

PERPETUAL LIMITED

ABN 86 000 431 827

AND ITS CONTROLLED ENTITIES

HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2010

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
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PERPETUAL LIMITED
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DIRECTORS' REPORT

The directors present their report together with the condensed consolidated financial statements of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the half-year ended 31 December 2010 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 56)

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 Pilotlight Australia and an advisory panel member of Laing O'Rourke Australia. 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 60)

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 a director of Incitec Pivot Limited, Chairman of the Reach Foundation and a Board member of the Victorian Arts Centre Trust. He is a member of Perpetual's Audit Risk and Compliance Committee and People and Remuneration Committee.

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

Listed company directorships held during the past three financial years:

- Incitec Pivot Limited from September 2010 to the present

Meredith J Brooks, Independent Director
BA, FIAA (Age 49)

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

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

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DIRECTORS' REPORT (continued)

Directors (continued)

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip. Ed. (Age 57)

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 in a career spanning 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 Skills Australia, as a member of the Education Investment Fund and a member of the recently 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 broad management experience in Australia and Asia in technology, sales and client management, product and brand management, industry solutions and equity joint ventures.

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

E Paul McClintock AO, Independent Director
BA, LLB (Age 61)

Appointed as a director in April 2004. He is Chairman of Thales Australia, Medibank Private Limited and the COAG Reform Council and has served as Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government. He is Chairman of Perpetual's Investment Committee and a member of the Nominations Committee and People and Remuneration Committee.

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

Listed company directorships held during the past three financial years:

- Symbion Health Limited (Chairman) from June 2005 to February 2008
- Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited) from May 2003 to December 2010

Elizabeth M Proust AO, Independent Director
BA (Hons), LLB, FAICD (Age 60)

Appointed as a director in January 2006. She was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ she was Secretary (CEO) of the Victorian Department of the Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd and St George Bank Advisory Council in Victoria, a director of Spotless Group Limited, Insurance Manufacturers of Australia Pty Ltd and Sinclair Knight Merz Pty Ltd. 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 the present

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DIRECTORS' REPORT (continued)

Directors (continued)

Philip J Twyman, Independent Director
BSc, MBA, FAICD (Age 66)

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

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

Listed company directorships held during the past three financial years:

- IAG Limited from July 2008 to the present

Chris Ryan, Managing Director
B. Bus. (Age 51)

Commenced employment with Perpetual Limited on 14 February 2011 as Chief Executive Officer and appointed as Managing Director on 23 February 2011. Prior to his appointment as Managing Director and CEO of Perpetual, Mr Ryan's career included over 30 years of financial services experience in the Asia Pacific region. He led the regional asset management businesses of three of the industry's major international players: HSBC, ING Investment Management, and Fidelity International. While CEO of ING Investment Management Asia Pacific, Mr Ryan was responsible for the firm's operations in 13 locations across Asia. This included ING Investment Management Australia, with over US\$30 billion in assets under management. Most recently, Mr Ryan held an advisory role with Citibank's global transaction services business.

Mr Ryan brings to Perpetual extensive international and domestic experience in the financial services industry together with demonstrated leadership skills as a chief executive officer.

David M Deverall, Managing Director
BE (Hons), MBA (Stanford) (Age 44)

Appointed Managing Director and Chief Executive Officer in September 2003. Mr Deverall gave notice of his resignation on 23 June 2010 and retired as a director of the Perpetual Limited board on 23 February 2011.

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DIRECTORS' REPORT (continued)

Directors who resigned during the period

Robert M Savage AM, Chairman and Independent Director
FASCPAS, FAICD, FAIM (Age 69)

Appointed as a director in 2001 and as Chairman in October 2005. At the conclusion of the Annual General Meeting on 26 October 2010, Mr Savage retired as chairman and director of Perpetual Limited and as a member of the Nominations Committee and People and Remuneration Committee.

Alternate directors

Roger L Burrows, Alternate Director
BCom, CPA, MAICD (Age 47)

Alternate director for Mr Savage from December 2008 until Mr Savage's retirement at the conclusion of the AGM on 26 October 2010 and appointed as Alternate director for Peter Scott on 27 October 2010. He joined Perpetual as Chief Financial Officer in March 2008. Mr Burrows has over 25 years of experience as a senior finance executive in a diverse range of industries, including property, financial services, IT services, professional services and manufacturing. Prior to working at Perpetual, Mr Burrows was with Lend Lease for 20 years, including 3 years as Group Chief Financial Officer.

Ivan D Holyman, Alternate Director
BEc, LLB (Age 55)

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

Company secretaries

Joanne Hawkins
BCom, LLB, Grad Dip CSP FCIS

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

Glenda Charles
Grad. Dip. Corp. Gov. ASX Listed Entities, 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.

