Perpetual Limited ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 12 months ended 30 June 2013

Perpetual

Operating and Financial Review for the 12 months ended 30 June 2013

Overview ... 2
- Business model ... 2
- Financial performance ... 2
- Segment results summary ... 3
- Movement in key revenue drivers ... 4
- Operating environment ... 4
- Regulatory environment ... 8
- Shareholder returns ... 10
- Dividends ... 10
- Outlook ... 11

Review of Businesses ... 13
- Perpetual Investments ... 13
- Perpetual Private ... 18
- Corporate Trust ... 21
- Group Support Services ... 23
- Transformation 2015 ... 25
- Significant Items ... 28

Capital Management ... 31
- Interest rate risk ... 31
- Credit risk ... 32
- Exact Market Cash Fund ... 32
- Equity risk ... 33
- Market risk ... 33
- Operational risk ... 33
- Financial strength ... 34
- Cash flow ... 34
- Summary Consolidated Balance Sheet ... 35
- Events subsequent to balance date ... 36

Appendix A: Segment Results ... 37
Appendix B: Average funds under management (FUM) ... 39
Appendix C: FY13 ASX Announcements ... 40
Appendix D: Dividend History ... 42
Appendix E: Bridge for FY13 Statutory Accounts and OFR ... 43
Glossary ... 44

Note in this review:

- 1H13 refers to the financial reporting period for the six months ended 31 December 2012
- 2H13 refers to the financial reporting period for the six months ended 30 June 2013
- FY13 refers to the financial reporting period for the 12 months ended 30 June 2013
- with similar abbreviations for previous and subsequent periods.

ABN 86 000 431 827

This is a review of Perpetual's operations for the 12 months ended 30 June 2013 (FY13). It also includes a review of its financial condition as at 30 June 2013.

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for FY13.

All amounts shown are stated in Australian dollars unless otherwise noted, and are subject to rounding.

A list of relevant ASX announcements since the start of FY13 can be found at Appendix C. Additional information is available on the Group's website www.perpetual.com.au.

A glossary of frequently used terms and abbreviations can be found at the end of the review.

Overview

Business model

Perpetual is an Australian diversified financial services company operating in asset management, financial advice and trustee services. In each of these businesses, Perpetual earns the majority of revenue from fees charged on assets either under management, advice or administration. Revenue is influenced by movement in the underlying asset values, revenue margin and net client flows. The business model provides Perpetual with recurring revenue streams and leverage to movement in asset values.

As a provider of high quality financial services, employment expenses comprise the largest component of expenses.

Factors which affect the performance of these sectors include, amongst others, global and Australian economic performance, global and Australian financial markets, consumer and investor confidence, and government policy.

Financial performance

FY13 was a very positive year for global sharemarkets with prices initially supported by attractive valuations, the continued accommodative stance of central banks and an improving US economy. The Australian S&P/ASX All Ordinaries Price Index (All Ords) increased by around 15% during FY13, closing at 4,775.4 at the end of the period, while the average All Ords in FY13 was around 9% higher than the average All Ords in FY12. This improvement in markets was reflected in the Group's financial performance.

FY13 underlying profit after tax (UPAT) was $75.9 million, an increase of $10.5 million or around 16% from $65.4 million in FY12. The improvement in FY13 UPAT included the benefits from the first year of realised cost savings under the Transformation 2015 program, which was announced at the end of FY12.

In FY13, Transformation 2015 cost management initiatives, in its first year, delivered program benefits of $28.2 million before tax, equivalent to an end of period annual run rate of $41 million before tax.

FY13 statutory net profit after tax (NPAT) attributable to equity holders of Perpetual Limited was $61.0 million, an increase of 128%, or $34.3 million, compared to FY12.

The Board determined to pay a FY13 final fully franked dividend of 80 cents per share, bringing total fully franked dividends in respect of FY13 to 130 cents per share, up 40 cents per share or 44% on FY12. The FY13 final dividend is payable on 4 October 2013. Refer to 'Dividends' section for additional information.

At the end of FY13:

- total regulatory capital requirements were $89.1 million
- total economic capital requirements were $122 million, compared to around $230 million of liquid funds, which equates to a coverage ratio of 1.89 times the Group's economic capital needs
- total equity was $323.7 million, compared to $280.5 million at the end of FY12 and
- shares on issue were 42.0 million, unchanged from the end of FY12.

Segment results summary

For the 12 month period	Operating revenue		EBITDA [1]		Profit before/ after tax	
	FY12 $m	FY13 $m	FY12 $m	FY13 $m	FY12 $m	FY13 $m
Perpetual Investments	190.5	195.9	83.2	98.2	72.0	87.2
Perpetual Private	114.7	115.7	16.2	17.4	8.3	9.2
Corporate Trust	52.0	49.8	19.3	20.0	17.4	18.3
Group Support Services	7.1	8.3	(2.6)	(5.0)	(6.7)	(7.3)
Totals before tax and significant items	364.3	369.7	116.1	130.6	91.0	107.4
Income tax expense					(25.6)	(31.5)
Underlying profit after tax (UPAT)[2] before significant items					**65.4**	**75.9**
Significant items after tax:						
› Operating income from discontinued operations					2.2	0.4
› Non-recurring tax benefit					-	0.4
› Gain/(Loss) on disposal of businesses					(0.2)	2.6
› Loss on disposal/impairment of investments					(5.6)	(0.8)
› Restructuring costs					(22.6)	(10.7)
› Impairment of assets					(12.5)	(0.1)
› Foreign currency translation costs					-	(5.2)
› Costs relating to the Trust Company proposal					-	(1.5)
Statutory net profit after tax (NPAT) attributable to equity holders of Perpetual Limited					**26.7**	**61.0**

(1) EBITDA represents earnings before financing costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

(2) UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been audited by the Group's external auditors, however the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited.

The following table presents the change in underlying profit before tax by business segment for 2H13 compared to 2H12 and 1H13, and FY13 compared to FY12.

Change in underlying profit before tax	2H13 v 2H12 $m change	2H13 v 2H12 % change	2H13 v 1H13 $m change	2H13 v 1H13 % change	FY13 v FY12 $m change	FY13 v FY12 % change
Perpetual Investments	13.1	38%	7.6	19%	15.2	21%
Perpetual Private	1.4	41%	0.4	9%	0.9	11%
Corporate Trust	1.0	11%	1.1	13%	0.9	5%
Group Support Services	0.7	17%	0.3	8%	(0.6)	-9%
Total continuing operations	16.2	38%	9.4	19%	16.4	18%

Appendix A details business segment results for these periods.

Movement in key revenue drivers

The profitability of each business segment is heavily influenced by its key revenue drivers:

- funds under management (FUM) for Perpetual Investments
- funds under advice (FUA) for Perpetual Private and
- funds under administration (FUA) for Corporate Trust.

The Group earns the majority of its revenue based on a percentage of total assets under management, advice or administration.

The following table summarises the movements in each business segment's key revenue driver, for its continuing operations, across the period. More detailed analysis is contained within the 'Review of Businesses' section.

At end of	FY12 $b	Net flows $b	Other[1] $b	FY13 $b	FY13 v FY12 % change
Perpetual Investments FUM	22.6	(1.8)	4.5	25.3	12%
Perpetual Private FUA	8.0	(0.1)	1.1	9.0	13%
Corporate Trust FUA	217.0	42.4	-	259.4	20%

(1) Includes reinvestments, distributions, income, and asset growth.

The largest drivers of total revenue are the value of FUM within Perpetual Investments and FUA within Perpetual Private, which are mainly influenced by the level of the Australian equity market. At the end of FY13, Perpetual Investments' FUM and Perpetual Private's FUA were around 80% and 55% exposed respectively to equity markets.

Management calculates the expected impact on revenue, across all of its businesses, for each 1% movement in the All Ords. Based on the level of the All Ords at the end of FY13, a 1% movement in the market changes annualised revenue by approximately $1.75 million to $2.25 million. It is worth noting this movement is not linear to the overall value of the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller effect on revenue as FUM and FUA are comprised of both equity and non-equity asset classes.

Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to:

- equity funds under the Group's management and advice performing broadly in line with the All Ords
- the impact of FUM and FUA flows, both inflows and outflows, and their timing, and
- changes in distribution channel, product mix and pricing policy possibly affecting the level of revenue earned from the Perpetual Investments and Perpetual Private businesses.

