	-
Equity remuneration expense	-	-	-	-	-	-	6,128	-	6,128	-	6,128	-	6,128
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,257)	(1,257)
Balance at 31 December 2012	373,356	(124,848)	248,508	4,222	103	(120)	23,394	(449)	27,150	19,209	294,867	12,323	307,190

\$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 July 2011	411,947	(166,881)	245,066	3,499	103	(4,635)	45,694	(416)	44,245	76,705	366,016	10,085	376,101
Total comprehensive (expense)/income	-	-	-	(4,300)	-	(497)	-	(115)	(4,912)	22,931	18,019	(2,994)	15,025
Issue of ordinary shares	47	-	47	-	-	-	-	-	-	-	47	-	47
Employee Share Purchase Plan loan repayments during the period	-	70	70	-	-	-	-	-	-	-	70	-	70
Treasury shares issued during the period	13,947	(13,947)	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased on market	-	(1,050)	(1,050)	-	-	-	-	-	-	-	(1,050)	-	(1,050)
Treasury shares vested during the period	-	9,420	9,420	-	-	-	(9,420)	-	(9,420)	-	-	-	-
Fair value adjustment on recycled and vested TSR shares	(9,784)	9,784	-	-	-	-	-	-	-	-	-	-	-
Off market share buy-back	(30,886)	-	(30,886)	-	-	-	-	-	-	(39,127)	(70,013)	-	(70,013)
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(40,229)	(40,229)	-	(40,229)
Dividends paid on treasury shares	-	-	-	-	-	-	(2,623)	-	(2,623)	2,623	-	-	-
Equity remuneration expense	-	-	-	-	-	-	5,199	-	5,199	-	5,199	-	5,199
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	4,813	4,813
Balance at 31 December 2011	385,271	(162,604)	222,667	(801)	103	(5,132)	38,850	(531)	32,489	22,903	278,059	11,904	289,963

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to the Financial Statements', set out on pages 15 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Cash Flow Statement
for the half-year ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	Note	\$'000
	\$'000	\$'000
Cash flows from operating activities		
Cash receipts in the course of operations	191,605	214,916
Cash payments in the course of operations	(152,394)	(188,190)
Dividends received	486	500
Interest received	3,511	4,889
Interest paid	(929)	(1,299)
Income taxes paid	(3,753)	(21,290)
Net cash from operating activities	38,526	9,526
Cash flows from investing activities		
Payments for property, plant and equipment	(5,621)	(4,331)
Payments for investments	(16,732)	(22,151)
Repayments of advances made under the Employee Share Purchase Plan	68	70
Acquisition of business	(599)	(1,110)
Proceeds from the sale of investments	21,900	26,177
Proceeds from the sale of PLMS	8,355	-
Tax benefit on sale of investments	-	550
Net cash provided by/(used in) from investing activities	7,371	(795)
Cash flows from financing activities		
Payments for off market share buy-back	-	(70,013)
Payments for on market share purchase	-	(986)
Dividends paid	(16,790)	(40,229)
Sale of units in seed funds to non-controlling interests	(1,909)	4,812
Net cash used in financing activities	(18,699)	(106,416)
Net increase/(decrease) in cash and cash equivalents	27,198	(97,685)
Cash and cash equivalents at 1 July	153,057	220,320
Cash and cash equivalents at 31 December	16 180,255	122,635

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with 'Notes to the Financial Statements' set out on pages 15 to 27.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

Note 1. Reporting entity

Perpetual Limited ("the Company") is a company domiciled in Australia. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2012 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interests in associates.

The consolidated annual financial statements for the consolidated entity as at and for the year ended 30 June 2012 are available at www.perpetual.com.au.

a. Statement of compliance

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

The condensed consolidated half-year financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the consolidated entity for the year ended 30 June 2012.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 28 February 2013.

b. Estimates

The preparation of the half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2012.

Note 2. Significant accounting policies

The accounting policies applied by the consolidated entity in these half-year financial statements are the same as those applied by the consolidated entity in its annual financial statements as at and for the year ended 30 June 2012.