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DIRECTORS' REPORT (continued)

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 2010 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 ¹ | 13 | 13 | - | - | 2 | 2 | 2 | 2 | 2 | 2 |
| P V Brasher | 13 | 13 | 4 | 4 | - | - | - | - | 3 | 3 |
| M J Brooks | 13 | 13 | 4 | 4 | 3 | 3 | - | - | - | - |
| P Bullock ² | 13 | 13 | - | - | 3 | 3 | - | - | 3 | 3 |
| E P McClintock | 13 | 13 | - | - | 3 | 3 | 2 | 2 | 3 | 3 |
| E M Proust | 13 | 13 | 4 | 4 | - | - | 2 | 2 | 3 | 3 |
| R M Savage ³ | 6 | 6 | - | - | - | - | 2 | 2 | 2 | 1 |
| P J Twyman | 13 | 12 | 4 | 4 | 3 | 3 | 2 | 2 | - | - |
| D M Deverall ⁴ | 13 | 13 | - | - | - | - | - | - | - | - |
| C Ryan ⁵ | - | - | - | - | - | - | - | - | - | - |

* CEO appointment was led by the Nominations Committee and discussed and subsequently approved at board meetings.

1. Peter Scott became Chairman Elect and Chairman of the Nominations Committee on 23 July 2010. At the conclusion of the Annual General Meeting held on 26 October 2010, Mr Scott became chairman of Perpetual Limited and retired as a member of the Investment Committee and People and Remuneration Committee.

2. Philip Bullock was appointed to the board on 1 June 2010 and to the Investment Committee and People and Remuneration Committee on 9 August 2010.

3. Robert Savage retired as Chairman of the Nominations Committee on 23 July 2010 but remained as a member of that committee. At the conclusion of the Annual General Meeting held on 26 October 2010, Mr Savage retired as chairman and director of Perpetual Limited and retired as a member of the Nominations Committee and People and Remuneration Committee.

4. David Deverall gave notice of his resignation on 23 June 2010 and retired from the board of Perpetual Limited on 23 February 2011. Mr Deverall's employment will formally cease with Perpetual Limited on 23 June 2011.

5. Chris Ryan commenced employment on 14 February 2011 as Perpetual's Chief Executive Officer. He was appointed as Managing Director of Perpetual Limited on 23 February 2011.

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DIRECTORS' REPORT (continued)

Review of operations

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

For the half-year ended 31 December 2010, Perpetual reported a net profit after tax of \$35 million compared to the net profit after tax for the half-year ended 31 December 2009 of \$49.2 million.

The reconciliation of net profit after tax to underlying profit after tax for the half-year ended 31 December 2010 is as follows:

| | 6 months ended | |
|---|-----------------------|--------------------|
| | 31 Dec 2010 | 31 Dec 2009 |
| | \$'000 | \$'000 |
| Reconciliation of underlying profit after tax | | |
| Net profit after tax attributable to equity holders of Perpetual Limited | 34,984 | 49,166 |
| Add: Profit after tax attributable to non-controlling interests ¹ | 251 | 164 |
| Net profit after tax | 35,235 | 49,330 |
| Add : Impairment of intangible assets | 10,583 | - |
| Add : Private equity proposal response costs (after tax) | 3,013 | - |
| Less : Profit on sale of investments (after tax) | (1,875) | (1,844) |
| Less : Exact Market Cash Fund gains (after tax) | (5,969) | (11,074) |
| Underlying profit after tax | 40,987 | 36,412 |

¹ Profit after tax attributable to non-controlling interests arising from the sale of underlying investments within a seed fund.

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

Dividends

On 23 February 2011, the directors resolved to pay a fully franked interim dividend of 95 cents per share (2010:105 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

The directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in this report that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years. Events subsequent to reporting date are set out in Note 17 to the condensed consolidated financial statements.

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DIRECTORS' REPORT (continued)

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

The Lead Auditor's Independence Declaration is set out on page 10 and forms part of the directors' report for the half-year ended 31 December 2010.

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



David Deverall
Managing Director

Dated at Sydney this 23rd day of February 2011.



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 2010 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'AY', with a long horizontal line extending to the right.

