

Pendal Group Limited
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Sydney NSW 2000
Australia
ABN 28 126 385 822

PENDAL
GROUP

11 May 2020

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Pendal Group Limited Interim Profit Announcement for the six months ended 31 March 2020

The following documents are attached for lodgement:

Interim Financial Report and Appendix 4D ●

ASX Announcement

Analyst Presentation

Chairman's Letter

Yours sincerely



Authorising Officer

Joanne Hawkins
Group Company Secretary
Pendal Group Limited
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Pendal Group Limited and its Controlled Entities

ABN 28 126 385 822

INTERIM PROFIT ANNOUNCEMENT

Appendix 4D

FOR THE HALF YEAR ENDED 31 MARCH 2020

The Directors of Pental Group Limited (the Company) announce the results of the consolidated entity (Pental Group) for the half year ended 31 March 2020 (previous corresponding period, the half year ended 31 March 2019), which have been subject to review by our auditors, PricewaterhouseCoopers.

Results for announcement to the market

	% Change	31 Mar 2020 (\$'000)
Total revenue and other income	Down 8.3%	222,310
Net profit after income tax ¹	Down 21.2%	54,831
Profit for the period attributable to members	Down 21.2%	54,831

Explanation of results:

1. Net profit after tax (Statutory NPAT) includes accounting adjustments required under International Financial Reporting Standards (IFRS) for amortisation of employees' equity grants, amortisation of employee deferred share of performance fees and related incentives, amortisation and impairment of intangible assets, and realised and unrealised gains and losses from financial assets held at fair value through profit or loss (FVTPL). These items are not considered by the Directors to be part of the underlying earnings of the Group and therefore the Directors believe that Cash NPAT is a more suitable measure of profitability.
Cash NPAT for the half year ended 31 March 2020 was \$86.6 million (2019: \$84.5 million) which is an increase of 2.4% on the previous corresponding period.

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
Final 2019 dividend paid on 19 December 2019	25.0	2.5	30%
Interim 2020 dividend determined ²	15.0	1.5	30%
- Ex-dividend date			21 May 2020
- Record date			22 May 2020
- Payment date			1 July 2020

2. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

Net tangible assets

	31 Mar 2020	31 Mar 2019
Net tangible assets per ordinary security	\$1.13	\$1.14

This information should be read in conjunction with the 2019 Annual Report.

Please refer to the attached 31 March 2020 Interim Financial Report and Market Presentation for commentary and further information with respect to the results.

Further information regarding the Pental Group and its business activities can be obtained by visiting the website at www.pentalgroup.com.

Pendal Group Limited

Interim Financial Report

FOR THE HALF YEAR ENDED 31 MARCH 2020

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The interim financial report was authorised for issue by the Company's Directors on 11 May 2020 who have the power to amend and reissue the interim financial report.

This interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2019 and any public announcements made by Pendal Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Pendal Group Limited

Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2020

The Directors present their report together with the financial statements of Pendal Group Limited (the Company) and its consolidated subsidiaries (together referred to as Pendal Group or the Group) for the half year ended 31 March 2020.

Directors

The following persons were Directors of the Company during the half year and up to the date of this report:

James Evans	(Chairman)
Emilio Gonzalez	(Managing Director)
Sally Collier	
Andrew Fay	
Christopher Jones	
Kathryn Matthews	
Deborah Page AM	

Principal activities

The principal activity of Pendal Group during the half year was the provision of investment management services. There has been no significant change in the nature of this activity during the half year ended 31 March 2020.

Review of operations

COVID-19

The period has been marked by the impact of the Coronavirus (COVID-19) pandemic, both in the tragic loss of human life and the effect on public health systems, economies and livelihoods. Governments have responded to this crisis with unprecedented fiscal stimulus to support economies and those most impacted, whilst businesses have had to adapt to changing circumstances.

Pendal Group's priority during this time has been to ensure the health and safety of the Group's employees to ensure we maintain our ability to service our clients and continue to manage their portfolios. Global business continuity plans have been activated and staff across our business have been working from home since mid-March. This has been a seamless transition under the oversight of the COVID-19 response team led by the Group Chief Risk Officer. Client communication has been increased and there is regular dialogue with core suppliers to ensure there is no disruption to services.

Client portfolios continue to be actively managed with fund liquidity met at all times. Several Pendal Group strategies have seen strong outperformance relative to their benchmarks during the March 2020 quarter, with defensive strategies performing particularly well.

The most significant impact to the business as a result of COVID-19 is an adverse impact to Pendal Group's funds under management (FUM) which declined by 15% in the March quarter as a result of the significant fall in global equity markets, and from which Pendal derives its base management fee revenue. The value of the Group's seed investments also reduced by \$22.2 million due to the fall in global equity markets over this time.

However, Pendal Group remains in a very strong position - with no debt; is profitable and continues to be profitable, with positive operating cashflows. This positions the business well to weather the COVID-19 crisis.