Operating environment

FY13 was a very positive year for global sharemarkets with prices initially supported by attractive valuations, the continued accommodative stance of central banks and an improving US economy. Early in the year, the outlook for the global economy and sharemarkets appeared precarious, with Europe seemingly succumbing to the weight of its debt, Asia continuing to slow down and the US facing increasing concerns regarding the fiscal cliff. At this time, global central banks provided unprecedented support, starting with European Central Bank (ECB) President Mario Draghi's 'whatever it takes' commitment and quickly followed by more quantitative easing programs in the UK, US and Japan.

While central bank policy has been instrumental in improving market sentiment at a time when global earnings growth has been disappointing, an additional supporting theme has been the improving US economy. Since FY12, US economic growth has doubled to 2.4%, with activity supported by continued job creation and improvement in the housing market, after a seven year malaise. Improving US household balance sheets have given consumers more confidence to increase their spending even

though income growth has been subdued. Meanwhile, US unemployment has declined to a four-year low of 7.6%, with 2.3 million jobs created in the past 12 months, the highest payroll increase since 2006. With unemployment progressively declining, households took advantage of cheap funding and the long-awaited recovery in the housing market began, resulting in rising dwelling construction.

However, late in the financial year, the US Federal Reserve began preparing markets for the end of its latest quantitative easing program, which had been instrumental in the US and global sharemarkets rally. Market volatility initially increased as a result. Markets settled again after the Federal Reserve provided reassurance the ‘tapering’ of the program would be executed in a careful and measured way.

In Europe, several policy decisions culminated in markets repricing government risk premiums and bond yields in Greece, Italy, Spain and Portugal, all declining rapidly. This sparked strong price gains in all asset markets across the region. However, volatility occasionally spiked in the region, caused by the Spanish banks having to be bailed out in late 2012 and deposit holders in Cyprus experiencing major losses as its banking sector collapsed. Nevertheless, the overall situation in Europe fractionally improved, albeit from a very low base.

In contrast, the growth outlook in Asia softened as China continued the process of lifting the growth contribution from consumption and reducing its dependency on exports and investment growth, with reduced liquidity in the banking sector impacting investor sentiment. The associated slowdown in Chinese growth (to around 7.5%) had flow-on effects in the region with industrial production growth moderating in many economies. Growth in Japan accelerated however in response to policy initiatives by the new Abe Government and the Bank of Japan, which rapidly improved confidence.

Political uncertainty in 1H13 in major economies was occasionally evident, but short-lived, with seemingly smooth power transitions in China and Japan, and the re-election of President Obama in the US. Meanwhile, there were continued political stresses in Italy, Portugal, Greece and Spain. Occasional market volatility was triggered by the collapse of governments as the anti-austerity movement in Europe received increased public support.

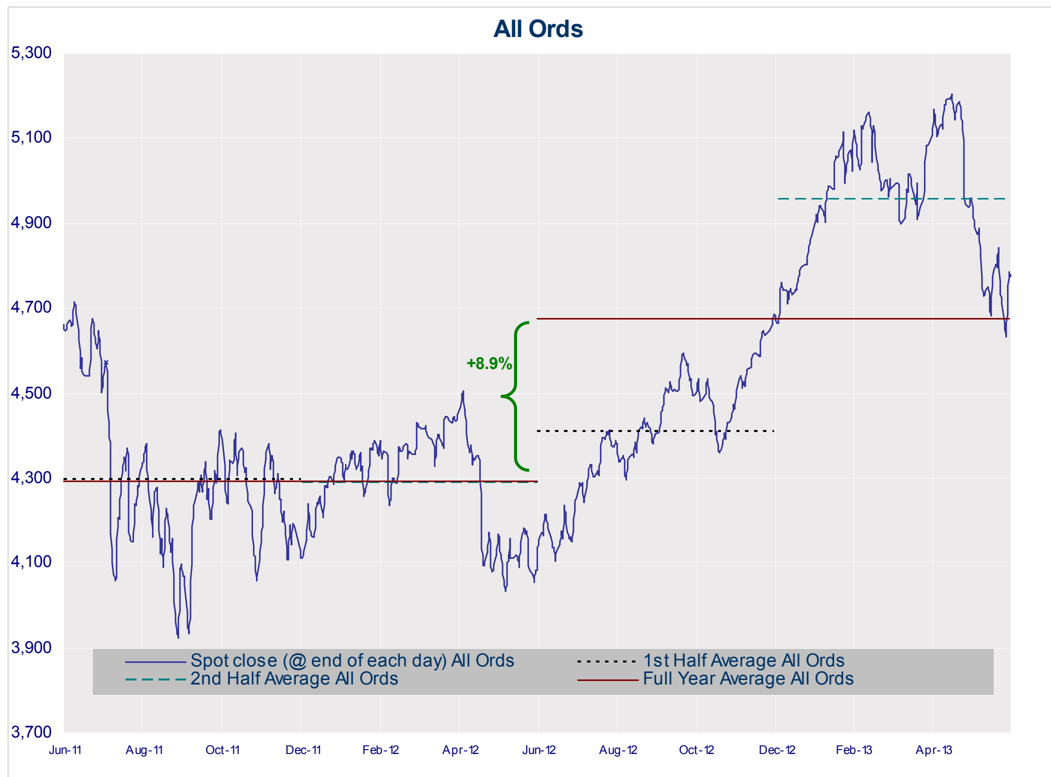
In the Australian economy, the mining investment boom peaked and growth began to moderate in a measured way. In line with this, official interest rates declined and the Australian currency depreciated by more than 10%, falling below parity against the US dollar late in the year. Softening growth culminated in a rise in domestic unemployment to a 9-year high – excluding the Global Financial Crisis (GFC) - and forward indicators suggest the economy is not at the end of this process. The Reserve Bank of Australia progressively cut the Target Cash Rate to 2.75% in May 2013 as it tried to initiate a ‘growth handover’ from mining investment to non-mining spending. However, the state of household balance sheets and the still elevated Australian dollar partially offset the impact of record low interest rates on the economy and both households and businesses remain cautious ahead of the 2013 Federal Election.

Although the major downside risks to global economic growth have diminished as a result of continued supportive central bank policy, the FY14 outlook remains below trend as the world continues to work its way through various debt issues and periodic stresses. The World Bank and the International Monetary Fund both lowered their FY14 growth outlook, primarily reflecting a growth slowdown in Asia.

Despite softening global growth, the reduced risk of a Eurozone break-up and continued central bank stimulus underpinned strong gains in regional share markets. However, the rise in global share prices has not been matched by expected earnings growth for calendar year 2013. In contrast, earnings expectations for this year have declined in 20 of the largest 25 markets, with only Japan, the US, China, India and Hong Kong recording expected earnings improvement.

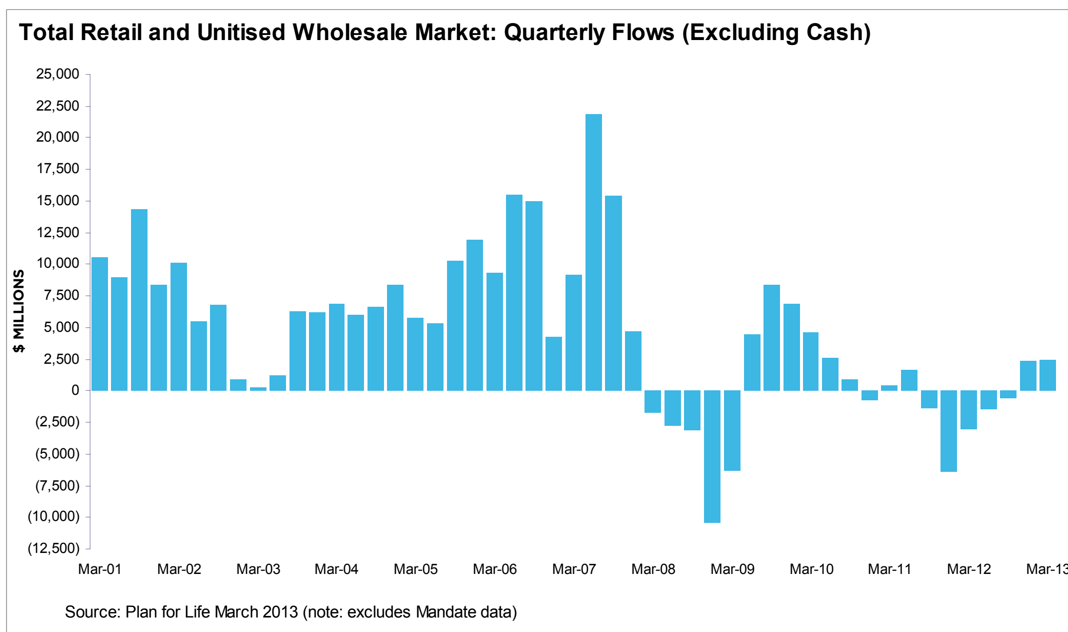
However, for the first time in many years, sharemarket gains included large rises in financial stocks as investors became confident that the worst of the GFC aftermath has passed. Overall, the Australian sharemarket performed strongly, producing the seventh highest return (+20.2%) in the largest 50 markets in the world, comparing favourably with its historical return average (+11.5% per annum since 1882). The positive sentiment in global sharemarkets was also evident in credit markets, where spreads narrowed relative to government bonds as investors sought to diversify away from lower risk, lower yielding investments.