Andrew Yates
Partner

Sydney

23 February 2011

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2010

| | Note | 31 Dec 2010 \$'000 | 31 Dec 2009 \$'000 |
|---|------|------------------------|------------------------|
| Revenue from the provision of services | | 217,737 | 193,360 |
| Income from structured products | | 37,640 | 41,283 |
| Investment income | | 7,129 | 6,728 |
| | 3 | <u>262,506</u> | <u>241,371</u> |
| Staff related expenses excluding equity remuneration expense | | (108,955) | (86,709) |
| Occupancy expenses | | (10,390) | (8,237) |
| Administrative and general expenses | | (35,566) | (29,652) |
| Distributions and expenses relating to structured products | | <u>(26,888)</u> | <u>(25,462)</u> |
| Earnings before financing costs, tax, depreciation, amortisation, equity remuneration expense, profit on disposal of investments, impairment of assets and share of loss of equity accounted investees | | 80,707 | 91,311 |
| Financing costs | | (1,631) | (1,160) |
| Equity remuneration expense | | (8,358) | (13,268) |
| Depreciation and amortisation expense | 4 | <u>(7,393)</u> | <u>(7,050)</u> |
| | | (17,382) | (21,478) |
| Proceeds from sale of investments | | 37,310 | 23,555 |
| Cost of investments disposed of | | <u>(34,143)</u> | <u>(20,544)</u> |
| Profit on disposal of investments | | 3,167 | 3,011 |
| Impairment of available-for-sale securities | | (605) | (307) |
| Impairment of intangible assets | | (10,583) | - |
| Share of loss of equity accounted investees, net of income tax | | - | <u>(31)</u> |
| Net profit before tax | | 55,304 | 72,506 |
| Income tax expense | | (19,382) | (22,316) |
| Income tax expense on disposal of investments | | (687) | (860) |
| Income tax expense | 7 | <u>(20,069)</u> | <u>(23,176)</u> |
| Net profit after tax | | 35,235 | 49,330 |
| Profit after tax attributable to non-controlling interests | | <u>(251)</u> | <u>(164)</u> |
| Net profit after tax attributable to equity holders of Perpetual Limited | | <u>34,984</u> | <u>49,166</u> |

The Statement of Comprehensive Income is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 16 to 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Comprehensive Income (continued)
for the half-year ended 31 December 2010

| | Note | 31 Dec 2010 \$'000 | 31 Dec 2009 \$'000 |
|---|------|-----------------------|-----------------------|
| Net profit after tax | | 35,235 | 49,330 |
| Other comprehensive income, net of tax: | | | |
| Available-for-sale reserve | | | |
| Reclassification of available-for-sale financial assets upon impairment | | 605 | 307 |
| Reclassification of previously impaired available-for-sale financial assets upon disposal | | (878) | (170) |
| Net change in fair value of available-for-sale financial assets | | 3,445 | 7,460 |
| Cash flow hedge reserve | | | |
| Effective portion of changes in fair value of cash flow hedges | | 226 | 530 |
| Foreign currency reserve | | | |
| Foreign exchange translation differences | | (1,595) | (1,459) |
| Other comprehensive income | | 1,803 | 6,668 |
| Total comprehensive income | | 37,038 | 55,998 |
| Total comprehensive income is attributable to: | | | |
| Non-controlling interests | | 251 | 164 |
| Equity holders of Perpetual Limited | | 36,787 | 55,834 |
| Total comprehensive income | | 37,038 | 55,998 |
| Basic earnings per share attributable to equity holders of Perpetual Limited - cents per share | 9 | 86.6 | 123.8 |
| Diluted earnings per share attributable to equity holders of Perpetual Limited - cents per share | 9 | 80.1 | 115.0 |

The Statement of Comprehensive Income is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 16 to 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Balance Sheet
as at 31 December 2010

| | Note | 31 Dec 2010 \$'000 | 30 Jun 2010 \$'000 |
|---|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 15 | 175,304 | 187,539 |
| Receivables | | 86,014 | 86,843 |
| Other financial assets | | 100 | 100 |
| Structured products - EMCF assets | 10a | 1,020,045 | 1,191,066 |
| Structured products - receivable from investors | 10b | 8,057 | 26,157 |
| Derivative financial instruments | | 850 | 11 |
| Prepayments | | 9,651 | 7,447 |
| Total current assets | | 1,300,021 | 1,499,163 |
| Non-current assets | | | |
| Receivables | | 33 | 3,648 |
| Shares in other companies, investments in unlisted unit trusts and other financial assets | | 56,831 | 49,949 |
| Structured products - loans receivable | 10b | 152,008 | 162,675 |
| Property, plant and equipment | | 27,898 | 27,796 |
| Intangibles | | 152,514 | 163,508 |
| Deferred tax assets | | 26,008 | 33,219 |
| Prepayments | | 736 | 858 |
| Total non-current assets | | 416,028 | 441,653 |
| Total assets | | 1,716,049 | 1,940,816 |
| Current liabilities | | | |
| Payables | | 39,732 | 40,661 |
| Structured products - EMCF liabilities | 10a | 1,018,924 | 1,190,342 |
| Structured products - interest-bearing liabilities | 10b | 8,076 | 24,818 |
| Structured products - income received in advance | | 6,924 | 13,918 |
| Derivative financial instruments | | 383 | 662 |
| Current tax liabilities | | 7,874 | 16,736 |
| Employee benefits | | 22,464 | 35,880 |
| Provisions | 12 | 1,702 | 7,670 |
| Total current liabilities | | 1,106,079 | 1,330,687 |
| Non-current liabilities | | | |
| Payables | | 3,662 | 6,206 |
| Interest-bearing liabilities | 11 | 45,000 | 45,000 |
| Structured products - interest-bearing liabilities | 10b | 154,729 | 164,807 |
| Deferred tax liabilities | | 7,925 | 7,198 |
| Employee benefits | | 3,351 | 2,894 |
| Provisions | 12 | 23,533 | 23,000 |
| Total non-current liabilities | | 238,200 | 249,105 |
| Total liabilities | | 1,344,279 | 1,579,792 |
| Net assets | | 371,770 | 361,024 |
| Equity | | | |
| Contributed equity | 13 | 224,279 | 206,017 |
| Reserves | | 53,533 | 56,861 |
| Retained earnings | | 88,655 | 96,494 |
| Total equity attributable to holders of Perpetual Limited | | 366,467 | 359,372 |
| Non-controlling interest | | 5,303 | 1,652 |
| Total equity | | 371,770 | 361,024 |

