PERPETUAL SUPERANNUATION LIMITED

ABN 84 008 416 831

ANNUAL FINANCIAL REPORT

30 June 2023

Perpetual Superannuation Limited
ABN 84 008 416 831

Directors' report for the year ended 30 June 2023

The directors present their report together with the financial report of Perpetual Superannuation Limited (the 'Company') for the year ended 30 June 2023 and the independent auditor's report thereon.

Directors

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

C Green (appointed 9 April 2020)
J Torney (appointed 19 August 2019, reappointed 19 August 2022)
K Adby (appointed 1 January 2020, reappointed 1 January 2023)
M Smith (appointed 12 December 2012)
J Furlan (appointed 1 February 2022)

Principal Activities

The principal activity of the Company during the course of the financial year was the conduct of superannuation related services.

There were no significant changes in the nature of the activities of the Company during the year.

Review of Operations

The net profit after tax of the Company for the financial year ended 30 June 2023 was $3,973,000 (2022: $6,202,000).

On Tuesday 6 June 2023 the Company was made aware of an Information Technology (IT) Security incident on a system provided by a third-party provider which supports member administration services for the WealthFocus Super Fund, Select Super Fund and Perpetual Pooled Superannuation Trust. The incident was the result of unauthorised access to the third-party's system. Upon being notified of the incident, the third-party system was disconnected from the Company’s environment to prevent any contagion risk. As a result, there was an extended outage to the Company’s core member administration system. During this time member transactions were unable to be processed in the usual manner and had to be processed manually. To limit any adverse impact to members Perpetual Limited (PL), the Company's parent entity, funded the regular pension payments from its own cash resources. At 30 June 2023, Perpetual had paid $6,758,000 on behalf of the funds of which $4,507,000 had been re-imbursed by the funds. The remaining balance was re-imbursed in July 2023. Core member administration systems were re-built and usual processing had resumed by 30 June 2023.

Dividends

Dividends paid or provided by the Company since the end of the previous financial year were $2,800,000 (2022: $5,000,000). No final dividend for the year ended 30 June 2023 was declared.

State of Affairs

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company during the financial year.

Events subsequent to reporting date

Following the IT security incident, the core member administration systems have been re-built and processing has resumed. On 15 September 2023, members were informed that access to, MyPerpetual, the online portal had been restored with limited functionality. Full functionality will be restored to members in a staged approach over the coming months. The Directors and management continue to closely monitor the situation to ensure that full access to members is restored as soon as possible.

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Directors' report for the year ended 30 June 2023 (continued)

Environmental Regulations

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board has considered environmental regulations in its decision making and believes the Company has adequate systems in place for the management of its environmental requirements and is not aware of any material breach of those environmental requirements as they apply to the Company.

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

Likely Developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial periods has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification of Directors and Officers

The Company has resolved to indemnify the current directors and officers of the Company against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The resolution stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. The auditor of the Company is in no way indemnified out of the assets of the Company.

Insurance

In accordance with the provisions of the *Corporations Act 2001,* the Company's ultimate parent company, Perpetual Limited, has a directors' and officers' liability policy which covers all directors and officers of Perpetual Limited and its controlled entities. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Rounding Off

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

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 4 and forms part of the Directors' report for the 30 June 2023 financial year.

Signed in accordance with a resolution of the directors:

Janet Torney

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Director

Sydney 28 September 2023

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

To the Directors of Perpetual Superannuation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Perpetual Superannuation Limited for the financial year ended 30 June 2023 there have been:

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

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

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

28 September 2023

Perpetual Superannuation Limited

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Operating revenue	3	36,166	41,592
Outsourced service fees	3	(31,009)	(32,655)
		5,157	8,937
Investment income/(expense)	3	1,319	16
Administrative and general expenses		(171)	(93)
Net profit before tax		6,305	8,860
Income tax expense	4	(2,332)	(2,658)
		3,973	6,202
Other comprehensive income, net of income tax		-	-
Total comprehensive income		3,973	6,202
Total comprehensive income attributable to:			
Equity holders of the Company		3,973	6,202

This Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the Financial Statements' set out on pages 9 to 23.