Business Update

During the period, Pendal Group hired a London-based investment team and is set to launch a Global Equity Impact strategy later in the year. The team has joined Regnan, a leading provider of ESG research, engagement and advisory services which is wholly owned by the Pendal Group. The launch of the fund under the Regnan brand demonstrates our commitment to build Regnan into a globally recognised responsible investment management business. Additionally, in the December 2019 quarter, the Global Executive Committee was expanded with the appointment of Nick Good as CEO of J O Hambro Capital Management (JOHCM) in the US, to focus on the Group's strategic initiatives in the region and to complement the addition of Alexandra Altinger in September 2019 as CEO of JOHCM UK/Europe/Asia.

The net profit after tax (Statutory NPAT) of the Group for the half year ended 31 March 2020 was \$54.8 million (2019: \$69.6 million), a decrease of 21% on the comparative period significantly impacted by a reduction in the market value of seed investments in the March 2020 quarter. Cash net profit after tax (Cash NPAT)¹ for the half year was \$86.6 million (2019: \$84.5 million), an increase of 2%.

¹ Net profit after tax (Statutory NPAT) includes accounting adjustments required under International Financial Reporting Standards (IFRS) for amortisation of employees' equity grants, amortisation of employee deferred share of performance fees and related incentives, amortisation and impairment of intangible assets, and realised and unrealised gains and losses from financial assets held at fair value through profit or loss (FVTPL). These items are not considered by the Directors to be part of the underlying earnings of the Group and therefore the Directors believe that Cash NPAT is a more suitable measure of profitability.

Pendal Group Limited

Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2020

In the six months ended 31 March 2020, Pendal Group's FUM declined by 14% to \$86.0 billion (30 September 2019: \$100.4 billion). The largest impact on FUM was lower market levels which saw the MSCI All Countries World Index (MSCI ACWI) in local currency terms decline 23% between 20 February and 31 March 2020 as a result of the COVID-19 crisis. The diversity of FUM managed by Pendal Group across investment strategies, asset classes and currencies helped to mitigate the sharp fall in global equity markets.

While FUM declined \$12.9 billion in the half due to negative markets, this was offset by favourable currency movements of \$3.7 billion as the Australian dollar fell 8.8% against the British Pound and 8.5% on the US Dollar over the period.

There were net outflows of \$5.2 billion in the first half predominantly from the Westpac book (-\$2.0 billion) and European strategies in the OEICs (-\$1.8 billion). Most asset classes saw outflows during the period given market volatility, however UK equity strategies took \$0.7 billion in net inflows as progression on Brexit following the UK elections in the December quarter improved investor sentiment which continued through COVID-19.

Total revenue for the half-year was steady at \$243.3 million (2019: \$243.1 million) as lower performance fees were offset by slightly higher base management fees which were 1% higher. Fee margins remained steady at 49 basis points.

Expenses totalled \$149.3 million for the half (2019: \$152.7 million), a reduction of 2% on the prior corresponding period largely as a result of lower variable employee costs. Non-staff costs were higher in information technology and data, as the Group continues to invest in enhancing the broader operating platform of the business. Since the COVID-19 outbreak, there has been a natural reduction in certain expenses including travel, sales conferences and general administrative costs as activity was scaled back, and this is expected to continue into the second half of the financial year.

Non-operating revenue declined significantly during the period, with a net reduction in market value of the Group's seed investments of \$24.7 million. While gains on certain investments were realised in November 2019, the balance of the seed portfolio experienced unrealised losses as a result of the significant market declines in late February and March 2020. Foreign exchange gains of \$8.0 million on the portfolio, which is predominantly denominated in US Dollars and British Pounds, were separately recognised in the Group's foreign currency translation reserve. The seed investments generally performed better than market benchmarks during this time, and the balance of \$199.7 million held at 31 March 2020 continues to support new and existing investment strategies for future business growth.

Pendal Group's business model has proven robust during the COVID-19 pandemic and the Group's balance sheet continues to be well positioned to meet the challenges ahead. The Group's investment-led boutique culture provides a diverse product offering and aligns interests on performance and costs. The fee model provides stable, annuity-style cash flows with the opportunity to earn performance fees on a relative basis. While performance fees were lower for the half year, there was an improvement in investment performance as 70% of Pendal Group FUM outperformed their respective benchmarks over the 12 months to 31 March 2020, with a number of strategies improving performance in the March quarter as equity markets dislocated.

The Group has no debt, substantial cash holdings and strong positive cashflows providing the capital base to meet the Group's regulatory and working capital requirements and to fund investments in new investment strategies and initiatives. Led by an experienced global management team, the Group is positioned for growth by working to enhance product leadership in differentiated areas, creating a more flexible and scalable global platform, and to take advantage of opportunities as they present themselves.

	Half year ended 31 Mar 2020 \$'000	Half year ended 31 Mar 2019 \$'000
Reconciliation of Statutory NPAT to Cash NPAT		
Statutory NPAT	54,831	69,578
Add back:		
Amortisation of employee equity grants	19,292	25,786
Amortisation of employee deferred share of performance fees and related incentives	2,421	4,499
Amortisation and impairment of intangibles ²	2,923	3,626
Net losses on financial assets held at FVTPL ³	24,735	4,853
Deduct:		
Cash cost of ongoing equity grants in respect of the current period	(19,246)	(17,157)
Cash cost of employee deferred share of performance fees and related incentives in respect of the current period	-	(4,120)
Add back/(deduct): tax effect	1,629	(2,544)
Cash NPAT	86,585	84,521

² Amortisation and impairment of intangibles relates to fund and investment management contracts.

³ Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group. Realised gains and losses on financial assets held at FVTPL are excluded from Cash NPAT from the beginning of the 2020 financial period.

Pendal Group Limited

Directors' Report

FOR THE HALF YEAR ENDED 31 MARCH 2020

Dividends

The Directors have resolved to pay a partly franked interim dividend of 15.0 cents (10 % franked⁴) per share (2019: 20.0 cents per share – 10% franked) on ordinary shares. The amount of dividend which has not been recognised as a liability at 31 March 2020 is \$46.8 million (2019: \$59.9 million).

Events subsequent to reporting date

Subsequent to the reporting date, the UK regulator of JOHCM has closed their investigation relating to the eligibility of certain services paid for out of dealing commissions between 2006 and 2016, with no further action to be taken.

At the date of signing this Report, the future impact of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Pendal Group, is uncertain. Pendal Group will continue to monitor this situation.

No other matter or circumstance which is not otherwise reflected in this Financial Report has arisen subsequent to the end of the interim period, which has significantly affected or may significantly affect the operations of the Pendal Group, the results of those operations or the state of affairs of the Pendal Group in subsequent financial periods.

Rounding of amounts

Amounts in this report and the accompanying financial report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

This Report is made in accordance with a resolution of Directors.



James Evans
Chairman
11 May 2020



Emilio Gonzalez
Managing Director and Group Chief Executive Officer
11 May 2020

⁴ The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.



Auditor's Independence Declaration

As lead auditor for the review of Pental Group Limited for the half-year ended 31 March 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pental Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Andrew Wilson', with a large, stylized flourish at the end.

Andrew Wilson
Partner
PricewaterhouseCoopers

Sydney
11 May 2020

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Pendal Group Limited

Consolidated Statement of Comprehensive Income

FOR THE HALF YEAR ENDED 31 MARCH 2020

	Notes	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Revenue			
Investment management fees		242,695	238,705
Performance fees		622	4,368
Total revenue	3	243,317	243,073
Other income	3	(21,007)	(629)
Expenses			
Employee expenses			
Salaries and related expenses		73,326	78,224
Amortisation of employee equity grants		19,292	25,786
Amortisation of employee deferred share of performance fees and related incentives		2,421	4,499
Information, technology and data		13,504	11,594
Fund administration		9,452	7,152
Depreciation, amortisation and impairment	1	7,742	4,797
Business development and promotion		6,904	6,308
General office and administration		6,629	5,236
Professional services		4,372	3,920
Occupancy	1	2,064	4,184
Investment management		2,009	103
Finance costs	1	776	58
Distribution		771	854
Total expenses		149,262	152,715
Profit before income tax		73,048	89,729
Income tax expense	4	18,217	20,151
Profit after tax attributable to shareholders		54,831	69,578
Earnings per share for profit attributable to shareholders			
		Cents	Cents
Basic earnings per share		18.9	24.4
Diluted earnings per share		18.4	23.3
		\$'000	\$'000
Profit after tax for the period		54,831	69,578
Other comprehensive income for the financial period			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	13	41,202	9,248
Loss on derivative hedging instruments	13	(1,646)	(2,652)
Other comprehensive income, net of tax		39,556	6,596
Total comprehensive income for the financial period attributable to shareholders		94,387	76,174

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

Pendal Group Limited

Consolidated Statement of Financial Position

FOR THE HALF YEAR ENDED 31 MARCH 2020

	Notes	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Current assets			
Cash and cash equivalents	6	123,935	150,071
Trade and other receivables	7	94,082	68,563
Current tax assets		15,644	–
Prepayments		7,613	6,975
Total current assets		241,274	225,609
Non-current assets			
Property, plant and equipment		9,981	9,050
Right-of-use-assets	1	42,959	–
Deferred tax assets		19,383	43,488
Financial assets held at fair value through profit or loss (FVTPL)	8	211,071	278,075
Intangible assets	9	566,876	540,346
Total non-current assets		850,270	870,959
Total assets		1,091,544	1,096,568
Current liabilities			
Trade and other payables	10	70,234	42,605
Employee benefits		46,181	93,452
Derivatives	8	419	1,288
Lease liabilities	1	4,735	957
Current tax liabilities		13,151	14,724
Total current liabilities		134,720	153,026
Non-current liabilities			
Employee benefits		1,865	6,718
Lease liabilities	1	42,321	2,729
Deferred tax liabilities		11,890	23,391
Total non-current liabilities		56,076	32,838
Total liabilities		190,796	185,864
Net assets		900,748	910,704
Equity			
Contributed equity	11	470,881	419,431
Reserves	13	225,472	258,319
Retained earnings		204,395	232,954
Total equity		900,748	910,704