The Balance Sheet is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 16 to 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
as at 31 December 2010

| \$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 2010 | 379,392 | (173,375) | 206,017 | 2,871 | 103 | (3,347) | 57,688 | (454) | 56,861 | 96,494 | 359,372 | 1,652 | 361,024 |
| Total comprehensive income/(expense) | - | - | - | 3,172 | - | (1,595) | - | 226 | 1,803 | 34,984 | 36,787 | 251 | 37,038 |
| Issue of ordinary shares | 60 | - | 60 | - | - | - | - | - | - | - | 60 | - | 60 |
| Employee Share Purchase Plan loan repayments during the period | - | 69 | 69 | - | - | - | - | - | - | - | 69 | - | 69 |
| Treasury shares issued during the period | 14,387 | (14,387) | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares vested during the period | - | 10,752 | 10,752 | - | - | - | (10,752) | - | (10,752) | - | - | - | - |
| Fair value adjustment on recycled and vested TSR shares | (5,479) | 5,479 | - | - | - | - | - | - | - | - | - | - | - |
| Dividends on treasury shares used to purchase equity | - | (42) | (42) | - | - | - | 42 | - | 42 | - | - | - | - |
| Dividends paid to shareholders | - | - | - | - | - | - | - | - | - | (38,179) | (38,179) | - | (38,179) |
| Dividends reinvestment plan allotment | 7,423 | - | 7,423 | - | - | - | - | - | - | (7,423) | - | - | - |
| Dividends paid on treasury shares | - | - | - | - | - | - | (2,779) | - | (2,779) | 2,779 | - | - | - |
| Equity remuneration expense | - | - | - | - | - | - | 8,358 | - | 8,358 | - | 8,358 | - | 8,358 |
| Non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | 3,400 | 3,400 |
| Balance at 31 December 2010 | 395,783 | (171,504) | 224,279 | 6,043 | 103 | (4,942) | 52,557 | (228) | 53,533 | 88,655 | 366,467 | 5,303 | 371,770 |

| \$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 2009 | 347,350 | (173,128) | 174,222 | (4,016) | 103 | (491) | 48,457 | (755) | 43,298 | 72,413 | 289,933 | 108 | 290,041 |
| Total comprehensive income/(expense) | - | - | - | 7,597 | - | (1,459) | - | 530 | 6,668 | 49,166 | 55,834 | 164 | 55,998 |
| Issue of ordinary shares | 10,570 | - | 10,570 | - | - | - | - | - | - | - | 10,570 | - | 10,570 |
| Employee Share Purchase Plan loan repayments during the period | - | 60 | 60 | - | - | - | - | - | - | - | 60 | - | 60 |
| Treasury shares issued during the period | 3,861 | (3,861) | - | - | - | - | - | - | - | - | - | - | - |
| Treasury shares purchased on market | - | (1,072) | (1,072) | - | - | - | - | - | - | - | (1,072) | - | (1,072) |
| Treasury shares vested during the period | - | 11,960 | 11,960 | - | - | - | (11,960) | - | (11,960) | - | - | - | - |
| Fair value adjustment on recycled and vested TSR shares | (4,159) | 4,159 | - | - | - | - | - | - | - | - | - | - | - |
| Dividends on treasury shares used to purchase equity | - | (23) | (23) | - | - | - | 23 | - | 23 | - | - | - | - |
| Dividends paid to shareholders | - | - | - | - | - | - | - | - | - | (22,192) | (22,192) | - | (22,192) |
| Dividends reinvestment plan allotment | 3,314 | - | 3,314 | - | - | - | - | - | - | (3,314) | - | - | - |
| Dividends paid on treasury shares | - | - | - | - | - | - | (1,725) | - | (1,725) | 1,725 | - | - | - |
| Equity remuneration expense | - | - | - | - | - | - | 13,268 | - | 13,268 | - | 13,268 | - | 13,268 |
| Non-controlling interest | - | - | - | - | - | - | - | - | - | - | - | 848 | 848 |
| Balance at 31 December 2009 | 360,936 | (161,905) | 199,031 | 3,581 | 103 | (1,950) | 48,063 | (225) | 49,572 | 97,798 | 346,401 | 1,120 | 347,521 |