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
		Re-presented *
Note 3. Revenue		
Revenue from the provision of services		
Gross revenue from fees	171,192	176,683
Other income		
Income from structured products	15,349	24,342
Investment income		
Dividends	415	440
Interest and unit trust distributions	3,603	3,952
Total investment income	4,018	4,392
	190,559	205,417

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
		Re-presented *
Note 4. Net profit before tax		
Net profit before tax has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	2,036	2,653
Amortisation of intangible assets:		
- Capitalised software	1,437	3,560
- Other intangible assets	913	1,297
	<u>2,350</u>	<u>4,857</u>
Total depreciation and amortisation expense for continuing and discontinued operations	<u>4,386</u>	<u>7,510</u>
Total depreciation and amortisation expense for continuing operations	4,386	6,690
Total depreciation and amortisation expense for discontinued operations	-	820
	<u>4,386</u>	<u>7,510</u>
Rental charges – operating leases	<u>7,152</u>	<u>7,659</u>
Note 5. Individually significant and other items included in net profit for the period		
Loss on disposal of investments	(66)	(19)
Impairment of available-for-sale-securities	(635)	(3,267)
Total loss on disposal/impairment of investments	<u>(701)</u>	<u>(3,286)</u>
Income tax benefit applicable	-	550
Total loss on disposal/impairment of investments after tax	<u>(701)</u>	<u>(2,736)</u>
Gain on disposal of discontinued business (after tax)	2,391	-
Income tax expense applicable**	-	-
	<u>2,391</u>	<u>-</u>
(Loss)/gain on disposal of business	(199)	593
Income tax benefit/(expense) applicable**	-	-
	<u>(199)</u>	<u>593</u>
Transformation/Restructuring costs	(8,520)	(11,115)
Income tax benefit applicable	2,555	896
	<u>(5,965)</u>	<u>(10,219)</u>
Foreign currency translation costs	(5,242)	-
Income tax benefit applicable	-	-
	<u>(5,242)</u>	<u>-</u>
Research and development tax incentive	<u>1,864</u>	<u>-</u>
Impairment of intangibles	(144)	-
Income tax benefit applicable	43	-
	<u>(101)</u>	<u>-</u>

* Prior year comparatives have been re-presented due to the discontinued operation, refer to note 7.

** Tax losses not previously recognised have been utilised.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

Note 6. Segment information

	Perpetual Investments¹ \$'000	Perpetual Private \$'000	Corporate Trust² \$'000	Total \$'000
31 December 2012				
External revenues	103,888	57,032	28,890	189,810
Inter-segment revenue/(expense)	621	(621)	-	-
Interest revenue	591	105	32	728
Total revenue for reportable segment	<u>105,100</u>	<u>56,516</u>	<u>28,922</u>	<u>190,538</u>
Depreciation and amortisation	(1,068)	(2,590)	(637)	(4,295)
Reportable segment net profit before tax	39,756	4,356	9,253	53,365
Reportable segment assets	819,834	132,900	28,441	981,175
31 December 2011				
External revenues	118,713	57,377	42,405	218,495
Inter-segment revenue/(expense)	639	(639)	-	-
Interest revenue	246	26	268	540
Total revenue for reportable segment	<u>119,598</u>	<u>56,764</u>	<u>42,673</u>	<u>219,035</u>
Depreciation and amortisation	(2,037)	(3,125)	(1,814)	(6,976)
Reportable segment net profit before tax	37,652	4,866	9,279	51,797
Reportable segment assets	962,737	127,047	44,977	1,134,761

¹ Segment information for Perpetual Investments includes the Exact Market Cash Funds.