Perpetual Superannuation Limited

Statement of Financial Position as at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	8	217	211
Receivables	9	4,458	5,188
Other assets		66	-
Total current assets		4,741	5,399
Non-current assets			
Other financial assets	10	16,311	19,998
Deferred tax assets	5	633	337
Total non-current assets		16,944	20,335
Total assets		21,685	25,734
Current liabilities			
Payables	11	456	379
Provisions	12	301	600
		757	979
Total liabilities		757	979
Net assets		20,928	24,755
Equity			
Contributed equity	13	11,500	16,500
Retained earnings		9,428	8,255
Total equity attributable to holders of the Company		20,928	24,755

The Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the Financial Statements' set out on pages 9 to 23.

Perpetual Superannuation Limited

Statement of Changes in Equity for the year ended 30 June 2023

	Note	Contributed equity $	Retained earnings $	Total $
Balance as at 1 July 2022		16,500	8,255	24,755
Total comprehensive income		-	3,973	3,973
Dividends paid to shareholders	6	-	(2,800)	(2,800)
Return of capital	13	(5,000)	-	(5,000)
Balance as at 30 June 2023		**11,500**	**9,428**	**20,928**
Balance as at 1 July 2021		16,500	7,053	23,553
Total comprehensive income		-	6,202	6,202
Dividends paid to shareholders	6	-	(5,000)	(5,000)
		16,500	**8,255**	**24,755**

This Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the Financial Statements' set out on pages 9 to 23.

Perpetual Superannuation Limited

Statement of Cash Flows for the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Cash receipts in the course of operations		39,651	47,111
Cash payments in the course of operations		(35,072)	(36,617)
Interest received		6	-
Income taxes paid (via ultimate parent entity)[1]		(2,628)	(3,455)
Net cash from operating activities	7	1,957	7,039
Cash flows from investing activities			
Proceeds from sale of investments		5,000	-
Net cash used in investing activities		5,000	-
Cash flows from financing activities			
Net movements in amounts owing from within the group		849	(2,039)
Dividends paid	6	(2,800)	(5,000)
Return of capital	13	(5,000)	-
Net cash used in financing activities		(6,951)	(7,039)
Net increase in cash held		6	-
Cash and cash equivalents at the beginning of the financial year		211	211
Cash and cash equivalents at the end of the financial year	8	217	211

[1]Income taxes are paid via the ultimate parent entity per the tax sharing and funding agreement within the tax consolidated group (see Note 2-e.)

The statement of cash flows is to be read in conjunction with the accompanying notes. The Company is part of a group that adopts treasury arrangements under which cash resources are held centrally by another group entity. Except for Interest received, Proceeds from sale of investments and Return of capital which are cash transactions relating to the Company's bank account, all other receipts and payments presented in the Statement of Cash Flows are non-cash transactions and are made directly to and from centrally controlled funds.

This Statement of Cash Flows is to be read in conjunction with the 'Notes to and forming part of the Financial Statements' set out on pages 9 to 23.

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 1. Reporting Entity

Perpetual Superannuation Limited (the 'Company' or 'PSL') is domiciled in Australia.

The Company is a for-profit entity that is primarily involved in the conduct of superannuation related services.

The financial report was authorised for issue by the directors on 28 September 2023.

Note 2. Summary of significant accounting policies

a. Statement of Compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* For the purpose of preparing the financial statements, the Company is a for-profit entity.

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

b. Basis of preparation

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

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

The Company is of a kind referred to in ASIC Corporation's Instrument 2016/191 dated 1 April 2016 and in accordance with that Instrument, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated. Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

(i) Estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting policies are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

c. Revenue recognition

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

(i) Revenue from contracts with members

The Company earns revenue from the provision of superannuation products and services. These include investment management and administration.

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 2. Summary of significant accounting policies (continued)

c. Revenue recognition (continued)

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

Investment management and administration revenue is calculated as a percentage of the funds invested in accordance with the respective product disclosure statements.

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

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

(ii) Investment income

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

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

d. Operating expenses

As a result of Service Level Agreements between the Company and related service providers, operating expenses are included in the outsourced service fee. Outsourced service fees are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income when incurred.

e. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the net profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date and any adjustment to tax payable in respect of previous years.