The Statement of Changes in Equity is to be read in conjunction with the 'Notes to the Financial Statements', set out on pages 16 to 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Cash Flow Statement
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 31 Dec 2009 |
|--|-------------------|-----------------|
| | Note | \$'000 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Cash receipts in the course of operations | 241,120 | 224,203 |
| Cash payments in the course of operations | (198,386) | (150,624) |
| Dividends received | 456 | 371 |
| Interest received | 6,192 | 5,388 |
| Interest paid | (1,631) | (1,160) |
| Income taxes paid | (22,685) | (12,565) |
| Net cash from operating activities | 25,066 | 65,613 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (7,457) | (4,517) |
| Payments for investments | (33,349) | (19,728) |
| Repayments of advances made under the Employee Share Purchase Plan | 69 | 60 |
| Acquisition of business | (2,173) | (8,875) |
| Proceeds from the sale of investments | 37,310 | 23,555 |
| Repayment of Palisade loan | 7,165 | - |
| Tax paid on sale of investments | (687) | - |
| Net cash from/(used in) investing activities | 878 | (9,505) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 7,423 | 3,314 |
| Payments for on market share purchase | - | (1,072) |
| Dividends paid | (45,602) | (25,506) |
| Net cash used in financing activities | (38,179) | (23,264) |
| Net (decrease)/increase in cash and cash equivalents | (12,235) | 32,844 |
| Cash and cash equivalents at 1 July | 187,539 | 146,138 |
| Cash and cash equivalents at 31 December | 15 175,304 | 178,982 |

The Cash Flow Statement is to be read in conjunction with 'Notes to the Financial Statements' set out on pages 16 to 26.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

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 2010 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 2010 are available at www.perpetual.com.au.

a. Statement of compliance

The 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 2010.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 23 February 2011.

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.

Except as described below, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2010.

During the half-year ended 31 December 2010 management reassessed its estimate in respect of :

- Goodwill (refer Note 14)

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 2010.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 31 Dec 2009 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Note 3. Revenue | | |
| Revenue from the provision of services | | |
| Gross revenue from fees | 217,737 | 193,360 |
| Other income | | |
| Income from structured products | 37,640 | 41,283 |
| Investment income | | |
| Dividends | 438 | 379 |
| Interest | 6,223 | 5,990 |
| Unit trust distributions | 468 | 359 |
| Total investment income | 7,129 | 6,728 |
| | 262,506 | 241,371 |
| 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 | 2,203 | 2,713 |
| Amortisation of intangible assets: | | |
| - Capitalised software | 3,171 | 3,162 |
| - Other intangible assets | 2,019 | 1,175 |
| | 5,190 | 4,337 |
| Total depreciation and amortisation expense | 7,393 | 7,050 |
| Rental charges – operating leases | 8,036 | 6,576 |
| Note 5. Individually significant and other items included in net profit for the period | | |
| Profit on sale of part of investment portfolio | 3,167 | 3,011 |
| Impairment of available-for-sale-securities | (605) | (307) |
| Total profit on disposal of investments | 2,562 | 2,704 |
| Income tax expense applicable | (687) | (860) |
| Total profit on disposal (impairment) of investments after tax | 1,875 | 1,844 |
| Exact Market Cash Fund gains | 8,527 | 15,821 |
| Income tax expense applicable | (2,558) | (4,747) |
| | 5,969 | 11,074 |
| Private equity proposal response costs | (4,304) | - |
| Income tax benefit applicable | 1,291 | - |
| | (3,013) | - |
| Impairment of intangible assets | (10,583) | - |
| Income tax benefit applicable | - | - |
| | (10,583) | - |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