² Segment information for Corporate Trust includes discontinued operation, Perpetual Lenders Mortgage Services. Further information is provided in note 7.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
		Re-presented *
Note 6. Segment information (continued)		
Reconciliations of reportable segment revenues, net profit before tax, and total assets		
Revenues		
Total revenue for reportable segments	190,538	219,035
less: Revenue from discontinued operation	7 (3,269)	(16,599)
add: Group and Support Services revenue	3,290	2,981
Total group revenue from continuing operations	190,559	205,417
Net profit before tax		
Total net profit before tax for reportable segments	53,365	51,797
less: Net profit before tax for discontinued operation	7 (624)	(501)
Financing costs	(929)	(1,299)
Loss on disposal of investments	(66)	(19)
Impairment of available-for-sale securities	(635)	(3,267)
Impairment of intangibles	(144)	-
(Loss)/gain on sale of business	(199)	593
Foreign currency translation costs	(5,242)	-
Transformation/Restructuring costs	(8,520)	(11,115)
Group and Support Services expense	(3,570)	(2,038)
Net profit before tax from continuing operations	33,436	34,151
Total assets		
Total assets for reportable segments	981,175	1,134,761
Group and Support Services assets	258,254	117,801
Total assets	1,239,429	1,252,562

* Prior year comparatives have been re-presented due to the discontinued operation, refer to note 7.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

Note 6. Segment information (continued)

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

a. Services provided

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

Perpetual Investments	Manufacturer of financial products, management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Perpetual Private	Perpetual Private provides a wide range of investment and non-investment products and services. These include a comprehensive advisory service, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. Perpetual Private also provides many of these services to charities, not for profit and other philanthropic organisations.
Corporate Trust	The Corporate Trust division provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, trustee, registrar or agent for corporate and financial services clients. The Corporate Trust division provided mortgage processing services until the sale of Perpetual Lenders Mortgage Services (PLMS) on 1 August 2012.

b. Geographical segments

The consolidated entity operates predominantly in Australia. Following the closure of the business in Dublin, the vast majority of the consolidated entity's revenue and non-current assets relate to operations in Australia. A negligible amount of revenue is derived from outside Australia.

c. Major customers

The consolidated entity does not rely on any major customer.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

Note 7. Discontinued Operations Held for Sale

On 1 August 2012, Perpetual Lenders Mortgage Services (PLMS) was sold to FAF International Property Services (Australia) Pty Limited, an affiliate of First Mortgage Services (FMS). The operation was a discontinued operation and classified as held for sale at 30 June 2012. The comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

A gain on sale of the business of \$2,391,000 has been recognised in the period ended 31 December 2012.

The assets and liabilities of PLMS were classified as held for sale and included in note 18 Assets and Liabilities Held for Sale.

	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Results of discontinued operation		
Revenue	3,269	16,599
Expenses	(2,645)	(16,098)
Profit before tax	624	501
Income tax expense	(187)	(150)
Profit from a discontinued operation	437	351
Gain on sale of business	2,391	-
Net profit after tax from discontinued operation	2,828	351
<i>Earnings per share:</i>		
Basic profit for the year, from discontinued operation – cents per share	7.4	0.9
Diluted, profit for the year, from discontinued operation – cents per share	6.9	0.8
Cash flows (used in)/from discontinued operation		
Net cash (used in)/from operating activities	(294)	3,415
Net cash from investing activities	2,391	-
Net cash used in financing activities	(2,238)	(2,794)
Net cash flows for the year	(141)	621
Effect of disposal on the financial position of the Group		
Intangibles		5,648
Property, plant and equipment		1,091
Trade and other receivables		1,158
Other assets		813
Deferred tax assets		149
Trade and other payables		(736)
Employee benefits		(1,938)
Lease provisions		(236)
Net assets		5,949
Proceeds from disposal		(8,340)
Gain on sale		2,391

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Note 8. Income tax expense		
a. Income tax expense		
Current tax expense	11,857	4,000
Deferred tax expense	(65)	9,210
Research and Development tax incentives from prior years	(1,864)	-
Over provided in prior year	(383)	-
Total	<u>9,545</u>	<u>13,210</u>
Continuing operations	9,358	13,060
Discontinued operation	187	150
Total	<u>9,545</u>	<u>13,210</u>
Deferred income tax included in income tax expense		
Decrease in deferred tax assets	(670)	(7,087)
Increase in deferred tax liabilities	735	(2,123)
Total	<u>65</u>	<u>(9,210)</u>

The above movements in deferred tax assets and deferred tax liabilities are net of movements recognised directly in profit or loss. They exclude movements recognised in reserves of \$2,012,000 (31 December 2011: \$3,356,000).