The following chart shows the movement in the daily All Ords as well as the average levels for each half and full year of FY12 and FY13.



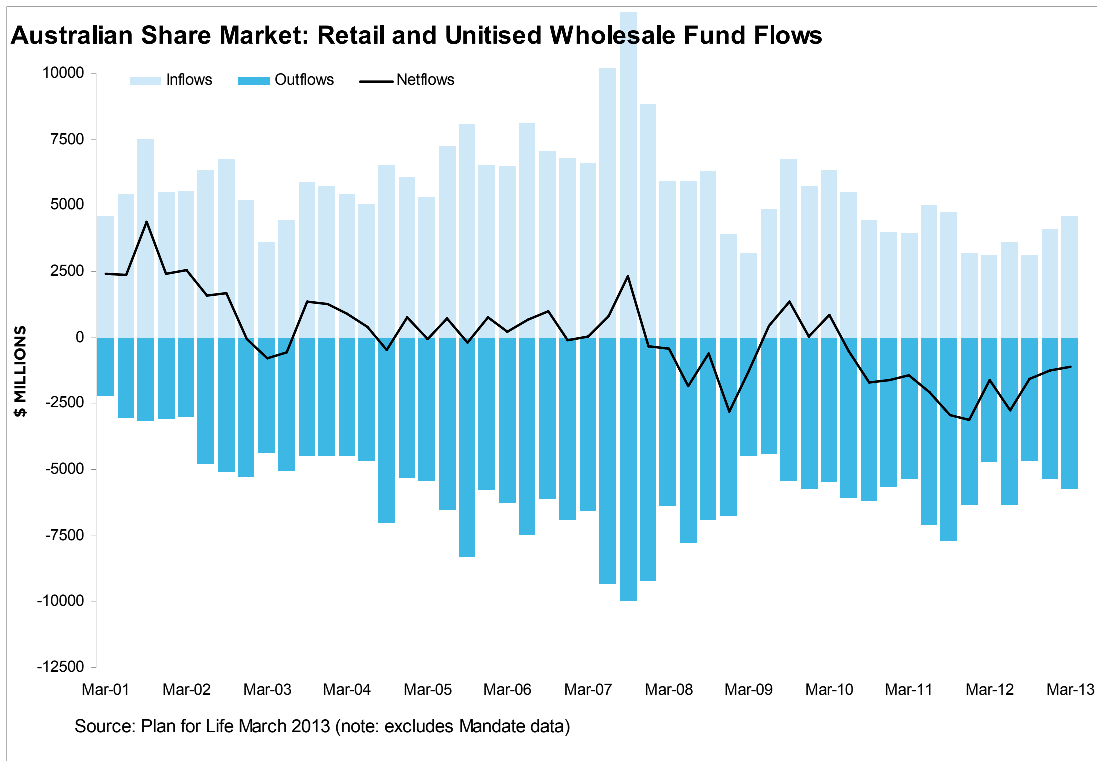
The All Ords increased in value during FY13 by around 15%, closing at 4,775.4 at the end of the period, compared to 4,135.5 at the end of FY12. The average All Ords for FY13 was around 9% higher than during FY12. The average All Ords for 2H13 was around 12% higher than in 1H13.

Based on the most recent Plan for Life data (March 2013), the Australian funds management industry (excluding cash) returned to net cumulative inflows in the 12 months to March 2013. As can be seen from the following chart, there does appear to be some sign of improvement as each of the last five quarters has recorded an improvement in net flows over the prior period, with the December 2012 quarter recording its first quarter of net inflows since June 2011. Net inflows were also recorded in the subsequent March 2013 quarter. Net inflows however continue to remain well below pre-GFC levels.

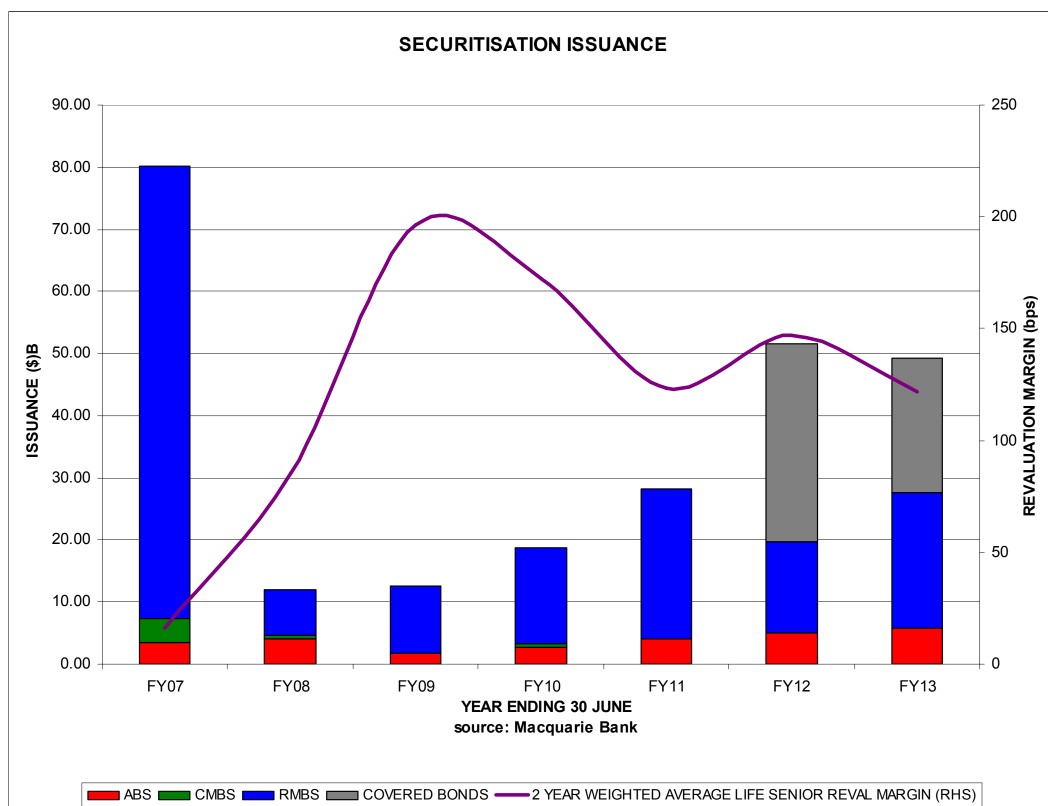


Source: Plan for Life March 2013 (note: excludes Mandate data)

A similar trend can be seen in the following chart, which focuses on Australian share market retail and unitised wholesale fund flows. The asset class continues to remain in net outflow, however net outflows have continued to decline over the last three reported periods.



As can be seen from the following chart, securitisation issuance in Australia has improved significantly since the GFC. In FY13, residential mortgage backed security (RMBS) issuance recovered to levels similar to that experienced in FY11, while the issuance of covered bonds declined following the debut of this asset class in FY12.



Regulatory environment

In FY13, the financial services industry witnessed continued legislative and regulatory reform which affect or could affect the Group's operations.

The Future of Financial Advice (FoFA)

The Future of Financial Advice (FoFA) package of legislation received Royal Assent on 27 June 2012. It amends the Corporations Act and, through the introduction of regulations and ASIC policy, seeks to address conflicts of interest associated with the provision of personal financial advice.

Importantly, it introduced the following key reforms from 1 July 2013.