Note 6. Segment information

| | Perpetual Investments ¹ \$'000 | Private Wealth \$'000 | Corporate Trust \$'000 | Total \$'000 |
|--|---|-----------------------------|------------------------------|-----------------|
| 31 December 2010 | | | | |
| External revenues | 145,927 | 58,752 | 51,806 | 256,485 |
| Inter-segment revenue/(expense) | 1,900 | (1,900) | - | - |
| Interest revenue | 394 | 24 | 449 | 867 |
| Total revenue for reportable segment | <u>148,221</u> | <u>56,876</u> | <u>52,255</u> | <u>257,352</u> |
| Depreciation and amortisation | (2,528) | (2,571) | (1,031) | (6,130) |
| Reportable segment net profit before tax | 51,470 | 11,617 | 18,893 | 81,980 |
| Reportable segment assets | 1,249,079 | 131,214 | 56,046 | 1,436,339 |
| 31 December 2009² | | | | |
| External revenues | 147,080 | 47,124 | 41,273 | 235,477 |
| Inter-segment revenue/(expense) | 5,321 | (5,321) | - | - |
| Interest revenue | 422 | - | 306 | 728 |
| Total revenue for reportable segment | <u>152,823</u> | <u>41,803</u> | <u>41,579</u> | <u>236,205</u> |
| Depreciation and amortisation | (2,891) | (1,368) | (1,546) | (5,805) |
| Reportable segment net profit before tax | 56,527 | 10,466 | 17,720 | 84,713 |
| Reportable segment assets | 1,571,855 | 81,588 | 46,985 | 1,700,428 |

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

² Prior period comparatives have been amended to reflect the reportable segments as at 31 December 2010.

| | 31 Dec 2010 | 31 Dec 2009 |
|--|--------------------|--------------------|
| | \$'000 | \$'000 |
| Reconciliations of reportable segment revenues, net profit before tax, and total assets | | |
| Revenues | | |
| Total revenue for reportable segments | 257,352 | 236,205 |
| Group and Support Services revenue | 5,154 | 5,166 |
| Total group revenue | <u>262,506</u> | <u>241,371</u> |
| Net profit before tax | | |
| Total net profit before tax for reportable segments | 81,980 | 84,713 |
| Financing costs | (1,631) | (1,160) |
| Profit on disposal of investments | 3,167 | 3,011 |
| Impairment of available-for-sale securities | (605) | (307) |
| Impairment of intangible assets | (10,583) | - |
| Share of loss of equity accounted investees | - | (31) |
| Group and Support Services expenses | (17,024) | (13,720) |
| Net profit before tax | <u>55,304</u> | <u>72,506</u> |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 31 Dec 2009 |
|--|-------------|-------------|
| | \$'000 | \$'000 |

Note 6. Segment information (continued)

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

Total assets

| | | |
|--------------------------------------|-----------|-----------|
| Total assets for reportable segments | 1,436,339 | 1,700,428 |
| Group and Support Services assets | 279,710 | 287,756 |
| Total assets | 1,716,049 | 1,988,184 |

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

a. Services provided

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

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

b. Geographical segments

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

c. Major customers

The consolidated entity does not rely on any major customer.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 31 Dec 2009 |
|--|--------------------|--------------------|
| | \$'000 | \$'000 |

Note 7. Income tax expense

a. Income tax expense

| | | |
|-----------------------------|---------------|---------------|
| Current tax expense | 15,627 | 20,169 |
| Deferred tax expense | 6,310 | 3,442 |
| Over provided in prior year | (1,868) | (435) |
| Total | 20,069 | 23,176 |

The consolidated entity's effective tax rate in respect of continuing operations for the half-year ended 31 December 2010 was 36 per cent (31 December 2009: 32 per cent).

The effective tax rate differs to the Australian company tax rate of 30 per cent as the impairment charge incurred is not deductible for tax.

Deferred income tax included in income tax expense

| | | |
|--------------------------------------|--------------|--------------|
| Decrease in deferred tax assets | 7,195 | 4,032 |
| Decrease in deferred tax liabilities | (885) | (590) |
| Total | 6,310 | 3,442 |

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

At 31 December 2010, the consolidated entity had carried forward realised net capital losses of \$6,411,000 (31 December 2009: \$5,646,000) which had a tax benefit of \$1,923,000 (31 December 2009: \$1,694,000); the tax benefit of these capital losses have been recognised in deferred tax assets.

The consolidated entity had unrealised net capital losses recognised in income of \$3,386,000 (31 December 2009: \$4,066,000) which had a tax benefit of \$1,016,000 (31 December 2009: \$1,220,000); the tax benefit of those capital losses have been recognised in deferred tax assets.

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

b. Amounts recognised directly in equity

| | | |
|--------------------------------------|--------------|--------------|
| Decrease in deferred tax assets | 16 | 2,494 |
| Increase in deferred tax liabilities | 1,612 | 738 |
| | 1,628 | 3,232 |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

Note 8. Dividends

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

| | Cents per share | Total Amount \$'000 | Franked ¹ / Unfranked | Date of Payment |
|--------------------------------|--------------------|---------------------------|-------------------------------------|-------------------|
| 31 December 2010 | | | | |
| Final 2010 - Ordinary dividend | 105 | 45,602 | Franked | 28 September 2010 |
| Total amount | | <u>45,602</u> | | |
| 31 December 2009 | | | | |
| Final 2009 - Ordinary dividend | 60 | 25,506 | Franked | 30 September 2009 |
| Total amount | | <u>25,506</u> | | |