At 31 December 2012, the consolidated entity had carried forward realised tax capital losses of \$7,644,000 (31 December 2011: \$7,644,000) which had a tax benefit of \$2,294,000 (31 December 2011: \$2,294,000); the tax benefit of these capital losses has been recognised in deferred tax assets.

At 31 December 2012, there are additional accumulated tax losses of \$25,210,000 (tax benefit of \$7,563,000), which have not been recognised in deferred tax assets.

As at 31 December 2012, the consolidated entity had carried forward unrealised tax capital losses of \$1,110,000 (31 December 2011: \$9,513,000) which had a tax benefit of \$333,000 (31 December 2011: \$2,854,000). Of this amount \$17,000 (31 December 2011: \$1,513,000) which had a tax benefit of \$5,000 (31 December 2011: \$454,000) has been recognised in profit and loss in the current and prior periods, and \$1,093,000 (31 December 2011: \$8,000,000) which had a tax benefit of \$328,000 (31 December 2011: \$2,400,000) has been recognised in other comprehensive income in the current and prior periods. The tax benefit of these capital losses has been recognised in deferred tax assets.

At 31 December 2012, the consolidated entity has carried forward foreign trading tax losses of EUR\$51,803,000 (31 December 2011: EUR\$46,477,000). This loss converted to \$65,840,000 (31 December 2011: \$59,229,000) which had a tax benefit of \$8,230,000 (31 December 2011: \$7,404,000) at 12.5 per cent that was not recognised in the Balance Sheet.

A deferred tax asset has not been recognised in respect of losses incurred by PI Investment Management Limited, the controlled entity incorporated in Ireland, that was placed into voluntary liquidation on 8 June 2012. These trading losses will be trapped in the liquidated entity, however they convert to capital losses on the completion of the liquidation. The tax benefit relating to these losses has not been recognised as a deferred tax asset at the 31 December 2012.

b. Income tax recognised in other comprehensive income

Cash flow hedge	20	(49)
Available-for-sale financial assets	1,992	(3,307)
	<u>2,012</u>	<u>(3,356)</u>

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

Note 9. Dividends

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

	Cents per share	Total Amount \$'000	Franked ¹ / Unfranked	Date of Payment
31 December 2012				
Final 2012 - Ordinary dividend	40	16,790	Franked	5 October 2012
31 December 2011				
Final 2011 - Ordinary dividend	90	40,229	Franked	27 September 2011

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

The directors resolved on 28 February 2013 to pay an interim ordinary dividend of 50 cents per share franked at 30% (2012: 50 cents per share franked at 30%). The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2012 and will be recognised in subsequent financial periods. The dividend is payable on 5 April 2013 with a record date of 13 March 2013.

	31 Dec 2012 \$'000	31 Dec 2011 \$'000
Dividend franking account		
30% (2011: 30%) franking credits available after the payment of income tax provided for in the financial statements	28,918	30,360

The above available amounts are based on the balance of the dividend franking account at 31 December 2012 adjusted for franking credits that will arise from the payment of the current tax liabilities.

Note 10. Earnings per share

Cents per share

Earnings per share

Basic earnings per share	71.4	57.3
Diluted earnings per share	67.0	53.8

Earnings per share - continuing operations

Basic earnings per share	64.0	56.4
Diluted earnings per share	60.1	53.0

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

	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	27,342	22,931
Net profit after tax from discontinued operation	2,828	351
Net profit after tax from continuing operations attributable to equity holders of Perpetual Limited	24,514	22,580

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

Note 10. Earnings per share (continued)