- There will be a blanket ban on conflicted remuneration between product manufacturers and advisors, where financial product advice is provided to retail clients. Conflicted remuneration is defined as a benefit that could reasonably be expected to influence the choice of products advisors recommend to their clients. Conflicted remuneration includes commissions and volume-based rebates paid by product manufacturers to advisers. Volume-based fees paid to platform operators are also banned under the reforms. Generally, arrangements entered into prior to 1 July 2013 will be grandfathered and allowed to continue.

- A duty for financial advisers to act in the best interests of their clients, subject to a 'reasonable steps' qualification, and place the best interests of their clients ahead of their own when providing personal advice to retail clients. There is a safe harbour, which advice providers can rely on to show that they have met the best interests duty. This is intended to be the minimum standard of compliance with the best interests duty.

- Where a client agrees to an ongoing fee arrangement, there is a requirement to send an annual fee disclosure statement setting out the fees paid and the services provided.

- An opt-in obligation that requires advice providers to renew their clients' agreement to ongoing fees every two years. ASIC will have the ability to exempt advisers from the opt-in obligation if they are satisfied the adviser is signed up to a professional code that makes the need for the opt-in provisions unnecessary.

Perpetual Private is well placed to comply with and capitalise on these reforms as the tenets of transparency and acting in the client's best interests are already a core part of the culture and heritage of Perpetual.

Stronger Super

The *Stronger Super* reforms are designed to improve Australia's superannuation system by removing unnecessary costs and by better safeguarding the retirement savings of all Australians.

The reform package is divided into four key areas and continues to evolve:

MySuper - The Government has introduced a low cost default superannuation product called MySuper from 1 July 2013, which aims to simplify default superannuation products and improve their transparency and comparability;

SuperStream - SuperStream is a package of measures designed to enhance the 'back office' of superannuation. When fully implemented, these measures should improve the productivity of the superannuation system and make the system easier to use;

Self managed superannuation funds (SMSFs) - The Government will implement a range of measures relating to SMSFs. Reforms in this area will improve their integrity and increase community confidence in SMSFs. They will also improve the operation and efficiency of the sector; and

Governance - As part of the Stronger Super reforms, APRA has released a number of prudential standards aimed at mandating governance and risk management practices for superannuation trustees. These prudential standards are akin to those placed on other APRA-regulated industries (such as banks

and insurers) and also include superannuation-specific topics. These standards seek to ensure superannuation trustees have clearly defined governance processes in place across a range of areas, including the management of risk, outsourcing, conflicts of interest, provision of insurance and investment management. Effective 1 July 2013[1], APRA requires all registerable superannuation entity (RSE) licensees to maintain and manage financial resources to cover the operational risk that relates to each RSE within their business operations. APRA expects a soundly run RSE licensee that has implemented an effective risk management framework to have an Operational Risk Framework Requirement (ORFR) target amount of at least 0.25 per cent of funds under management.

While the Group's high quality private wealth advice model and product and service offering position it well to transition to the new regulatory environment for financial advice and superannuation, these changes in legislation are placing cost and consolidation pressure on small and medium-sized financial advisory businesses and on superannuation funds. Both of these groups are clients of the Perpetual Investments business.

The Tax Agent Services Act

The existing Tax Agent Services Act legislation (TASA) provides an exemption for financial planners who hold an Australian Financial Services Licence from complying with TASA. While this exemption is still in place, there has been a clear intent from the current Federal Government to remove the exemption. This would see financial planning firms, including Perpetual Private, required to register with the Tax Practitioners Board (TPB). Furthermore planners are to comply with the TPB Code of Conduct as well as other education obligations, meet Competency and Fit & Proper requirements and have Professional Indemnity insurance arrangements in place that cover the provision of tax advice.

Review of Licensed Trustee Companies (CAMAC)

In May 2013, the Federal Government's Corporations and Market Advisory Committee (CAMAC) published an independent report detailing the operation of Charitable Trusts administered by Licensed Trustee Companies (LTCs). The report makes a series of recommendations in respect of the changes to the existing regulatory setting, namely:

- an independent audit of a cross - section of charitable trusts administered by trustees
- amendments to the Corporations Act to include a fair and reasonable requirement to the setting of fees and reimbursement of costs incurred by Trustees
- the provison by each Trustee of an annual statement to a designated regulator confirming that fees are fair and reasonable
- the creation of new powers for the court to review the fees associated with charitable trusts of LTCs in regard to being fair and reasonable and
- enhanced dispute resolution procedures concerning charitable trusts.

ASIC's new financial requirements for Custodians

In June 2013, after a period of consultation with the industry, ASIC made changes to the amount of net tangible assets (NTA) required to be held by licensed custodians. Under the changes, custodians and asset holders will be required to hold NTA amounting to the greater of $10 million or 10% of average revenue. The changes come into effect from 1 July 2014 for existing custodians. The reforms are not expected to have a material impact as the Group holds $230 million of liquid funds at the end of FY13.

Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act (FATCA) is United States legislation aimed at reducing US tax avoidance by requiring financial institutions to report on accounts held by US taxpayers. The Australian Government is expected to sign an intergovernmental agreement with the IRS and introduce legislation

[1] An RSE licensee must build the financial resources to meet the ORFR target amount within three years of the effective date in a manner that ensures that the RSE licensee acts fairly in dealing with beneficiaries.

requiring Australian financial institution to comply with FATCA. These obligations are expected to commence on 1 July 2014 and Perpetual has a project underway to achieve FATCA compliance.

The Group believes that it remains strongly capitalised and the cost of responding to these changes is not expected to be material.

Shareholder returns

For the period ended (1) (2)		1H12	2H12	1H13	2H13	FY12	FY13
Diluted earnings per share (EPS) on UPAT	cents	80.6	76.1	86.1	99.0	156.8	185.0
Diluted EPS on NPAT	cents	53.8	9.3	67.0	81.8	64.0	148.7
Annualised return on average equity (ROE) on UPAT	%	21.3	22.8	24.9	26.8	20.6	26.1
Annualised ROE on NPAT	%	14.2	2.8	19.4	22.1	8.4	20.9

(1) Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue.
(2) The returns on equity quoted in the above table are an annualised rate of return based on actual results for each period. ROE is calculated using the NPAT and UPAT attributable to equity holders of Perpetual Limited for the period, divided by average equity attributable to equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE.

In FY13, EPS on a UPAT and NPAT basis increased by 18% and 132% respectively, reflecting the improvement in underlying profitability and a lower level of negative significant items.

In FY13 ROE on a UPAT and NPAT basis increased from 20.6% to 26.1% and from 8.4% to 20.9% respectively, also in line with the improvement in underlying profitability and a lower level of negative significant items.

During FY13, the number of shares on issue remained unchanged at 42.0 million.

Shares to satisfy the DRP in relation to the FY12 final dividend and the FY13 interim dividend were acquired on market, hence there were no new shares issued.

Shareholders' equity increased by $46.1 million, or around 17%, from $268.2 million at the end of FY12 to $314.3 million at the end of FY13, principally due to:

- a $30.0 million increase in retained earnings, underpinned by:
  - FY13 NPAT of $61.0 million
  - a $6.8 million transfer from reserves to retained earnings in respect of forfeited market linked employee share plan shares and dividends paid on employee share plan shares offset by
  - $37.8 million of dividend payments in FY13 and
- a $12.9 million increase in relation to reserves.

Dividends

For the period ended		1H12	2H12	1H13	2H13	FY12	FY13
Fully franked dividends paid/payable	$m	21.0	16.8	21.0	33.6	37.8	54.6
Fully franked dividend per ordinary share	cents	50.0	40.0	50.0	80.0	90.0	130.0
Dividend payout ratio (1)	%	92.9	430.1	74.6	97.8	140.6	87.4
Proportion of NPAT paid/payable as dividend	%	91.6	441.9	76.9	99.7	141.4	89.5(2)

(1) Dividend payout ratio is calculated using dividend(s) resolved to be paid for the relevant period divided by the diluted earnings per share.
(2) Based on ordinary fully paid capital at end of FY13.

A FY13 final fully franked dividend of 80 cents per share will be payable on 4 October 2013 (Ex-dividend Date of 6 September 2013 and Record Date of 12 September 2013). This represents an increase of 100% when compared to the FY12 final dividend of 40 cents per share fully franked.