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

Pendal Group Limited

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 MARCH 2020

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 September 2019		419,431	258,319	232,954	910,704
Correction of immaterial prior period error		–	–	(667)	(667)
Change in accounting policy	1	–	–	(151)	(151)
Restated balance at 1 October 2019		419,431	258,319	232,136	909,886
Profit for the financial period		–	–	54,831	54,831
Other comprehensive income for the financial period		–	39,556	–	39,556
Total comprehensive income for the financial period		–	39,556	54,831	94,387
Transactions with owners in their capacity as owners:					
Treasury shares acquired		(37,532)	–	–	(37,532)
Treasury shares released	11,13	88,982	(88,982)	–	–
Share-based payments		–	16,579	–	16,579
Dividends paid	5	–	–	(82,572)	(82,572)
Balance at 31 March 2020		470,881	225,472	204,395	900,748
Balance at 1 October 2018		427,137	237,380	229,041	893,558
Profit for the financial period		–	–	69,578	69,578
Other comprehensive income for the financial period		–	6,596	–	6,596
Total comprehensive income for the financial period		–	6,596	69,578	76,174
Transactions with owners in their capacity as owners:					
Treasury shares acquired		(34,789)	–	–	(34,789)
Treasury shares released		26,036	(26,036)	–	–
Share-based payments		–	27,516	–	27,516
Dividends paid		–	–	(90,649)	(90,649)
Balance at 31 March 2019		418,384	245,456	207,970	871,810

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Pendal Group Limited

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 MARCH 2020

	Notes	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Cash flows from operating activities			
Fees and other income received		253,285	252,100
Interest received		158	295
Distributions from unit trusts		641	3,938
Expenses paid		(182,134)	(186,099)
Fund application settlement amounts paid		(28,437)	(2,617)
Income tax paid		(25,543)	(28,342)
Net cash inflows from operating activities		17,970	39,275
Cash flows from investing activities			
Proceeds from sales of financial assets held at FVTPL		126,863	3,555
Payment for financial assets held at FVTPL		(73,141)	(2,707)
Payments for derivative hedging instruments		(2,570)	(2,950)
Payments for property, plant and equipment		(1,839)	(4,498)
Payments for IT development		(527)	(818)
Net cash inflows/(outflows) from investing activities		48,786	(7,418)
Cash flows from financing activities			
Payment of dividends		(82,572)	(90,649)
Payments for purchase of treasury shares		(37,532)	(34,789)
Payments for leases and related finance costs		(5,262)	-
Fund application settlement amounts received		28,437	2,617
Interest and other financing costs		(31)	(58)
Net cash outflows from financing activities		(96,960)	(122,879)
Net decrease in cash and cash equivalents			
Cash and cash equivalents at the beginning of the financial period		150,071	168,134
Effects of exchange rate changes on cash and cash equivalents		4,068	549
Cash and cash equivalents at the end of the financial period	6	123,935	77,661

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

1. Basis of preparation of the report for the half year ended 31 March 2020

This interim financial report is for Pendal Group Limited (the Company) and its controlled entities (together, Pendal Group or the Group) for the half year ended 31 March 2020. It has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

New accounting standards and interpretations

Pendal Group has adopted all of the mandatory new and amended standards and interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The impact of mandatory new and amended standards adopted by the Group for the half year ended 31 March 2020 is set out below:

AASB 16 Leases

AASB 16 *Leases* provides a new lessee accounting model which requires lessees to recognise right-of-use assets and liabilities to pay rentals for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Pendal Group adopted AASB 16 *Leases* using the modified retrospective method from 1 October 2019, with comparatives not being restated for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 October 2019.

On adoption of AASB 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using Pendal Group's incremental borrowing rate as of 1 October 2019. The weighted average incremental borrowing rate applied by Pendal Group to the lease liabilities on 1 October 2019 was 3.3%.

The adoption of AASB 16 *Leases* has also resulted in costs relating to leases, previously recognised as an occupancy expense in the Statement of Comprehensive Income, being recognised as depreciation expense and finance costs. In addition, lease related payments in the Statement of Cash Flows previously disclosed as operating activity outflows have been classified as financing activities.

Practical expedients

In applying AASB 16 *Leases* for the first time, Pendal Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.

Pendal Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 *Leases*.

The following tables show the adjustments recognised for each individual line item as a result of the new classification and measurement of leases.

Statement of Financial Position (extract)	30 September 2019 \$'000	AASB 16 \$'000		1 October 2019 \$'000
		Reversal of onerous lease provision and lease incentives	Recognition of right-of-use assets and lease liabilities	
Right-of-use assets	–	(3,686)	47,003	43,317
Lease liabilities	(3,686)	3,686	(47,219)	(47,219)
Retained Earnings	232,954	–	(151)	232,803

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

Measurement of lease liabilities

	\$'000
Operating lease commitment disclosed as at 30 September 2019	51,876
Discounted using the lessee's incremental borrowing rate at the date of initial application	47,219
Lease liability recognised as at 1 October 2019	47,219
Represented by:	
Current lease liabilities	5,238
Non-current lease liabilities	41,981
Total lease liabilities recognised as at 1 October 2019	47,219

Pendal Group's leases are predominantly made up of property leases which are used as corporate offices by the Group. Assets and liabilities arising from each lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments where applicable:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option or payments under extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee or, for leases held by entities within the Group which do not have recent third party financing, a risk-free interest rate adjusted for credit risk. Adjustments specific to the lease are applied, which may include the lease term, geographical location, currency and security.

Right-of-use assets are measured at cost, comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs or restoration costs.