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

Deferred tax is not recognised for the following temporary differences:

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

Perpetual Superannuation Limited

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 2. Summary of significant accounting policies (continued)

e. Income tax (continued)

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

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

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

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

The Company is part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Perpetual Limited.

f. Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

g. Cash and cash equivalents

Cash and cash equivalents comprise of bank balances at call.

h. Receivables

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

i. Financial assets

The Company's assets are classified as Fair Value Through Profit and Loss (FVTPL). Financial assets mandatorily classified at fair value through profit or loss are measured at fair value and changes recognised in profit or loss.

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 2. Summary of significant accounting policies (continued)

j. Impairment

(i) Financial assets (including receivables)

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

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

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

Based on the analysis at the end of the reporting period, the impairment under the expected credit loss (ECL) method is considered to be immaterial and no amount is recognised in the financial statements.

k. Payables

Payables are stated at amortised cost and are non-interest bearing.

l. Provisions

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 2. Summary of significant accounting policies (continued)

m. Share Capital

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

(ii) Dividends
Dividends are recognised as a liability in the period in which they are declared.

n. Changes in significant accounting policies

The accounting policies applied in these financial statements are the same as those applied in the Company's financial statements as at and for the year ended 30 June 2022.

There are no new standards, amendments to standards, and interpretations effective for the first time in the current financial period that would have a material impact to the Company's financial statements.

	Note	2023 $'000	2022 $'000
Note 3. Revenue			
Revenue from contracts with members			
Private client services		21,408	26,064
Fund management services		14,530	15,244
Other		228	284
Total revenue from contracts with members		36,166	41,592
Outsourcing fees - related parties	17	(31,009)	(32,655)
Net revenue from contracts with members		5,157	8,937
Investment income			
Interest - other parties		6	-
Unit trust distributions		4,069	2,070
Unrealised losses		(1,289)	(2,054)
Realised losses		(1,467)	-
Total investment income		1,319	16
Total		6,476	8,953
Note 4. Income tax			
a) Income tax expense			
Current tax		2,628	3,455
Deferred tax		(296)	(797)
Total		2,332	2,658
Deferred income tax included in income tax expense comprises:			
(Increase)/Decrease in deferred tax assets		(296)	(337)
(Decrease)/Increase in deferred tax liabilities		-	(460)
Total		(296)	(797)
b) Reconciliation of income tax expense to prima facie income tax payable			
Net profit before tax		6,305	8,860
Prima facie income tax expense calculated at 30% (2022: 30%) on profit for the year		1,892	2,658
Recognition of previously unrecognised capital and revenue losses		440	-
Income tax expense attributable to profit for the year		2,332	2,658
Note 5. Deferred tax			
Deferred tax assets comprises:			
Provisions		90	180
Unrealised net capital losses		543	157
Total deferred tax assets		633	337
Deferred tax assets			
Balance as at 1 July		337	-
Recognised in income		296	337
Balance as at 30 June		633	337
Deferred tax liabilities			
Balance as at 1 July		-	460
Recognised in income		-	(460)
Balance as at 30 June		-	-

Perpetual Superannuation Limited

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 6. Dividends

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

	Cents per share	Total Amount $'000	Date of Payment
2023			
Interim 2023 ordinary	8.70	1,000	16 December 2022
Interim 2023 ordinary	15.65	1,800	30 June 2023
Total amount	24.35	2,800	
2022			
Interim 2022 ordinary	12.09	2,000	16 December 2021
Interim 2022 ordinary	18.14	3,000	30 June 2022
Total amount	30.23	5,000	

	2023 $'000	2022 $'000

Note 7. Notes to the Statement of Cash Flows

The Company is part of a group that adopts treasury arrangements under which cash resources are held centrally. Except for interest received, proceeds from sale of investments and return of capital which is a cash transaction relating to the Company's bank account, all other receipts and payments presented in the Statement of Cash Flows are non-cash transactions and are made directly to and from centrally controlled funds. The Company records an intercompany receipt or payment when this occurs. The Company's own bank account is maintained for regulatory purposes only.