This brings total fully franked dividends for FY13 to 130 cents per share, compared to total dividends of 90 cents per share fully franked in FY12 and equates to a FY13 dividend payout ratio of around 90% based on FY13 statutory NPAT. A dividend history can be found at Appendix D.

Perpetual's dividend policy is to pay dividends within a range of 80-100% of NPAT on an annualised basis, with a goal to maximise fully franked dividends to shareholders. The dividend policy is designed to be sustainable over the long term while providing the Group with an appropriate degree of financial flexibility.

The DRP will be operational for the FY13 final dividend. It is the Company's intention that shares to satisfy the DRP will be acquired on market and transferred to DRP participants. DRP shares will be allocated to participants at the Average Market Price as defined in the DRP terms2. There will be no discount applicable to the Average Market Price.

The Pricing Period for the FY13 final dividend DRP will be the ten Trading Days commencing 13 September 2013 and ending 26 September 2013.

The Group's franking credit balance as at the end of FY13, prior to the payment of the FY13 final dividend, was $36.3 million (equivalent to around 87 cents per share), which will enable it to fully frank $84.6 million of cash dividends or around 202 cents per share. After payment of the final dividend for FY13, the franking balance is capable of fully franking a further $51.1 million of cash dividends, or around 122 cents per share.

The ability to distribute the franking account balance is effectively constrained by the level of retained earnings in the parent company.

As at 30 June 2013:

- Perpetual Limited, the Group's parent entity, had retained earnings of $36.6 million (equivalent to around 87 cents per share) and
- The Group had $31.5 million of retained earnings in subsidiaries that were available to pay dividends to the parent entity.

Outlook

Perpetual expects to continue to grow in financial year 2014 and beyond as the Group pursues its strategic objective to become the largest independent wealth manager of choice. The Transformation 2015 program has delivered significant benefits in cost savings, management focus and growth initiatives, and will deliver more in this coming year.

In reducing the ongoing cost base for the business, shareholders should be better placed to benefit from any improvements in market conditions and better insulated from market shocks that may occur. As discussed in the section entitled 'Market Risk', exposure to Australian equity markets is a key risk to Perpetual, but also the key source of earnings leverage. While the Group does not forecast market movements, the Group expects improved flows in FY14 and shareholders should expect to enjoy the benefits of the leaner cost base in the form of improved profitability.

Simplification of Perpetual's business portfolio and structure allows management greater focus to respond to the changing strategic environment and client needs. The intersection of legislative, demographic and technological changes means that the environment in which the Group operates is evolving rapidly and the Group is tracking these developments closely. Clients are seeking to do business in new ways and the Group's services to clients will continue to evolve in response to their needs.

[2] The Group's DRP Rules can be found at http://shareholders.perpetual.com.au/Shareholder services/Dividend Reinvestment Plan.

A better understanding of client needs is central to the Group's organic growth initiatives, particularly its focus on reinvigorating marketing and distribution across all three business segments. This focus has delivered early results and the Group anticipates further success in FY14 and beyond. At the same time, the Group is pursuing disciplined inorganic growth opportunities, such as the proposed acquisition of The Trust Company Limited, using the Group's strong balance sheet to create sustainable growth and shareholder value.

Notwithstanding the legislative changes underway, Perpetual operates in a privileged industry. Australia's compulsory superannuation system mandates growth in retirement savings and so the fundamentals for Perpetual are strong in the medium and long term. At the same time, the Group is intensely proud of the contribution made to Australians' retirement savings through its record in growing and protecting the wealth of clients. The Group believes that its investment record, specialist advice and fiduciary heritage mean that it will continue to increase share within this growing market.

Given the Group's revenue sensitivity to Australian equity markets, this outlook is subject to significant variability. But the Group is confident that a lean, focussed Perpetual is well placed to benefit from long term market growth, improving investor sentiment and growing retirement savings.

Review of Businesses

Perpetual Investments

Perpetual Investments is one of Australia's most highly regarded investment fund managers, offering a broad range of products for personal investment, superannuation and retirement.

The business offers clients strong investment capabilities across a range of asset classes, including Australian and international equities, fixed income and multi-sector strategies.

In addition to in-house and sub-advised investment manufacturing, Perpetual Investments also offers the WealthFocus platform, which provides clients with a range of funds managed by both Perpetual and other fund managers under one account.

Perpetual Investments services a diverse range of client types, from large institutional investors through to smaller retail investors.

As part of the Transformation 2015 strategy, a single Group Executive is now responsible for Perpetual Investments' end-to-end business, comprising investment management, product, distribution and operations. Mr Michael Gordon joined the Group on 29 January 2013 as Group Executive for Perpetual Investments. Mr Gordon has more than 30 years of experience in the financial services industry.

Financial summary

Perpetual Investments profit before tax for FY13 was $87.2 million, $15.2 million or 21% higher than in FY12. A rebound in equity markets and a continued focus on expenses has enabled the business to improve its profit margin on revenues[3] from 38% in the prior year to 45% in FY13.

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Revenue	99.1	91.4	93.6	102.3	190.5	195.9
Operating expenses	(55.2)	(52.1)	(48.4)	(49.3)	(107.3)	(97.7)
EBITDA	43.9	39.3	45.2	53.0	83.2	98.2
Depreciation and amortisation	(2.0)	(2.3)	(1.0)	(0.8)	(4.3)	(1.8)
Equity remuneration expense	(4.2)	(2.7)	(4.4)	(4.8)	(6.9)	(9.2)
Profit before tax	**37.7**	**34.3**	**39.8**	**47.4**	**72.0**	**87.2**
Average FUM revenue margin (revenues/ average FUM)	79 bps	76 bps	77 bps	77 bps	78 bps	77 bps
Average FUM	$24.3b	$23.5b	$23.7b	$26.2b	$23.9b	$24.9b

Revenue

FY13 revenue of $195.9 million represented an increase of $5.4 million or 3% on the prior year. This increase in revenue was principally the result of the rebound in equity markets that occurred during FY13, offset by the impact of net outflows of $1.8 billion. These outflows were significantly lower than the $4.1 billion of net outflows experienced in FY12.

The average FUM revenue margin in FY13 was 77 bps, 1 bp lower than in the prior year. Movements in average margins are mainly brought about by changes in the mix of FUM between lower margin institutional and higher margin retail investors, as well as changes in the mix of asset classes such as cash (generally lower margin) and equities (generally higher margin) and the contribution from performance related fees.

[3] Calculated as profit before tax divided by revenue

The following table provides an analysis of Perpetual Investments' revenue by asset class:

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
By asset class:						
› Equities	77.6	72.7	73.1	82.7	150.3	155.8
› Cash & fixed income	14.9	13.1	14.1	13.6	28.0	27.7
› Other FUM related	3.7	3.5	4.3	4.2	7.2	8.5
› Other non-FUM related	2.9	2.1	2.1	1.8	5.0	3.9
Revenues	**99.1**	**91.4**	**93.6**	**102.3**	**190.5**	**195.9**

In FY13, the business earned $8.7 million in performance related fees, compared to $5.7 million in FY12. The main source of performance related fees has been the Exact Market Cash Fund product, which earned $5.7 million and $7.6 million in FY12 and FY13 respectively.

Equities revenues represent fees earned on Australian and Global equities products. This revenue was $155.8 million in FY13, an increase of 4% on FY12. The average revenue margin in FY13 was 82 bps, 3 bps lower than in FY12, predominantly due to net outflows experienced for the mature Industrial Share Fund product in the higher margin retail and intermediary channels and the full year impact of a smart beta equity strategy, which earns relatively lower fees than other equity strategies.

Cash & fixed income revenues are derived from fixed income, cash and mortgage products. FY13 revenue of $27.7 million was $0.3 million lower than in FY12. Lower revenues were derived from the retail and intermediary mortgage fund products, which are closed and in run-off. In FY13, investors received $0.4 billion in returns of their capital from mortgage fund products compared to $0.3 billion in FY12. The average revenue margin in FY13 was 59 bps compared to 54 bps in FY12. This improvement in margin was underpinned by a combination of a $1.9 million increase in revenue from the EMCF product suite, net inflows into the higher margin Diversified Income Fund and net outflows from lower margin cash mandates.

Other FUM related revenue includes management fees for opportunity funds, sub-advisory mandates, external funds on the WealthFocus platform and administration fees on the Perpetual Protected Investments (PPI) structured products (which have been in run-off since 2009). In FY13, Other FUM related revenue of $8.5 million represented an increase of $1.3 million or 18% on FY12, mainly as a result of higher average FUM.