New and amended accounting standard not yet adopted by the Pendal Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Pendal Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Segment information

Description of segments

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision-maker (CODM) for assessing performance and in determining the allocation of resources. CODM consists of the Group Chief Executive Officer and other members of the Global Executive Committee. As a result, Pendal Group has determined that it has two operating segments, being the Group's investment management business in Australia (Pendal Australia) and the Group's investment management business outside of Australia (Pendal International). Pendal International comprises Pendal UK Limited and its subsidiaries including the J O Hambro Capital Management group of companies.

The CODM assesses the performance of the operating segments based on a combined measure of Cash Net Profit after Tax (Cash NPAT) and Operating Profit before Tax which excludes non-operating items such as gains and losses on financial assets held at FVTPL, interest income and expense, foreign exchange gains and losses and tax.

Cash NPAT excludes the amortisation of equity-settled share-based payments and employee deferred share of performance fees and related incentives, and includes the after-tax cash costs of equity grants and employee deferred share of performance fees and related incentives made in respect of the current period. Cash NPAT also excludes the realised and unrealised gains and losses on financial assets held at FVTPL, and after-tax amortisation and impairment of intangibles relating to fund and investment management contracts.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

Segment information provided to the chief operating decision-maker:

	Pendal Australia		Pendal International		Pendal Group	
	31 Mar 2020 \$'000	31 Mar 2019 \$'000	31 Mar 2020 \$'000	31 Mar 2019 \$'000	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Revenue	71,393	71,155	171,925	171,918	243,318	243,073
Inter-segment revenue	3,139	3,260	2,319	2,137	5,458	5,397
Total segment revenue	74,532	74,415	174,244	174,055	248,776	248,470
Other operating expenses	(56,729)	(53,675)	(86,367)	(86,348)	(143,096)	(140,023)
Inter-segment expense	(2,319)	(2,137)	(3,139)	(3,260)	(5,458)	(5,397)
Total segment expenses	(59,048)	(55,812)	(89,506)	(89,608)	(148,554)	(145,420)
Operating profit before income tax	15,484	18,603	84,738	84,447	100,222	103,050
Non-operating items	2,446	2,611	505	1,554	2,951	4,165
Income tax expense	(5,394)	(6,279)	(11,194)	(16,415)	(16,588)	(22,694)
Cash NPAT	12,536	14,935	74,049	69,586	86,585	84,521
Deduct:						
Amortisation of employee equity grants	(8,455)	(9,210)	(10,837)	(16,576)	(19,292)	(25,786)
Amortisation of employee deferred share of performance fees and related incentives	–	–	(2,421)	(4,499)	(2,421)	(4,499)
Amortisation and impairment of intangibles	–	–	(2,923)	(3,626)	(2,923)	(3,626)
Net gains/(losses) on financial assets held at FVTPL ¹	(11,637)	47	(13,098)	(4,900)	(24,735)	(4,853)
Add back:						
Cash cost of ongoing equity grants	8,549	8,100	10,697	9,057	19,246	17,157
Cash cost of employee deferred share of performance fees and related incentives	–	–	–	4,120	–	4,120
Add/(deduct): tax effect	3,426	199	(5,055)	2,345	(1,629)	2,544
Statutory NPAT	4,419	14,071	50,412	55,507	54,831	69,578
Segment assets	450,301	430,598	641,243	568,357	1,091,544	998,955
Segment liabilities	(39,044)	(21,908)	(151,752)	(105,237)	(190,796)	(127,145)
Net assets	411,257	408,690	489,491	463,120	900,748	871,810

¹ Net gains or losses on financial assets held at FVTPL primarily relate to realised and unrealised seed investments in pooled funds managed by Pendal Group. Realised gains and losses on financial assets held at FVTPL are excluded from Cash NPAT from the beginning of the 2020 financial period.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

3. Revenue and other income

	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Management, fund and trustee fees	240,753	237,470
Performance fees	622	4,368
Other revenue	1,942	1,235
Total revenue	243,317	243,073
Net losses on financial assets held at FVTPL	(24,735)	(4,301)
Distributions from unit trusts	4,036	3,842
Interest income	158	295
Net foreign exchange loss	(466)	(465)
Total other income	(21,007)	(629)
Total revenue and other income	222,310	242,444

During the period, the Group redeemed seed investments of \$118.3m (financial assets held at FVTPL) and realised gains of \$36.9m over the period of the investments, including \$2.1m of realised losses recognised for the reporting period ended 31 March 2020, and \$39.0m of gains which had previously been recognised in prior periods.

4. Taxation

Income tax expense

	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Current tax	7,902	15,630
Deferred tax	10,629	5,140
Adjustments for current tax of prior periods	(314)	(619)
Total income tax expense	18,217	20,151
<i>Deferred income tax expense/(benefit) included in income tax expense comprises:</i>		
Decrease in deferred tax assets	23,845	6,688
Decrease in deferred tax liabilities	(13,216)	(1,548)

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction, adjusted for temporary differences and tax relating to prior periods. The main corporate tax rates applicable for the current period are 30% (2019: 30%) on Australian taxable income, 19% (2019: 19%) on UK taxable income, 21% (2019: 21%) on US taxable income and 17% (2019: 17%) on Singapore taxable income. During the period, a previously enacted reduction in the UK corporate tax rate from 19% to 17%, to apply from 1 April 2020, was cancelled.