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 23 February 2011 to pay an interim ordinary dividend of 95 cents per share franked at 30% (2010: 105 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 2010 and will be recognised in subsequent financial periods. The dividend is payable on 30 March 2011 with a record date of 9 March 2011.

| | 31 Dec 2010 \$'000 | 31 Dec 2009 \$'000 |
|---|-----------------------|-----------------------|
| Dividend franking account | | |
| 30% (2009: 30%) franking credits available after the payment of income tax provided for in the financial statements | 56,463 | 53,782 |

The above available amounts are based on the balance of the dividend franking account at 31 December 2010 adjusted for franking credits that will arise from the payment of the current tax liabilities.

Note 9. Earnings per share

| | Cents per share | |
|----------------------------|-----------------|-------|
| Basic earnings per share | 86.6 | 123.8 |
| Diluted earnings per share | 80.1 | 115.0 |

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 | 34,984 | 49,166 |

| | Number of shares | |
|--|------------------|------------|
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 40,374,981 | 39,709,195 |
| Effect of dilutive securities: | | |
| Share options | 22,296 | 40,703 |
| Weighted average number of dilutive potential ordinary shares under performance rights | 3,266,683 | 2,999,915 |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share | 43,663,960 | 42,749,813 |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 30 Jun 2010 |
|--|-------------|-------------|
| | \$'000 | \$'000 |

Note 10. Structured products assets and liabilities

a. Exact Market Cash Funds

Current assets

| | | |
|--------------------------|-----------|-----------|
| Exact Market Cash Fund 1 | 513,263 | 693,243 |
| Exact Market Cash Fund 2 | 506,782 | 497,823 |
| | 1,020,045 | 1,191,066 |

Current liabilities

| | | |
|--------------------------|-----------|-----------|
| Exact Market Cash Fund 1 | 514,933 | 695,129 |
| Exact Market Cash Fund 2 | 503,991 | 495,213 |
| | 1,018,924 | 1,190,342 |

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 \$20 million (2009: \$20 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity and credit risks.

The Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund, and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of \$6 million (2009: \$5 million) to be called upon in the event that Perpetual does not meet its obligations.

b. Perpetual Protected Investments

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

Current assets

| | | |
|---|-------|--------|
| Structured products - receivable from investors | 8,057 | 26,157 |
|---|-------|--------|

Non-current assets

| | | |
|--|---------|---------|
| Structured products - loans receivable | 154,985 | 165,690 |
| Less: loan establishment fees | (315) | (380) |
| | 154,670 | 165,310 |

| | | |
|-----------------------------------|---------|---------|
| Less: provision for credit losses | (2,662) | (2,635) |
| | 152,008 | 162,675 |

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 30 Jun 2010 |
|--|-------------|-------------|
| | \$'000 | \$'000 |

Note 10. Structured products assets and liabilities (continued)

b. Perpetual Protected Investments (continued)

Movements in the provision for credit losses are as follows:

| | | |
|--|-------|-------|
| Balance as at beginning of period | 2,635 | 991 |
| Credit losses recognised during the period | (189) | - |
| Additional provision made during the year | 216 | 2,376 |
| Unused amounts reversed | - | (732) |
| Balance as at end of period | 2,662 | 2,635 |

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

Current liabilities

| | | |
|--|-------|--------|
| Structured products - interest-bearing liabilities | 8,076 | 24,818 |
|--|-------|--------|

Non-current liabilities

| | | |
|--|---------|---------|
| Structured products - interest-bearing liabilities | 154,729 | 164,807 |
|--|---------|---------|

Note 11. Interest-bearing liabilities

Facilities utilised

| | | |
|-----------------------------|--------|--------|
| Floating rate bank facility | 45,000 | 45,000 |
|-----------------------------|--------|--------|

Facilities not utilised

| | | |
|-----------------------------|--------|--------|
| Floating rate bank facility | 25,000 | 25,000 |
|-----------------------------|--------|--------|

The consolidated entity has a floating rate bank facility of \$70 million (30 June 2010: \$70 million). The utilised component of the floating rate bank facility of \$45 million (30 June 2010: \$45 million) is unsecured and has a floating interest rate of 5.49 per cent at 31 December 2010 (30 June 2010 : 5.07 per cent). Repayment of the existing facility is due at 31 December 2012. The \$25 million (30 June 2010: \$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 2010. 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 2010

| | 31 Dec 2010 | 30 Jun 2010 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Note 12. Provisions | | |
| Current | | |
| Internal insurance and legal provision | 432 | 5,404 |
| Onerous leases and make good | - | 75 |
| Operational process review provision | 651 | 1,667 |
| Lease expense provision | 619 | 524 |
| | <u>1,702</u> | <u>7,670</u> |

| | | |
|--|---------------|---------------|
| Non-current | | |
| Internal insurance and legal provision | 800 | 800 |
| Lease expense provision | 22,733 | 22,200 |
| | <u>23,533</u> | <u>23,000</u> |