Reconciliation of net profit to net cash from operating activities

	2023 $'000	2022 $'000
	3,973	6,202
Items classified as investing activities:		
Reinvestment of unit distributions	(4,069)	(2,070)
Realised losses	1,467	-
Non-cash items:		
Mark to market movements on financial assets	1,289	2,054
(Increase)/decrease in assets:		
Trade receivables	(119)	1,236
Deferred tax assets	(296)	(337)
Other assets	(66)	-
Increase/(decrease) in liabilities:		
Deferred tax liabilities	-	(460)
Payables	77	(186)
Provisions	(299)	600
Net cash from operating activities	1,957	7,039

Note 8. Cash and cash equivalents

	2023 $'000	2022 $'000
Bank balances	217	211
	217	211

Note 9. Receivables

	2023 $'000	2022 $'000
Trade receivables	3,330	3,213
Less: Provision for doubtful debts	-	(2)
Amounts receivable from ultimate parent entity	1,128	1,977
	4,458	5,188

	2023 $'000	2022 $'000

Note 10. Other financial assets

	2023 $'000	2022 $'000
Non-current		
Unlisted unit trusts - at fair value	16,311	19,998

Note 11. Payables

	2023 $'000	2022 $'000
Trade and other payables	456	379
	456	379

Note 12. Provisons

	2023 $'000	2022 $'000
Operational process review provision	301	600
	301	600

$'000	Carrying amount at 1 July 2022	Additional provision made	Payments made	Carrying amount at 30 June 2023
Operational process review provision	600	430	(729)	301
Total Provision	600	430	(729)	301

Note 13. Contributed equity

	2023 $'000	2022 $'000
Share Capital		
11,500,000 (2022: 16,500,000) fully paid ordinary shares at $1.00 per share	11,500	16,500
	11,500	16,500

On 29 September 2022, the Company approved the return of 5,000,000 ($5,000,000) ordinary shares paid to Perpetual Limited, the sole shareholder, on 4 October 2022.

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

Terms and conditions

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

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

Note 14. Financial risk management

Perpetual's approach to risk management is based on a Risk Appetite Statement, which outlines the risk boundaries and minimum expectations of the Perpetual Limited Board. The Board's Audit, Risk & Compliance Committee is responsible for overseeing Perpetual's risk management processes. Perpetual has a dedicated Risk Group, which has day to day responsibility for the design, implementation and maintenance of Perpetual's risk management framework, and an independent Internal Audit department.

The risk management framework is underpinned by the three lines of defence model. This model sees the first line, being management, accountable for the day to day identification and management of risks. The Risk Group represents the second line and is responsible for overseeing first line activities. Internal Audit provide independent assurance representing the third line.

As a part of Perpetual, PSL has adopted and applies this risk management framework to its monitoring and oversight activities. Where appropriate, PSL has tailored the risk management process to address the unique risks associated with being a superannuation trustee and to comply with the Australian Prudential Regulation Authority (APRA) Prudential Standards, in particular:

- PSL has a documented constitution and board charter, with the PSL Board comprising five appropriately qualified and experienced directors, with three non-executive directors. The Chair of PSL is an independent non-executive director.

- PSL Audit and Risk Committee (PSL ARC) has three non-executive directors. The Chair of the PSL ARC is an independent non-executive director. The purpose of the PSL ARC is to assist the Board by providing a non-executive review of the effectiveness of PSL's financial reporting and PSL's risk management arrangements.

- People and Remuneration Committee (committee) is a committee of the board of directors of Perpetual and has been delegated authority by the PSL Board to assist with the implementation, and oversight, of remuneration policies and practices in accordance with the Superannuation Prudential Standard 510 - Governance (SPS510).

- Office of the Superannuation Trustee – An independent role with a dual reporting line to the Chief Risk Officer (CRO) and Chair of the PSL Board that assists the trustee in discharging its fiduciary obligations, particularly with regard to considering and acting in the members' best financial interest, and to ensure that appropriate and effective reporting is provided by the trustee's service providers.

- Management committees established with specific superannuation obligations and approved terms of reference. Management ensures that committee members have suitable superannuation expertise to carry out functions on behalf of PSL.

- Risk Management Framework is supported by the Perpetual Limited Board and Board Committees, the Perpetual Group Executive, relevant committees, management, and an independent Risk Group. The Perpetual Limited Board is responsible for overseeing and monitoring that business units and management have appropriate processes and controls in place to manage risk, and to ensure the strategic and business objectives of the Perpetual entities, including PSL, can be met.

- Perpetual Audit Risk and Compliance Committee which is charged with oversight of risk within the Perpetual Group (including for its subsidiary companies) receives a half yearly report from PSL.