5. Dividends

	31 Mar 2020 \$'000	31 Mar 2019 \$'000
Equity dividends on ordinary shares		
Dividends declared and paid during the half year	82,572	90,649
Dividends proposed to be paid subsequent to the end of the half year and not recognised as a liability	46,779	59,883

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

6. Cash and cash equivalents

	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Cash at bank and in hand	112,653	84,295
Deposits at call	11,282	65,776
Total cash and cash equivalents	123,935	150,071

7. Trade and other receivables

	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Trade debtors	62,500	65,602
Fund application settlement assets	29,464	1,027
Sundry debtors	2,118	1,934
Total trade and other receivables	94,082	68,563

The balance of Fund application settlement assets reflects applications for shares in sub-funds of the J O Hambro Capital Management UK Umbrella Fund, managed by Pendal Group, which were due for settlement on the last trading day of the reporting period. These were settled the following business day.

8. Fair value measurement of financial instruments

(i) Fair value hierarchy

Pendal Group classifies its financial instruments using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Changes in Level 2 and 3 fair values are analysed at each reporting date. There were no transfers between Levels 2 and 3 during the financial period.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 March 2020				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds	–	199,670	–	199,670
Escrow units held in pooled funds ¹	–	8,232	–	8,232
Interest in James Hambro & Partners LLP ²	–	–	3,169	3,169
Total financial assets	–	207,902	3,169	211,071
Financial liabilities				
Derivatives	–	(419)	–	(419)
Total financial liabilities	–	(419)	–	(419)

¹ Escrow units held in pooled funds relate to employees' deferred share of performance fee entitlements which are held by Pendal Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability over the period in which the employee satisfies these service conditions is recognised in the Consolidated Statement of Financial Position.

² James Hambro & Partners LLP is an independent private asset management partnership business.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 September 2019				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds	–	259,036	–	259,036
Escrow units held in pooled funds ¹	–	16,148	–	16,148
Interest in James Hambro & Partners LLP ²	–	–	2,891	2,891
Total financial assets	–	275,184	2,891	278,075
Financial liabilities				
Derivatives	–	(1,288)	–	(1,288)
Total financial liabilities	–	(1,288)	–	(1,288)

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

Pooled funds

Investments in pooled funds managed by Group entities are included in level 2 of the fair value hierarchy, and are valued at the redemption price of the units held in the relevant fund or sub-fund, which are redeemable at any time for cash. The redemption price is directly linked to the fair value of the underlying investments held by the relevant fund or sub-fund.

Equity interests

The interest in JH&P is included in Level 3 of the fair value hierarchy, as the inputs to the asset valuation are not based on observable market prices, and is measured at fair value determined at an estimated price that would be received to sell the asset, having regard to the terms of the partnership agreement and adjusted for risk assumptions.

Derivatives

The fair value of derivative foreign exchange forward contracts that are designated as hedging instruments was determined using forward exchange rates as at balance date.

(iii) Fair value measurements using significant unobservable inputs

The following table represents the movement in Level 3 financial instruments:

	Interest in James Hambro & Partners LLP \$'000	Total fair value Level 3 \$'000	Carrying amount \$'000
31 March 2020			
Balance at the beginning of the financial period	2,891	2,891	2,891
Gains recognised in other income	–	–	–
Effects of foreign exchange movements	278	278	278
Balance at the end of the financial period	3,169	3,169	3,169

(iv) Fair value of other instruments

Pendal Group also has a number of financial instruments which are not measured at fair value in the balance sheet. Due to the short-term nature of the current receivables, and current payables, the carrying amount is assumed to approximate their fair value.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

9. Intangible assets

	Goodwill \$'000	Fund and investment management contracts \$'000	Other intangibles \$'000	Total \$'000
31 March 2020				
Net book value as at 1 October 2019	478,305	59,906	2,135	540,346
Additions	–	–	537	537
Foreign exchange gain	23,590	5,630	–	29,220
Amortisation expense	–	(2,922)	(305)	(3,227)
Impairment loss ¹	–	–	–	–
Net book value as at 31 March 2020	501,895	62,614	2,367	566,876
<i>Represented by:</i>				
Cost	501,895	148,823	6,229	656,947
Accumulated amortisation and impairment	–	(86,209)	(3,862)	(90,071)
30 September 2019				
Net book value as at 1 April 2019	481,288	63,803	2,039	547,130
Additions	–	–	397	397
Foreign exchange loss	(2,983)	(765)	–	(3,748)
Amortisation expense	–	(2,807)	(301)	(3,108)
Impairment loss ¹	–	(325)	–	(325)
Net book value as at 30 September 2019	478,305	59,906	2,135	540,346
<i>Represented by:</i>				
Cost	478,305	135,762	5,679	619,746
Accumulated amortisation and impairment	–	(75,856)	(3,544)	(79,400)

¹ Impairment losses are due to the re-measurement of fund and investment management contracts to the lower of their carrying value or their recoverable amount and are included in the depreciation, amortisation and impairment expense in the Statement of Comprehensive Income. Reversal of impairment losses are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