Other non-FUM related revenue mainly includes the net interest margin derived from the structured products loan book and interest earned on operational bank accounts across the business. In FY13, revenue was $3.9 million, $1.1 million less than in FY12, reflecting the impact of a lower interest rate environment on operational bank account interest earned, the continued run-off in the structured products loan book, and lower mortgage lending fees.

Total Expenses

In FY13, total expenses were $108.7 million, $9.8 million lower than in FY12.

Transformation 2015 cost management initiatives reduced FY13 total expenses by $7.6 million.

Operating expenses in FY13 of $97.7 million were $9.6 million lower than in FY12, predominantly due to:

- a $6.6 million decrease in Group shared services costs as a result of the implementation of a leaner and more efficient operating model, coupled with a decrease in shared service allocations based on resources utilised and the transition to an IT outsourcing arrangement in early 2H13
- a $5.8 million net decrease in fixed employment expense principally related to the closure of Dublin, the sale of smartsuper and the transition to the new retail distribution model
- a $2.5 million decrease in custody fees following the renegotiation of the contract with the service provider
- a $1.5 million decrease in general and administrative expenses as a result of the closure of Dublin, the sale of smartsuper, as well as increased discipline around discretionary expenditure, offset by

- a $5.9 million increase in variable remuneration in line with the improved financial performance of the Group and the improvement in certain business measures, as well as sign-on payments, and
- a $0.9 million IT expense following the transition to an IT outsourcing arrangement in early 2H13.

Depreciation and amortisation expense in FY13 was $1.8 million, a decrease of $2.5 million from $4.3 million in FY12, primarily due to the reduction in the carrying value of the underlying IT assets in 2H12 as a result of Transformation 2015.

Equity remuneration expense in FY13 was $9.2 million, an increase of $2.3 million from $6.9 million in FY12, principally due to FY12 being impacted by the forfeiture of equity share awards by departing executives as well as specific business hurdles not being met.

Funds under management

At the end of FY13, FUM was $25.3 billion, an increase of 12% from the end of FY12, underpinned by a rebound in equity markets, offset by net outflows of $1.8 billion. Net outflows were substantially lower than the $4.1 billion experienced in the same period last year.

On an average basis, FY13 FUM was $24.9 billion or 4% higher than in the prior corresponding period.

The table below details the closing FUM for the last two financial years.

At end of	FY12 $b	Net flows $b	Other (1) $b	FY13 $b
Institutional	6.7	(0.2)	1.3	7.8
Intermediary (master fund and wrap)	10.9	(0.9)	2.3	12.3
Retail	5.0	(0.7)	0.9	5.2
All channels	**22.6**	**(1.8)**	**4.5**	**25.3**
Australian equities	15.5	(0.7)	3.9	18.7
Global equities	0.9	-	0.2	1.1
Equities	16.4	(0.7)	4.1	19.8
Cash & fixed income	4.8	(1.0)	0.4	4.2
Other	1.4	(0.1)	-	1.3
All asset classes	**22.6**	**(1.8)**	**4.5**	**25.3**

(1) Includes changes in asset value, income, reinvestments, distributions, and asset class rebalancing within the Group's diversified funds.

Net flows

Net flows for products by distribution channel and asset class for the last four reporting periods are detailed in the following table.

For the period ended	1H12 $b	2H12 $b	1H13 $b	2H13 $b	FY12 $b	FY13 $b
Institutional	(1.7)	(0.3)	(0.4)	0.2	(2.0)	(0.2)
Intermediary (master fund and wrap)	(0.8)	(0.5)	(0.4)	(0.5)	(1.3)	(0.9)
Retail	(0.5)	(0.3)	(0.4)	(0.3)	(0.8)	(0.7)
All distribution channels	**(3.0)**	**(1.1)**	**(1.2)**	**(0.6)**	**(4.1)**	**(1.8)**
Australian equities	(2.0)	(0.7)	(0.8)	0.1	(2.7)	(0.7)
Global equities	(0.1)	-	-	-	(0.1)	-
Equities	(2.1)	(0.7)	(0.8)	0.1	(2.8)	(0.7)
Cash & fixed income	(0.8)	(0.4)	(0.4)	(0.6)	(1.2)	(1.0)
Other	(0.1)	-	-	(0.1)	(0.1)	(0.1)
All asset classes	**(3.0)**	**(1.1)**	**(1.2)**	**(0.6)**	**(4.1)**	**(1.8)**

As can be seen from the above table, net flows improved significantly over FY13. In 2H13, Australian equities returned to net inflows for the first time since 2H06.

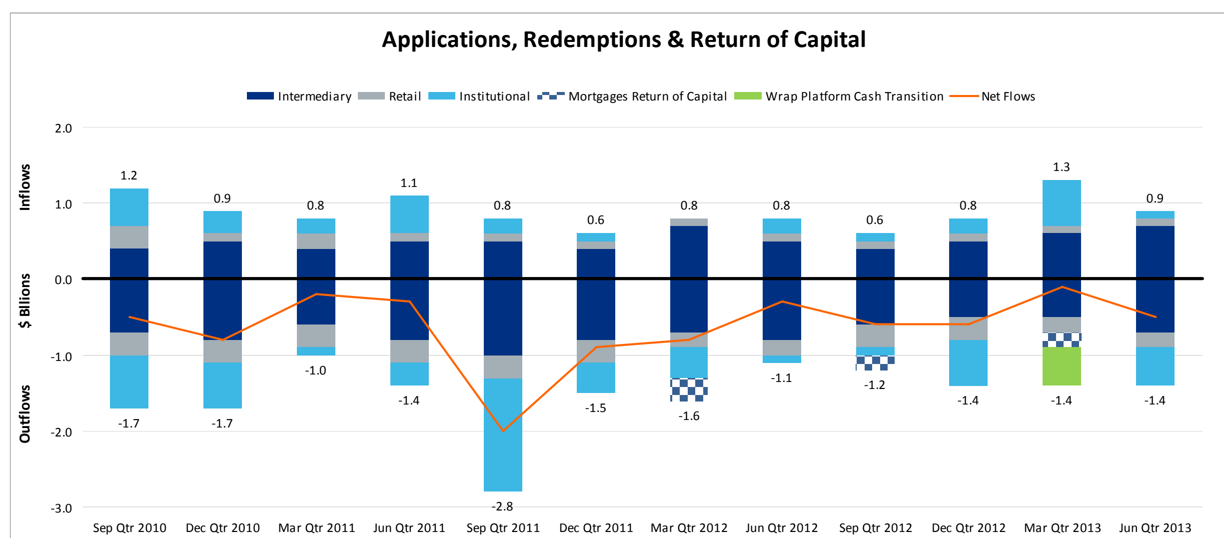
In FY13, there were $0.4 billion in capital returned to investors in the closed mortgage funds compared to $0.3 billion in FY12, and a $0.5 billion outflow from the cash asset class due to the transition to the new Perpetual Private wrap service. Adjusting the above table for these non-client initiated flows produces the following adjusted net flow profile for the last two years:

For the period ended	1H12 $b	2H12 $b	1H13 $b	2H13 $b	FY12 $b	FY13 $b
Institutional	(1.7)	(0.3)	(0.4)	0.2	(2.0)	(0.2)
Intermediary (master fund and wrap)	(0.8)	(0.3)	(0.3)	0.1	(1.1)	(0.2)
Retail	(0.5)	(0.2)	(0.3)	(0.2)	(0.7)	(0.5)
All distribution channels	**(3.0)**	**(0.8)**	**(1.0)**	**0.1**	**(3.8)**	**(0.9)**
Australian equities	(2.0)	(0.7)	(0.8)	0.1	(2.7)	(0.7)
Global equities	(0.1)	-	-	-	(0.1)	-
Equities	(2.1)	(0.7)	(0.8)	0.1	(2.8)	(0.7)
Cash & fixed income	(0.8)	(0.1)	(0.2)	0.1	(0.9)	(0.1)
Other	(0.1)	-	-	(0.1)	(0.1)	(0.1)
All asset classes	**(3.0)**	**(0.8)**	**(1.0)**	**0.1**	**(3.8)**	**(0.9)**

As can be seen from the above table, FUM net flows, excluding non-client initiated transactions, returned to net inflow in 2H13, the first time since 2H09.