- PSL Strategic Planning Process – whilst strategy and risk management are thought of continuously throughout the year, a separate strategy session is held annually allowing the Company to understand and respond to Perpetual's Superannuation Strategy.

- Risk Appetite Statement (RAS) - As required under Superannuation Prudential Standard 220 - Risk Management (SPS 220), PSL has developed and approved a RAS. The RAS sets out a series of risk appetite statements, tolerances and monitoring mechanisms, by which the PSL seeks to accept or avoid risk. The RAS serves to guide management in the setting and pursuit of PSL's strategic objectives.

- Risk Management Strategy (RMS) – These documents, required by the Superannuation Industry (Supervision) Act 1993 (SIS Act) are unique to superannuation. The RMS sets out the measures the trustee applies to identify, monitor and manage the risks associated with the operation of the superannuation funds for which it acts as trustee. It is regularly monitored and assists in managing compliance risk arising from violation of, non-conformance with, or inability to comply with the following and to ensure the risks remain adequate and in line with the RAS:
  - Registrable Superannuation Entity (RSE) Licencing requirements,
  - The SIS Act and regulations,
  - The Corporations Act and regulations,
  - Relevant Fund trust deeds,
  - APRA Prudential Standards, and
  - Prudential guidance notes, practice guides and circulars.

- Outsourcing Policy – Details the PSL Board's expectations in respect of the monitoring of service providers including the requirement for all arrangements to have in place legally binding Service Level Agreements as well as regular and timely reporting on appointed service providers.

Note 14. Financial risk management (continued)

The activities of the Company expose it to the following financial risks: credit risk, liquidity risk and market risk. These are distinct from the financial risks borne by members which arise from financial assets managed by the Company in its role as RSE.

The following discussion relates to the Company's exposure to financial risks in its own right.

a) Credit risk

Credit risk refers to the risk that a member or counterparty to a financial instrument will fail to meet its contractual obligations resulting in financial loss to the Company. The Company is predominantly exposed to credit risk on its deposits with banks and financial institutions, outstanding receivables and committed transactions.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of members and counterparties. The Company is not materially exposed to any individual member.

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

	2023 $'000	2022 $'000
Cash and cash equivalents	217	211
Trade receivables	3,330	3,213
Amounts receivable from ultimate parent entity	1,128	1,977
Unlisted unit trusts	16,311	19,998

The nominal value of trade receivables which were impaired and have been provided for at 30 June 2023 is nil (2022: $2,000).

(i) Other financial assets

The exposure of the Company to trade receivables is influenced mainly by the individual characteristics of each member.

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

Credit risk arising from cash investments is mitigated by ensuring they have a Standard & Poor’s rating of ‘A’ or higher.

There were no other financial assets that were past due but not impaired as at 30 June 2023 (2022: $nil), or which would otherwise be past due or impaired but that have been renegotiated (2022: $nil). The nominal value of other financial assets which were impaired is $nil (2022: $nil).

Perpetual Superannuation Limited

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 14. Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the financial obligations of the Company cannot be met as and when they fall due without incurring significant costs. The Company's approach to managing liquidity is to maintain a level of cash or liquid investments sufficient to meet its ongoing financial obligations. The Company has a robust liquidity risk framework in place which is principally driven by the Capital Management Review. The Company addresses liquidity management for each of the funds it acts as trustee for through robust policies and procedures which are regularly reviewed.

At 30 June 2023, the target Operational Risk Financial Requirement ("ORFR") was $14.9 million (2022: $13.7 million). The Company held $16.5 million at 30 June 2023 (2022: $20.2 million) of available liquid funds which are held in cash (Note 8) and unit trust investments (Note 10).

The Company manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. The Company's cash flows are monitored on a monthly basis as part of its regulatory requirements. At reporting date, the Company does not have any outstanding lines of credit.

Maturities of financial liabilities

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

	30 June 2023					30 June 2022				
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	No term $'000	Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	No term $'000	Total $'000
Liabilities										
Trade and other payables	456	-	-	-	456	379	-	-	-	379
	456	-	-	-	456	379	-	-	-	379

c) Market risk

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

(i) Currency risk

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

The monetary financial instruments held by the Company, being liquid assets, receivables and payables are denominated in Australian dollars. Hence fluctuations in exchange rates do not materially impact the profit/(loss) for the year or shareholders' equity.