Fund and investment management contracts

Fund management contracts relate to contractual relationships to manage open-ended funds (OEICs). Investment management contracts comprise contractual relationships with individual clients. The contracts were acquired by Pendal Group when it purchased J O Hambro Capital Management Limited (JOHCM) and are recognised as follows:

	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Fund management contracts – OEICs	57,782	55,009
Investment management contracts – Segregated mandates	4,832	4,897
Total fund and investment contracts	62,614	59,906

The recoverable amount of each fund and management contract has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate used to discount the cash flow projections is 12% (2019: 12%), based on the cost of capital.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

Goodwill

Goodwill has been derived from the following business combinations:

	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Purchase of the Pendal (formerly BTIM) investment management business effective 19 October 2007	233,300	233,300
Acquisition of JOHCM effective 1 October 2011	268,595	245,005
Total	501,895	478,305

For the purpose of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units or CGUs). To determine if goodwill is impaired, the carrying value of the identified CGU to which the goodwill is allocated is compared to its recoverable amount.

Goodwill is allocated to CGUs according to operating segments (refer to Note 2). Goodwill attributable to Pendal Australia and Pendal International is \$233.3 million and \$268.6 million respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost of disposal' methodology that utilises cash flow projections (post-tax) based on management's best estimates over a 5 year period and then applies a terminal value in perpetuity of 2.5%. The discount rates used to discount the cash flow projections for Pendal Australia and Pendal International are 11.8% and 12.0% (2019: 11.0% and 12.0%) respectively based on the cost of capital (post-tax) for each of these CGU's.

Further to the market dislocation and volatility caused by the COVID-19 global pandemic, additional consideration has been given to the cash flow assumptions adopted for the forecast period. This has included a re-estimation of equity market growth rates under various scenarios, using historical data of previous severe market shock events, their duration and subsequent recovery levels and timeframes, together with the impact on FUM and associated fee revenue. In developing forecast cashflows over the period, management has assumed equity markets will remain flat for the 12 months after 31 March 2020, followed by a two year period of recovery to pre-crisis equity market levels, before the subsequent resumption of long-term equity market growth rates thereafter. Management continue to monitor the prevailing economic and market conditions and their potential impacts on Pendal Group's future cash flow assumptions.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for the Pendal International CGU to fall short of its carrying amount as at 31 March 2020. However, an increase to the discount rate of 2% would cause the recoverable amount for the Pendal Australia CGU to fall short of its carrying amount at 31 March 2020. The current head room for Pendal Australia is \$58.9 million (30 September 2019: \$91.2 million). For the estimated recoverable amount of the goodwill attributable to Pendal Australia to be equal to its carrying amount, the discount rate would have to increase to 13.5%, or the projected cash flows would need to reduce by 19.0%.

There has been no impairment of goodwill during the period ended 31 March 2020. The amount of goodwill relating to the JOHCM acquisition has been translated from British pounds to Australian dollars using the spot exchange rate at 31 March 2020.

10. Trade and other payables

	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Trade creditors and accruals	37,061	38,578
Fund application settlement liabilities	29,464	1,027
Unearned income	1,784	1,808
Sundry creditors	1,925	1,192
Total trade and other payables	70,234	42,605

The balance of Fund application settlement liabilities reflects applications for shares in sub-funds of the J O Hambro Capital Management UK Umbrella Fund, managed by Pendal Group, which were due for settlement on the last trading day of the reporting period. These were settled the following business day.

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

11. Contributed equity

	31 Mar 2020 \$'000	30 Sep 2019 \$'000
Ordinary shares 322,802,391 (2019: 322,802,391) each fully paid	617,668	617,668
Treasury shares 28,291,884 (2019: 37,969,700)	(146,787)	(198,237)
Total contributed equity 294,510,507 (2019: 284,832,691)	470,881	419,431

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and in the event of a winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at a meeting of the Company's shareholders. All ordinary shares issued have no par value.

Movements in ordinary shares during the period:

	31 Mar 2020 Shares '000	30 Mar 2020 \$'000	30 Sep 2019 Shares '000	30 Sep 2019 \$'000
Balance at the beginning of the financial period	322,802	617,668	318,007	617,668
FLE share issuance ¹	–	–	4,795	–
Balance at the end of the period	322,802	617,668	322,802	617,668

1. The shares were issued to fund managers who operate under the FLE program.

(b) Treasury shares

Treasury shares are those shares issued through the Fund Linked Equity (FLE) scheme together with those shares purchased as necessary, in order to meet the obligations of Pendal Group under its employee share plans. These represent shares either held by the employee benefit trusts for future allocation or shares held by employees within Pendal Group share plans, subject to restrictions. These are recorded at cost and when restrictions on employee shares are lifted, the cost of such shares is appropriately adjusted to the share-based payment reserve. Details of the balance of treasury shares at the end of the financial period were as follows:

	31 Mar 2020 Shares '000	31 Mar 2020 \$'000	30 Sep 2019 Shares '000	30 Sep 2019 \$'000
Balance at the beginning of the period	(37,970)	(198,237)	(33,705)	(199,285)
Treasury shares acquired	(4,706)	(37,532)	–	–
FLE share issuance ²	–	–	(4,795)	–
Treasury shares released	14,384	88,982	530	1,048
Balance at the end of the period	(28,292)	(146,787)	(37,970)	(198,237)

