

Perennial Value Smaller Companies Trust

ARSN 099 824 101

Interim financial report for the half-year ended 31 December 2022

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Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Director's declaration	13
Independent auditor's report to the unitholders of Perennial Value Smaller Companies Trust	14

This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 30 June 2022 and any public announcements made in respect of Perennial Value Smaller Companies Trust during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This financial report covers Perennial Value Smaller Companies Trust as an individual entity.

The Responsible Entity of Perennial Value Smaller Companies Trust is Perennial Investment Management Limited (ABN 13 108 747 637). The Responsible Entity's registered office is Level 27, 88 Phillip Street, Sydney, NSW 2000.

Directors' report

The Directors of Perennial Investment Management Limited, the Responsible Entity of Perennial Value Smaller Companies Trust, present their report together with the interim financial report of Perennial Value Smaller Companies Trust ("the Scheme") for the half-year ended 31 December 2022.

The Scheme is a registered managed investment scheme domiciled in Australia.

Directors

The following persons held office as Directors of Perennial Investment Management Limited during the reporting period or since the end of the reporting period and up to the date of this report, unless otherwise stated:

A. Patterson
C. Love
M. Bennett

Review and results of operations

The Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

The performance of the Scheme, as represented by the results of its operations, was as follows:

	For the half-year ended	
	31 December	31 December
	2022	2021
Total comprehensive income for the half year (\$'000)	<u>(1,552)</u>	<u>18,795</u>
Distributions paid and payable to unitholders (\$'000)	-	-
Distributions (cents per unit - "CPU")	-	-

Distributions to unitholders are disclosed in note 3 of the financial statements.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the reporting period.

Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future reporting periods;
- (ii) the results of those operations in future reporting periods; or
- (iii) the state of affairs of the Scheme in future reporting periods.

Rounding of amounts to the nearest thousand dollars

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

Directors' report (continued)

Auditor's independence declaration

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 4 and forms part of the Directors' Report for the half-year ended 31 December 2022.

Signed in accordance with a resolution of the Directors of Perennial Investment Management Limited.



A. Patterson
Director

Sydney
1 March 2023



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

To the Directors of Perennial Investment Management Limited, the Responsible Entity of Perennial Value Smaller Companies Trust

I declare that, to the best of my knowledge and belief, in relation to the review of Perennial Value Smaller Companies Trust for the half-year ended 31 December 2022 there have been:

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

KPMG

Joshua Pearse
Partner

Melbourne

1 March 2023

Statement of comprehensive income

	For the half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
<i>Investment income</i>		
Interest income	32	-
Dividend/Distribution income	1,977	2,130
Net gains/(loss) on financial instruments at fair value through profit or loss	<u>(2,560)</u>	<u>19,205</u>
Total investment income/(loss)	<u>(551)</u>	<u>21,335</u>
<i>Expenses</i>		
Responsible Entity fees	886	1,347
Performance fees	-	848
Transaction costs	<u>115</u>	<u>345</u>
Total expenses	<u>1,001</u>	<u>2,540</u>
Total comprehensive income/(loss) for the half-year	<u>(1,552)</u>	<u>18,795</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
		31 December	30 June
		2022	2022
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		2,003	4,082
Receivables		101	5,110
Financial assets at fair value through profit or loss	4	<u>129,785</u>	<u>165,306</u>
Total assets		<u>131,889</u>	<u>174,498</u>
Liabilities			
Distributions payable	3	-	11,545
Payables		<u>222</u>	<u>4,147</u>
Total liabilities		<u>222</u>	<u>15,692</u>
Net assets attributable to unitholders - equity	2	<u>131,667</u>	<u>158,806</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

		For the half-year ended	
		31 December	31 December
		2022	2021
	Notes	\$'000	\$'000
Total equity at the beginning of the half-year		158,806	190,964
Comprehensive income for the half-year			
Profit/(loss) for the half-year		(1,552)	18,795
Other comprehensive income for the half-year		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the half-year		<u>(1,552)</u>	<u>18,795</u>
Transactions with unitholders			
Applications	2	7,242	31,196
Redemptions	2	(36,671)	(13,212)
Units issued upon reinvestment of distributions	2	<u>3,842</u>	<u>7,056</u>
Total equity at the end of the half-year		<u>131,667</u>	<u>234,799</u>