Notes to and forming part of the financial statements for the year ended 30 June 2023

Note 14. Financial risk management (continued)

c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk to the Company's earnings and capital arising from changes in market interest rates. The financial instruments held that are impacted by interest rate risk consist of cash and cash equivalents.

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

	Floating interest rate 6 months or less $'000	Fixed interest rate 6 months or less $'000	Non-interest bearing $'000	Total $'000
As at 30 June 2023				
Financial assets				
Cash and cash equivalents	217	-	-	217
Receivables	-	-	4,458	4,458
Other financial assets	-	-	16,311	16,311
	217	-	20,769	20,986
Financial liabilities				
Payables	-	-	456	456
	-	-	456	456
As at 30 June 2022				
Financial assets				
Cash and cash equivalents	211	-	-	211
Receivables	-	-	5,188	5,188
Other financial assets	-	-	19,998	19,998
	211	-	25,186	25,397
Financial liabilities				
Payables	-	-	379	379
	-	-	379	379

The impact of a 1 per cent increase in interest rates with all other variables held constant would have been an increase in profit after tax, and an increase in equity of $2,000 for the year ended 30 June 2023 (2022: $1,000).

A decrease of 1 per cent would have resulted in an equal but opposite effect on the basis that other variables remain constant.

(iii) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to price risk through its other financial assets (refer to Note 10) for which unit prices in the future are uncertain.

The impact of a 10% increase in unit price with all other variables held constant would have been an increase in profit after tax, and an increase in equity of $1,631,000 (2022: $1,999,000).

A decrease of 10% would have resulted in an equal but opposite effect on the basis that all other variables remain constant.

Note 14. Financial risk management (continued)

d) Capital management

The Company's capital is managed at the Perpetual Group level in which a Capital Management Review is carried out on an annual basis and is submitted to Perpetual Limited's Board for review and approval. The capital management policy ensures that the level of financial conservatism is appropriate for its businesses including acting as custodian and manager of clients' assets and operation as a trustee consolidated entity. This policy also aims to provide business stability and accommodate the growth needs of the Perpetual Group.

A review of the Company's capital base is performed semi-annually and excess capital identified is typically distributed to shareholders upon the approval of the Company's Board. The Company seeks to maintain a conservative financial management profile and any gearing is required to be approved by the entity's Board. Approval is also required from Perpetual Group's Board before any financial arrangements can be entered into to ensure that Perpetual Group's gearing policy are maintained. Its gearing policy includes a maximum debt / equity ratio of 30 per cent and to maintain interest coverage of at least ten times Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). As at year end, the Perpetual Group is within its stated gearing policy.

From 1 July 2013, through the introduction of Prudential Standards, the APRA requires licensees to hold and have unfettered access to financial resources in the form of ORFR. As a minimum, PSL aims to have a target amount equal to 0.25% (2022: 0.25%) of assets under management / administration with a small tolerance limit. The tolerance limit is set by the Trustee to reduce the need for small transfers to or from the ORFR for immaterial fluctuations in the ORFR's value. PSL in its capacity as the holder of a RSE license issued 16,500,000 shares at $1 each on 5 June 2013 to Perpetual Limited the ultimate parent company for cash. These monies were largely invested in the Perpetual Wholesale Balanced Growth Fund for the sole purpose of managing operational risk events in compliance with the Superannuation Prudential Standard 114 – Operational Risk Financial Requirement ("ORFR") (SPS114). This amount was previously held as cash and cash equivalents.

At 30 June 2023, the target ORFR was $14.9 million (2022: $13.7 million). The Company held $16.5 million at 30 June 2023 (2022: $20.2 million) of available liquid funds which are held in cash (Note 8) and unit trust investments (Note 10).

Should a drawdown of the ORFR occur or should there be a material change to the nature of PSL's operational risk profile outside of the approved tolerances, replenishment of the ORFR is required by SPS114. Requests for replenishment are to be made by the PSL Board to the Perpetual Limited Chief Financial Officer (CFO). Upon consideration from the CFO and with Perpetual Limited Board approval, Group Finance will be responsible for processing the replenishment in accordance with Group Policies and Accounting Standards and notifying the Company.

e) Fair value

The Company's financial assets and liabilities included in current assets and liabilities in the Statement of Financial Position are carried at amounts in accordance with Note 2. The carrying amount of financial assets and financial liabilities, less any impairment, approximates their fair value.

f) Financial arrangements

No external financial arrangements have been entered into by the Company during the year.