Flows Analysis by Distribution Channel

The following chart presents gross flows[4] by distribution channel for the last three years.



Institutional – includes industry superannuation funds and clients who invest large sums. The business earns its lowest revenue margin from this channel. However, institutional FUM does not require complex technology and service structures, such as call centres and dedicated sales and distribution support, so the servicing cost is lower.

During FY13 a number of investment strategies received either initial or upgraded ratings from asset consultants whose clients are predominantly institutional investors.

During FY13, this channel experienced net outflows of $0.2 billion, a substantial improvement when compared to the $2.0 billion of net outflows experienced in FY12.
In FY13, the equities asset class had neutral flows, compared to $1.3 billion of net outflows in FY12. Equities experienced net inflows into both the Concentrated Equity and Sustainable Shares strategies, offset by net outflows from the Australian Shares strategy. This compares favourably to FY12, when both

[4] Institutional inflows and outflows into Cash, Enhanced Cash and Exact Market Cash Funds have been netted during the quarter so that only the net increase or decrease from this asset class is included.

the Concentrated Equity and the Sustainable Shares strategies collectively experienced net outflows of $0.9 billion.

In FY13, the cash & fixed income asset class had net outflows of $0.2 billion, compared to $0.7 billion of net outflows in FY12. These outflows were predominantly from the Exact Market Cash Fund product, which occurred in late 2H13.

Intermediary – this channel includes FUM from financial advisers who invest with Perpetual via external platform providers. This is the business' largest source of FUM.

In FY13, the Group's renewed focus on distribution resulted in the following achievements with strategic partners:

- 8 additions onto discretionary platforms
- 8 additions to financial advisor Approved Product Lists (APLs)
- 5 additions to model portfolios
- 4 product upgrades from research houses and
- 11 new investment grade (or its equivalent) or above fund ratings.

As can be seen from the previous chart, the refocused distribution approach has started to have a positive impact on flows in the intermediary channel, which has now shown an increase in gross inflows for the third consecutive quarter since September 2012.

In FY13, the intermediary channel experienced net outflows of $0.9 billion, a significant improvement on the $1.3 billion of net outflows experienced in FY12. Adjusting for the non-client initiated flows, referred to above, the year-on-year improvement would have been even more substantial with FY13 net outflows of $0.2 billion compared to FY12 net outflows of $1.1 billion.

In FY13, the equities asset class had $0.5 billion of net outflows, compared to $1.0 billion in FY12, predominantly due to net outflows from the mature Industrial Share Fund in both periods. In FY13 the Concentrated Equity, Ethical, Pure Value and SHARE-PLUS strategies all experienced net inflows of around $0.3 billion collectively.

In FY13, the cash & fixed income asset class experienced $0.5 billion of net outflows compared to net outflows of $0.2 billion in FY12. The channel benefited from $0.2 billion of net inflows into the Credit Income and the Diversified Income strategies. This increase was offset by net outflows of $0.2 billion of capital returned to investors in closed mortgage funds, and the $0.5 billion transfer from a cash strategy as a result of the transition to the new Perpetual Private wrap service in 2H13. The transfer to the wrap service is revenue neutral from a Group perspective, as the revenue forgone in Perpetual Investments is now recognised in Perpetual Private.

Retail – this channel sources FUM from advisers and individual clients who invest with Perpetual directly. This FUM earns the highest average gross margin. However, it requires an increased level of support infrastructure, which makes the cost to service this channel the highest.

Net outflows from this channel in FY13 were $0.7 billion, a $0.1 billion improvement on net outflows of $0.8 billion in FY12.

In FY13, the equities asset class experienced $0.2 billion of net outflows, compared to $0.4 billion in FY12, driven predominantly by net outflows from the Industrial Share Fund in both periods.

The cash & fixed income asset class had $0.3 billion of net outflows, unchanged from the prior period. In FY13, this comprised of a $0.2 billion return of capital to investors in closed mortgage funds and $0.1 billion from cash products, with a similar pattern exhibited in the prior year.

In FY13, there was $0.2 billion of outflows from the Other asset class, compared to $0.1 billion in FY12.

Investment performance

Almost all of Perpetual Investments' funds have generated returns greater than that of the market over the medium to longer term horizons. The consistency of excess returns against benchmark provides a

better outcome for investors and demonstrates the value of Perpetual's disciplined investment process, combined with the experience and expertise of Perpetual's investment managers.

The following table[5] outlines the consistent outperformance against the relevant benchmark for the main funds across nearly all of the periods.

Excess/(under) investment performance p.a. – gross as at end June 2013

Period	Australian Share Fund	Industrial Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Share Plus Fund	Ethical Share Fund	Diversified Income Fund	Perpetual Active Fixed Interest Fund
1 year	6.0%	(0.4%)	25.5%	8.9%	16.7%	15.6%	5.2%	2.7%
3 years	4.2%	0.1%	14.7%	5.2%	9.6%	9.7%	3.5%	1.9%
5 years	4.2%	1.8%	11.7%	5.6%	7.0%	12.5%	2.0%	1.5%
7 years	3.1%	2.0%	9.6%	4.5%	5.7%	7.4%	0.6%	0.9%
10 years	3.1%	1.7%	6.3%	3.4%	4.5%	5.5%	N/A	N/A

Perpetual Investments' investment management performance continues to be recognised by industry peers and various research houses. Most of the Group's core funds are represented in the first or second quartile of performance rankings[6] over the last five years.

Fund ratings outcomes during the year were strong. Around 75% of reviews resulted in ratings being maintained and around 15% resulted in upgrades. Eleven new ratings were assigned during the period with seven achieving a rating of recommended, or its equivalent, or above. Strong ratings are an important factor in supporting distribution through the intermediary and retail channels.

A number of strategies also received either initial or upgraded ratings from asset consultants whose clients are predominantly institutional investors.

The business also received a number of industry awards during the year, including:

- winner of the Morningstar Fund Manager of the Year for 2013
- winner of the AFR's Smart Investor Funds Manager of the Year for 2013[7]
- winner of the Morningstar Emerging Manager Australia and Multi-Sector Australia category for the Share-Plus Long-Short Fund for 2013, and
- winner of the Money Management/Lonsec Responsible Investments Award for the Ethical SRI Fund.

Perpetual Private

Perpetual Private provides holistic financial solutions for high net worth individuals in the target segments of business owners, established wealthy and professionals. It aims to be the leading provider of wealth advice for financially successful individuals, families, businesses and not-for-profit organisations.

Perpetual Private manages financial assets for private clients, estates, trusts and charitable trusts, with funds under advice (FUA) of $9.0 billion at the end of FY13, up 13% from $8.0 billion at the end of FY12.

Perpetual is one of Australia's largest managers of philanthropic funds, including as trustee for over 550 charitable trusts and endowment funds, with over $1.3 billion in funds under management at the end of FY13.

In late 1H13, Mr Mark Smith joined the Group as Group Executive for Perpetual Private. Mr Smith has over 20 years of experience in the financial services industry.

Key accomplishments for FY13 included:

- an improvement in net flows by $0.3 billion
- a full year's contribution from the new Super Wrap product which was launched in April 2012 with FY13 sales of around $0.2 billion
- the launch in April 2013 of the new enhanced portfolio wrap service

[5] The table provides no allowance for management expenses, redemption fees, or taxation
[6] Mercer wholesale surveys – quartile rankings – June 2013
[7] This award was announced in August 2013

- the implementation of management initiatives, as part of Transformation 2015, that are designed to improve both the customer experience and productivity, such as:
  - transitioning from a separate sales and service model to an integrated model where senior advisers are responsible for developing both new business and servicing existing clients and
  - transitioning a number of clients with less complex advice needs into the Perpetual Plus advice team where the business can continue to service these clients to the same standard with less advisers and
- Perpetual Private was awarded the 2013 Institutional Dealer Group of the Year by Money Management.

Financial summary

FY13 has continued to be a further year of investment for Perpetual Private with a focus on scale, structure and efficiency for future growth. FY13 profit before tax was $9.2 million, an increase of $0.9 million or around 11% on FY12.