Changes in net assets attributable to unitholders are disclosed in note 2 of the financial statements.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	For the half-year ended	
	31 December	31 December
	2022	2021
	\$'000	\$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments at fair value through profit or loss	60,100	98,025
Payment for the purchase of financial instruments at fair value through profit or loss	(26,281)	(108,862)
Transaction costs on financial instruments at fair value through profit or loss	(115)	(345)
Dividend/Distribution received	2,196	2,246
Interest received	32	-
Responsible Entity fees paid	(1,007)	(2,353)
Reduced input tax credits received	90	127
Net cash inflow/(outflow) from operating activities	<u>35,015</u>	<u>(11,162)</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	7,302	31,194
Payments for redemptions by unitholders	(36,693)	(13,202)
Distributions paid	(7,703)	(12,384)
Net cash inflow/(outflow) from financing activities	<u>(37,094)</u>	<u>5,608</u>
<i>Net (decrease) in cash and cash equivalents</i>	(2,079)	(5,554)
Cash and cash equivalents at the beginning of the half-year	<u>4,082</u>	<u>12,603</u>
Cash and cash equivalents at the end of the half-year	<u>2,003</u>	<u>7,049</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of interim financial report

This interim financial report for the half-year ended 31 December 2022 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the reporting period ended 30 June 2022.

The financial statements were authorised for issue by the Directors on 1 March 2023. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period except for the adoption of any new and amended standards as set out below.

Compliance with International Financial Reporting Standards

Compliance with AASB 134 ensures that the interim financial report of the Scheme, comprising the financial statements and notes thereto, complies with International Accounting Standard IAS 34 *Interim Financial Reporting*.

(a) New and amended standards and interpretations adopted by the Scheme

There are no new accounting standards, interpretations and authoritative pronouncements that are expected to have a material impact on the Scheme.

(b) Impact of standards issued but not yet applied by the Scheme

(i) AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 amends AASB Standards to improve accounting policy disclosures and clarify the distinction between accounting policies and accounting estimates. Specifically, AASB 2021-2 amends:

- AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

(ii) AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments

This standard amends:

- AASB 1, to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- AASB 3, to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
- AASB 9, to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- AASB 116, to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset;
- AASB 137, to specify the costs that an entity includes when assessing whether a contract will be loss-making; and
- AASB 141, to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

1 Basis of preparation of interim financial report (continued)

These standards apply to annual reporting periods beginning on or after 1 January 2023. These amendments are not expected to have a significant impact on the Scheme's financial statements.

There are no other new accounting standards nor authoritative pronouncements that are expected to have a material impact on the Scheme.

2 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

Units are redeemed on demand at the unitholders' option. The holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	For the half-year ended			
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	No. '000	No. '000	\$'000	\$'000
Opening balance	199,171	177,350	158,806	190,964
Applications	8,762	27,775	7,242	31,196
Redemptions	(44,322)	(11,653)	(36,671)	(13,212)
Units issued upon reinvestment of distributions	4,817	6,553	3,842	7,056
Profit/(loss) for the half-year	-	-	(1,552)	18,795
Closing balance	168,428	200,025	131,667	234,799

3 Distributions to unitholders

There were no distributions paid or payable to the unit holders during the half-year (2021: Nil).

4 Financial assets at fair value through profit or loss

	As at	
	31 December 2022	30 June 2022
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Listed equities	129,785	163,616
Listed property trusts	-	1,690
Total financial assets at fair value through profit or loss	129,785	165,306

5 Fair value measurement

The Scheme is required to classify fair value measurements 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); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Scheme's financial assets and liabilities measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

As at 31 December 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
Listed equities	<u>129,785</u>	-	-	<u>129,785</u>
Total	<u>129,785</u>	-	-	<u>129,785</u>
As at 30 June 2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss				
Listed equities	163,616	-	-	163,616
Listed property trusts	<u>1,690</u>	-	-	<u>1,690</u>
Total	<u>165,306</u>	-	-	<u>165,306</u>

5 Fair value measurement (continued)

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, valuation techniques are used to derive fair value.

There were no level 2 or level 3 instruments as at 31 December 2022 (30 June 2022: Nil).

There were no transfers between any levels as at 31 December 2022 (30 June 2022: Nil).

6 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Scheme disclosed in the statement of financial position as at 31 December 2022 or on the results and cash flows of the Scheme for the half-year ended on that date.

7 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

Director's declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards as it relates to AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme's Constitution.

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



A. Patterson
Director

Sydney
1 March 2023



Independent Auditor's Review Report

To the Unitholders of Perennial Value Smaller Companies Trust

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Perennial Value Smaller Companies Trust (the Scheme).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Perennial Value Smaller Companies Trust does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Scheme's financial position as at 31 December 2022 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Statement of financial position as at 31 December 2022;
- Statement of profit or loss and other comprehensive income for the Interim Period ended on that date;
- Notes 1 to 7 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2022.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Scheme in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Financial Report

The Directors of Perennial Investment Management Limited (the Responsible Entity) are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2022 and its performance for the interim period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of Interim Period 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.

KPMG

Joshua Pearse
Partner

Melbourne

1 March 2023