	31 Dec 2012	31 Dec 2011
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	38,290,871	40,032,517
Effect of dilutive securities:		
Weighted average number of dilutive potential ordinary shares (including those subject to performance rights)	2,521,258	2,586,464
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	<u>40,812,129</u>	<u>42,618,981</u>

Note 11. Structured products assets and liabilities

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
a. Exact Market Cash Funds		
Current assets		
Exact Market Cash Fund 1	163,559	178,395
Exact Market Cash Fund 2	530,714	516,226
	<u>694,273</u>	<u>694,621</u>
Current liabilities		
Exact Market Cash Fund 1	163,227	180,126
Exact Market Cash Fund 2	528,016	515,073
	<u>691,243</u>	<u>695,199</u>

The Exact Market Cash Funds' current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds' investors under the swap agreement and reflect the net assets of the funds for unit pricing purposes.

The Exact Market Cash Fund 1 (EMCF 1) was established during the financial year ended 30 June 2005 with the purpose of providing an exact return that matched the UBS Bank Bill rate (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of \$5 million (2012: \$5 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity and credit risks.

The Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund, and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of \$6 million (2012: \$6 million) to be called upon in the event that Perpetual does not meet its obligations.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000

Note 11. Structured products assets and liabilities (continued)

b. Perpetual Protected Investments

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

Current assets

Structured products - receivable from investors	8,141	24,222
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Non-current assets

Structured products - loans receivable	78,269	88,122
Less: loan establishment fees	(84)	(115)
	78,185	88,007

Less: provision for credit losses	(3,278)	(3,064)
	74,907	84,943

Movements in the provision for credit losses are as follows:

Balance as at beginning of period	3,064	2,831
Provision for credit losses recognised during the period	406	272
Provision utilised during the year	(192)	(39)
Balance as at end of period	3,278	3,064

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

Current liabilities

Structured products - interest-bearing liabilities	7,498	23,046
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Non-current liabilities

Structured products - interest-bearing liabilities	78,414	88,370
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Note 12. Interest-bearing liabilities

Facilities utilised

Floating rate bank facility	45,000	45,000
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Facilities not utilised

Floating rate bank facility	25,000	25,000
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The consolidated entity has a floating rate bank facility of \$70 million (30 June 2012: \$70 million). The utilised component of the floating rate bank facility of \$45 million (30 June 2012: \$45 million) is unsecured and has a floating interest rate of 3.75 per cent at 31 December 2012 (30 June 2012 : 4.78 per cent). Repayment of the existing facility is due on 31 January 2014. The \$25 million (30 June 2012: \$25 million) unutilised bank facility may be drawn at any time at the discretion of the consolidated entity.

Perpetual is in compliance with the facility's debt covenants at 31 December 2012. Should the Company not satisfy any of these covenants, the outstanding balance of the loan may become due and payable.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000
Note 13. Provisions		
Current		
Internal insurance and legal provision	461	721
Operational process review provision	103	170
Lease expense provision	1,764	1,335
	<u>2,328</u>	<u>2,226</u>
Non-current		
Internal insurance and legal provision	800	800
Lease expense provision	20,964	20,341
	<u>21,764</u>	<u>21,141</u>

Note 14. Contributed equity

Share capital				
41,980,678 (30 June 2012: 41,980,678) ordinary shares, fully paid		<u>248,508</u>		<u>236,530</u>
	Number		Number	
	of Shares	\$'000	of Shares	\$'000
Movement in share capital				
Balance at beginning of the period	38,106,316	236,530	41,021,469	245,066
Shares issued:				
- Executive share plans (vested during period)	235,875	11,886	482,392	23,163
- Employee equity allocation purchased on market	-	-	(49,880)	(1,050)
- Employee share plans (vested during period)	-	68	-	190
- Employee share plans (shares recycled)	916	24	-	-
- Issued on market	-	-	2,219	47
- Off market share buy-back	-	-	(3,349,884)	(30,886)
Balance at end of the period	<u>38,343,107</u>	<u>248,508</u>	<u>38,106,316</u>	<u>236,530</u>
Ordinary shares fully paid (excluding unvested shares from share plans)	38,343,107	248,508	38,106,316	236,530
Unvested shares from share plans	3,637,571	124,848	3,874,362	143,037
Ordinary shares fully paid	<u>41,980,678</u>	<u>373,356</u>	<u>41,980,678</u>	<u>379,567</u>

During the half-year, the Company issued nil (30 June 2012: nil) ordinary shares in relation to vested options in accordance with Perpetual Limited's Long Term Incentive Plan at a weighted average share price of nil (30 June 2012: nil) per share.