2. The shares were issued to fund managers who operate under the FLE program.

Details of treasury shares at the end of the period were as follows:

	31 Mar 2020 Shares '000	31 Mar 2020 \$'000	30 Sep 2019 Shares '000	30 Sep 2019 \$'000
Unallocated shares held by trustees	10,942	68,489	18,394	130,524
Shares allocated to employees	17,350	78,298	19,576	67,713
Balance at the end of the period	28,292	146,787	37,970	198,237

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

12. Capital management

Pendal Group's objectives when managing capital are to maintain a strong capital base in excess of regulatory requirements throughout all business cycles that supports the execution of its strategic goals, in order to optimise returns to its shareholders, while ensuring compliance with the Pendal Group's Risk Appetite Statement.

The Company's current dividend policy is to pay out 80% - 90% of Cash NPAT each year. Capital retained by the Group is largely used to provide seed capital for new funds and investment strategies. Pendal Group's corporate seed portfolio totals \$199.7 million as at 31 March 2020, which sits within the Board's risk appetite.

From the 2020 Financial Year, the Board has reviewed its Cash NPAT classification to exclude realised gains and losses from financial assets, which includes seed investments. These assets are considered capital in nature and used to support the future growth of Pendal Group.

Cash profits generated from off-shore business units, beyond working capital and regulatory requirements, are repatriated back to the Company through dividends whereby a hedging program is in place to mitigate foreign exchange risk. In accordance with the Company's capital management plan, and to the extent possible, retention of franking credits is minimised.

Pendal Group operates legal entities in a number of countries that are subject to various regulatory and capital requirements, including Australia, the United Kingdom, Ireland, Singapore and the USA. On 31 October 2019, JOHCM Funds (Ireland) Limited, a Pendal Group subsidiary domiciled in Ireland, replaced JOHCM, a UK subsidiary, as manager of the Group's Irish-domiciled UCITS vehicle, J O Hambro Capital Management Umbrella Fund plc. JOHCM Funds (Ireland) Limited is regulated by the Central Bank of Ireland as a UCITS management company. During the period all entities in the Pendal Group met their regulatory capital requirements at all times.

13. Reserves

	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Common control reserve \$'000	Total reserves \$'000
Balance at 1 October 2019	236,757	47,006	28	(25,472)	258,319
Share-based payment expense	19,292	-	-	-	19,292
Deferred tax	(2,713)	-	-	-	(2,713)
Treasury shares released	(88,982)	-	-	-	(88,982)
Currency translation difference	-	41,202	-	-	41,202
Net investment hedge	-	(1,700)	54	-	(1,646)
Balance at 31 March 2020	164,354	86,508	82	(25,472)	225,472
Balance at 1 April 2019	219,816	51,088	24	(25,472)	245,456
Share-based payment expense	19,066	-	-	-	19,066
Deferred tax	(1,077)	-	-	-	(1,077)
Treasury shares released	(1,048)	-	-	-	(1,048)
Currency translation difference	-	(4,248)	-	-	(4,248)
Net investment hedge	-	166	4	-	170
Balance at 30 Sep 2019	236,757	47,006	28	(25,472)	258,319

Pendal Group Limited

Notes to the Consolidated Financial Statements

FOR THE HALF YEAR ENDED 31 MARCH 2020

14. Contingent liabilities

Regulatory authority

As referenced in Pendal Group's prior period financial reports, JOHCM has been the subject of an investigation by its UK regulator relating to the eligibility of certain services paid for out of dealing commissions between 2006 and 2016. The regulator has informed JOHCM that they have closed the investigation with no further action to be taken.

Capital guarantee

The Company has guaranteed the obligations of its subsidiary, Pendal Institutional Limited, to its institutional clients. The effect of the guarantee which is capped at \$5.0 million is to provide recourse to capital exceeding the minimum regulatory capital required to be maintained by Pendal Institutional Limited.

15. Subsequent events

At the date of issue of this interim financial report, the future impact of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Pendal Group, is uncertain. Pendal Group continues to monitor this situation.

No other matter or circumstance which is not otherwise reflected in this interim financial report has arisen subsequent to the end of the interim period, which has significantly affected or may significantly affect the operations of Pendal Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Pendal Group Limited Directors' Declaration

FOR THE HALF YEAR ENDED 31 MARCH 2020

In the Directors' opinion:

- a) the financial statements and notes set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:
- i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - ii) giving a true and fair view of the Pendal Group's financial position as at 31 March 2020 and of its performance for the half year ended on that date; and
- b) there are reasonable grounds to believe that Pendal Group Limited will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board.



James Evans
Chairman



Emilio Gonzalez
Managing Director and Group Chief Executive Officer
Sydney, 11 May 2020



Independent auditor's review report to the members of Pendal Group Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Pendal Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 March 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 Australian 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 Group's financial position as at 31 March 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pendal Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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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 Pental Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 March 2020 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'AW', with a large, sweeping flourish at the end.

Andrew Wilson
Partner

Sydney
11 May 2020