Note 15. Auditor's remuneration

	2023 $	2022 $
Audit of Financial Statements	12,768	12,180
Audit of Australian Financial Services Licence	6,990	6,668
	19,758	18,848

The auditor's remuneration in respect of this financial report, and in respect of any other services provided to the Company, is payable by the ultimate parent entity, Perpetual Limited.

Note 16. Remuneration details provided as part of the financial report

Key Management Personnel

Key management personnel (KMP) are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company. The KMP are listed in Note 17.

Total compensation of key management personnel compensation

Remuneration presented in the table below represents the proportion of key management personnel compensation applicable to duties carried out as a director or executive officer of the Company.

	Short-term $	Post-employment $	Long-term share-based $	Other Long-Term $	Total $
2023: Total Compensation	387,016	36,178	25,553	1,136	449,883
2022: Total Compensation	442,344	34,491	28,585	1,981	507,401

Directors

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

C Green (appointed 9 April 2020)
J Torney (appointed 19 August 2019, reappointed 19 August 2022)
K Adby (appointed 1 January 2020, reappointed 1 January 2023)
M Smith (appointed 12 December 2012)
J Furlan (appointed 1 February 2022)

No director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Directors are entitled to discounts on the Company's services and these are on the same terms and conditions as offered to Perpetual employees. The directors are not entitled to any remission of application fees when investing in pooled investment funds managed by the related entities.

Executive Officers

The Executive Officers at any time during or since the end of the financial year are:

S Mosse (appointed 18 February 2019)
A Gazal (resigned 23 November 2022)
C Squires (appointed 23 November 2022)

Loans made to directors of the Company

No loans were made to directors by the Company.

Controlling entity

The ultimate parent entity of the Company is Perpetual Limited, a company incorporated in Australia. All dealings with the ultimate parent entity are in the ordinary course of business and on normal terms and conditions, including the provision of support services such as risk and compliance, legal, marketing, technology and finance.

Note 17. Related parties (continued)

Transactions within the wholly-owned group

Business transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. These transactions include the provision of unit registry, client administration, investment administration, investment management, custody and insurance administration.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with related parties:

	2023 $	2022 $
Outsourcing fees for the year paid to Perpetual Investment Management Limited	21,300,134	21,271,076
Outsourcing fees for the year paid to Perpetual Trustee Company Limited	4,525,817	4,797,330
Outsourcing fees for the year paid to Perpetual Limited	5,182,681	6,586,818
	31,008,633	32,655,224

Intercompany funding is provided by payable on demand, interest free loans to and from the ultimate parent entity and the Company.

Aggregate amounts recognised in the Statement of Financial Position in relation to transactions with related parties:

	2023 $	2022 $
Aggregate amounts receivable/(payable) from or to the ultimate parent entity at reporting date	1,128,311	1,976,711
Dividends declared, paid or payable to Perpetual Limited by the Company	2,800,000	5,000,000
Return of Capital to Perpetual Limited by the Company	(5,000,000)	-

Note 18. Events subsequent to reporting date

Following the IT security incident, the core member administration systems have been re-built and processing has resumed. On 15 September 2023, members were informed that access to, MyPerpetual, the online portal had been restored with limited functionality. Full functionality will be restored to members in a staged approach over the coming months. The Directors and management continue to closely monitor the situation to ensure that full access to members is restored as soon as possible.

Note 19. Company details

The registered office and principal place of business of the Company is:

Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000

Perpetual Superannuation Limited

Directors' declaration

1 In the opinion of the directors of Perpetual Superannuation Limited (the Company):

(a) the financial statements and notes that are contained in pages 5 to 23, are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

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

2 The directors draw attention to Note 2 (a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors

Janet Torney

Director

Sydney 28 September 2023

KPMG

Independent Auditor's Report

To the members of Perpetual Superannuation Limited

Opinion

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

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

- giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2023;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

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

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

28 September 2023