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

Shares issued under the executive and employee share plans were issued at market value.

Terms and conditions

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

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000

Note 15. Goodwill

Reconciliation of carrying amount

Balance at beginning of period	97,308	97,308
Balance at end of period	97,308	97,308

The Clean Energy Act introduced a carbon pricing mechanism into the Australian economy from 1 July 2012. The introduction of the carbon pricing mechanism did not have a material impact on the future cash flow generated from the cash-generating units for the purpose of fair value calculations in asset impairment models.

Note 16. Cash and cash equivalents

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

Bank balances	103,657	72,547
Deposits at call	41,102	61,182
Short-term deposits	35,496	19,328
	180,255	153,057

Deposits at call are invested in a cash management trust operated by the consolidated entity. Short-term deposits represent investments in the Perpetual Credit Income Fund and Perpetual High Grade Treasury Fund.

Note 17. Business combinations

Deferred consideration

The balance of deferred consideration relating to business combinations acquired in the current period has increased by \$0.9 million in the half-year ended 31 December 2012 (31 December 2011: decrease of \$1.7 million). Total cash consideration of \$0.9 million has been paid to Marq Services Management Pty Limited as certain pre-determined targets have been achieved. Further payments totalling \$0.9 million are due to be made subject to certain pre-determined targets being achieved.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2012

	31 Dec 2012	30 Jun 2012
	\$'000	\$'000

Note 18. Assets and liabilities held for sale

Assets and liabilities held for sale at 31 December 2012 comprise assets and liabilities being sold as part of the Company's Transformation 2015 strategies.

Assets classified as held for sale

IT outsourcing	a	2,184	2,328
Discontinued operation - PLMS	b	-	11,705
		2,184	14,033

Liabilities classified as held for sale

Discontinued operation - PLMS	b	-	5,612
		-	5,612

a. IT outsourcing

In August 2012, the signing of an IT outsourcing agreement with Fujitsu Australia was announced. This agreement allows Perpetual to modernise IT infrastructure and applications, and enables a number of material service and capability improvements.

On 31 January 2013, Perpetual received \$1,380,000 consideration for the assets transferred under the IT outsourcing agreement with Fujitsu Australia.

In the June 2012 comparative, an impairment loss of \$17,854,000, on the remeasurement of the assets to the lower of their carrying value and their fair value less costs to sell was recognised in impairment of assets.

b. PLMS

At the 30 June 2012, Perpetual Lenders Mortgage Services (PLMS) was presented as a discontinued operation and a disposal group held for sale, comprising of assets of \$11,705,000 and liabilities of \$5,612,000. PLMS had been identified as a non-core business through the implementation of the 'Transformation 2015' strategy. The sale was completed on 1 August 2012 and a gain on sale of the business of \$2,391,000 has been recognised in the period ended 31 December 2012.

Note 19. Events subsequent to balance date

On 29 November 2012 Perpetual Limited entered into a sale agreement with AMAL Asset Management Limited to sell its Loan Servicing Business, subject to several conditions precedent. The sale was completed on 11 February 2013. The financial impact of the sale has been recognised in the financial statements as at 31 December 2012.

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Directors' Declaration

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

1. the financial statements and notes set out on pages 10 to 27 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that Perpetual Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Peter Scott
Director



Geoff Lloyd
Director

Dated at Sydney this 28th day of February 2013.



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Perpetual Limited ("the consolidated entity"), which comprises the condensed consolidated statement of financial position as at 31 December 2012, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Perpetual Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Andrew Yates
Partner

Sydney

28 February 2013