Note 13. Contributed equity

| | | |
|---|---------|---------|
| Share capital | | |
| 44,140,166 (30 June 2010: 43,417,478) ordinary shares, fully paid | 224,279 | 206,017 |

| | Number of Shares | \$'000 | Number of Shares | \$'000 |
|--|---------------------|----------------|---------------------|----------------|
| Movement in share capital | | | | |
| Balance at beginning of the period | 40,094,528 | 206,017 | 39,358,781 | 174,222 |
| Shares issued: | | | | |
| - Issued in business combination | - | - | 283,950 | 10,569 |
| - Dividend reinvestment | 250,806 | 7,423 | 255,682 | 9,295 |
| - Executive share plans (vested during period) | 199,564 | 10,752 | 225,580 | 13,110 |
| - Employee equity allocation purchased on market | (1,162) | (42) | (29,465) | (1,336) |
| - Employee share plans (vested during period) | - | 69 | - | 157 |
| - Issued on market | 1,960 | 60 | - | - |
| Balance at end of the period | <u>40,545,696</u> | <u>224,279</u> | <u>40,094,528</u> | <u>206,017</u> |

| | | | | |
|---|-------------------|----------------|-------------------|----------------|
| Ordinary shares fully paid (excluding unvested shares from share plans) | 40,545,696 | 224,279 | 40,094,528 | 206,017 |
| Unvested shares from share plans | 3,594,470 | 171,504 | 3,322,950 | 173,375 |
| Ordinary shares fully paid | <u>44,140,166</u> | <u>395,783</u> | <u>43,417,478</u> | <u>379,392</u> |

During the half-year, the Company issued nil (30 June 2010: nil) ordinary shares in accordance with Perpetual's Executive Option Plan at a weighted average share price of nil (30 June 2010: nil) per share.

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

Terms and conditions

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

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

| | 31 Dec 2010 | 30 Jun 2010 |
|--|-----------------|----------------|
| | \$'000 | \$'000 |
| Note 14. Goodwill | | |
| Reconciliation of carrying amount | | |
| Cost | | |
| Balance at beginning of period | 113,539 | 76,639 |
| Acquisitions through business combinations | - | 36,900 |
| Balance at end of period | 113,539 | 113,539 |
| Impairment losses | | |
| Balance at beginning of period | - | - |
| Impairment loss | (10,583) | - |
| Balance at end of period | (10,583) | - |
| Carrying amounts | | |
| Balance at beginning of period | 113,539 | 113,539 |
| Balance at end of period | 102,956 | 113,539 |

Following a review of the smartsuper business in the six months ended 31 December 2010, the group assessed the recoverable amount of the cash-generating unit that comprises that business. As a result of this assessment, an impairment loss of \$10,583,000 (31 December 2009: nil) has been recognised. The impairment loss was allocated to goodwill, reducing the goodwill included in the smartsuper business to nil and is included in impairment of intangible assets in the condensed consolidated statement of comprehensive income.

The recoverable amount of the smartsuper cash generating unit was based on value in use.

Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit. Value in use at 31 December 2010 was determined similarly as in the 30 June 2010 goodwill impairment test with the exception of a reduction in the forecast revenue growth rate.

The values assigned to the key assumptions represent management's assessment of future trends in the market place.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed financial statements
for the half-year ended 31 December 2010

Note 15. 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.

| | 31 Dec 2010 | 30 Jun 2010 |
|---------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Bank balances | 59,692 | 54,345 |
| Deposits at call | 61,601 | 79,462 |
| Short-term deposits | 54,011 | 53,732 |
| | 175,304 | 187,539 |

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 16. Business combinations

Contingent consideration

The balance of contingent consideration relating to business combinations acquired in previous periods has decreased by \$1.8 million in the half year ended 31 December 2010. Total cash consideration of \$2.2 million was paid to the selling stakeholders of Financial Pursuit Pty Limited and Fordham Business Advisors Pty Ltd as certain pre-determined targets were achieved. The unwinding of the discount, relating to business combinations in previous periods, was \$0.4 million for the half year ended 31 December 2010.

Note 17. Events subsequent to balance date

The directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in this report that has 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 11 to 26 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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



David Deverall
Director

Dated at Sydney this 23rd day of February 2011.

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 ("consolidated entity"), which comprises the condensed consolidated balance sheet as at 31 December 2010, 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 17 comprising a summary of significant accounting policies, 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 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 2010 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.



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 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Andrew Yates
Partner

Sydney
23 February 2011