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Market related revenue	33.7	33.9	34.5	36.7	67.6	71.2
Non-market related revenue	23.1	24.0	22.0	22.5	47.1	44.5
Total revenues	56.8	57.9	56.5	59.2	114.7	115.7
Operating expenses	(48.4)	(50.1)	(48.4)	(49.9)	(98.5)	(98.3)
EBITDA	8.4	7.8	8.1	9.3	16.2	17.4
Depreciation and amortisation	(3.1)	(3.2)	(2.6)	(3.3)	(6.3)	(5.9)
Equity remuneration expense	(0.4)	(1.2)	(1.1)	(1.2)	(1.6)	(2.3)
Profit before tax	**4.9**	**3.4**	**4.4**	**4.8**	**8.3**	**9.2**
Closing funds under advice (FUA)	$8.1b	$8.0b	$8.8b	$9.0b	$8.0b	$9.0b
Average funds under advice (FUA)	$8.2b	$8.2b	$8.5b	$9.1b	$8.2b	$8.8b
Market related revenue margin	82 bps	83 bps	81 bps	81 bps	82 bps	81 bps

Note: During 1H13, a review of the business segment's classification of revenue accounts was undertaken. This review identified that certain revenue accounts previously classified as market related revenue should be classified as non-market related revenue. These revenue accounts have now been reclassified for 1H13 and 2H13. 1H12 and 2H12 revenues have been re-presented using the same classification methodology adopted in FY13 to provide comparability. This reclassification has no impact on the total revenue for Perpetual Private, or any other business segment.

Revenues

FY13 revenues of $115.7 million represented an increase of $1.0 million on FY12. While market related revenue increased, this was offset by a decline in non-market revenue.

The main revenue driver for Perpetual Private is FUA, with market related revenue contributing approximately 62% of total revenues in FY13 compared to 59% in FY12. In FY13, market related revenue was $71.2 million, an increase of $3.6 million or 5% on FY12. This increase in revenue was broadly in line with the increase in average FUA experienced during the year, underpinned by the rebound in equity markets that occurred over the period. The FY13 market related revenue margin of 81 basis points was broadly unchanged from the prior year.

FY13 non-market revenue of $44.5 million represented a decline of $2.6 million or 6% on FY12. While insurance sales revenue increased around $0.3 million in FY13, the following business lines experienced a decline in revenue:

- property related placement fees, by $0.8 million, due to fewer market opportunities
- business advisory services, by $0.7 million, due to lower demand for discretionary business services
- administration fees, by $0.6 million, due to the departure of an external dealer group
- estate administration fees by $0.3 million and
- other business lines, by $0.5 million due to lower client activity.

Expenses

Total expenses in FY13 were $106.5 million, broadly unchanged from $106.4 million in FY12. Transformation 2015 savings were $7.8 million.

Operating expenses in FY13 were $98.3 million, $0.2 million lower than incurred in FY12.

Key variances between FY13 and FY12 were:

- a $5.3 million net decrease in fixed remuneration expense as a result of Transformation 2015 initiatives to improve business productivity
- a $0.6 million decrease in Group shared services costs in response to the implementation of a leaner and more efficient operating model, coupled with a decrease in shared service allocations based on resources utilised and the transition to an IT outsourcing arrangement in early 2H13

offset by

- a $2.6 million increase in variable remuneration underpinned by the improved financial performance of the Group and an improvement in certain business measures, as well as sign - on payments
- a $1.9 million IT expense following the transition to an IT outsourcing arrangement in early 2H13
- a $0.8 million increase in the costs associated with the new portfolio wrap service (Project ICE) and
- a $0.4 million increase in various other expenses.

The FY13 depreciation and amortisation expense of $5.9 million was $0.4 million less than incurred in FY12. The business received a $1.0 million lower expense due to the reduction in the carrying value of the underlying IT assets in 2H12 as a result of Transformation 2015. This reduction was offset by a $0.6 million expense as a result of the commissioning of the new wrap service in the last quarter of FY13. The business has invested a total of $15 million in capital expenditure in relation to Project ICE.

The FY13 equity remuneration expense of $2.3 million represented an increase of $0.7 million on FY12. In FY12, equity remuneration was lower due to the write-back of previously amortised long-term incentives (LTIs) as a result of performance measures not being met.

Perpetual Private portfolio wrap service (Project ICE)

In April 2013, the business completed the roll-out of the new enhanced portfolio wrap service. The completion of the two year project, known as Project ICE (Improving the Client Experience) fundamentally modernises the business' service offering. The market-leading platform can administer master fund, wrap and fiduciary activity, and caters for a diverse range of assets, essential prerequisites for high net worth and fiduciary clients. It has been designed to support the current and foreseeable future needs of the business. The Perpetual Private portfolio wrap service will significantly improve the client experience by offering sophisticated web-based reporting and self-service capabilities.

By partnering with an external administration provider, the business will be able to focus on the provision of advice to its target client segments rather than incur prohibitive maintenance and development spend on its existing in-house platform administration service (PACT).

In FY13, the business incurred $5.7 million of operating expenses in relation to the new wrap service, compared to $5.3 million in FY12. Based on the level of FUA on the wrap platform at the end of FY13, operating expenses for client administration in FY14 are expected to increase by around $2 million when the operating expense savings associated with the retirement of the PACT system are included. As previously mentioned depreciation and amortisation will also increase in FY14 in line with the first full year's utilisation of the new enhanced service.

Funds under advice

Perpetual Private's FUA at the end of FY13 was $9.0 billion, an increase of $1.0 billion or 13% from the end of FY12. Average FY13 FUA was $8.8 billion or 7% higher than in FY12. This increase in average FUA was principally as a result of improved investment markets and a significantly lower level of net outflows than experienced in the prior year.

In FY13 there were $0.1 billion of net outflows, compared to $0.4 billion in the prior corresponding period. This improvement in net flows was due to a 38% improvement in gross inflows to $0.7 billion and a 19% fall in gross outflows to $0.8 billion.

In April 2012, the business launched the Perpetual Private Super Wrap. The product is designed for clients who are ideally seeking an alternative to a self managed superannuation fund, where they don't want the responsibility or risk of being a trustee, but still want flexibility and control over their investments. In FY13, gross inflows were around $0.2 billion, of which around 40% was new client inflow.

At the end of FY13, around 55% of Perpetual Private's FUA was invested in equities.

The table below details the closing FUA for the last two financial years.

At end of	FY12 $b	Net flows $b	Other [1] $b	FY13 $b
Financial advisory:				
› superannuation	3.3	(0.1)	0.6	3.8
› non-superannuation	1.9	-	0.2	2.1
	5.2	**(0.1)**	**0.8**	**5.9**
Fiduciary services:				
› philanthropic	1.1	-	0.1	1.2
› trusts and estates	1.7	-	0.2	1.9
	2.8	**-**	**0.3**	**3.1**
Total funds under advice (FUA)	**8.0**	**(0.1)**	**1.1**	**9.0**

(1) Includes reinvestments, distributions, income, and asset growth.

At the end of FY13:

- around 50% of FUA was held in direct investments and
- around 50% of FUA was held in managed investments, of which
  - around 40% was managed by Perpetual Investments and
  - around 60% was managed by other managers.

Native title

Throughout Australia, mining companies and Aboriginal communities have been negotiating royalty payments in return for access to registered native title lands for some years. A recent trend is for these funds to be managed by a professional trustee company via an appropriate trust structure.

Perpetual Private recognised this opportunity in FY12 establishing a dedicated Native Title Trusts team that leverages the Group's long-term experience, breadth of knowledge, fiduciary background and investment management capability. Initial response to Perpetual's services has been positive, with five trust appointments totalling around $55 million.

Perpetual Private is well placed to accelerate its growth and profitability provided market volatility remains subdued and a turnaround in investor sentiment continues.

Corporate Trust

Corporate Trust is a leading provider of corporate trustee services. Products and services include trustee services for covered bonds, mortgage-backed and other securitisation programs for major banks and non-bank organisations; regulatory compliance services (responsible entity) for fund managers; custody, accounting services for property, private equity and mortgage funds; and trusteeships for corporate debt issues, infrastructure projects and other structures.

During FY13, the business executed on the Transformation 2015 strategy to simplify, refocus and grow by concentrating on its core expertise of corporate fiduciary services, comprising:

- Fund Services – provision of outsourced responsible entity, trustee and custody services to the managed funds industry
- Trust Services – provision of trustee, custody and standby servicing to the debt capital and securitisation markets
- Trust Management – provision of specialised trust management and accounting services to the debt capital markets, and
- Data Services – provision of data warehouse and investor reporting to the Australian securitisation market.

In order to align with this renewed focus, the business has divested its three business process outsourcing administration businesses, which no longer aligned with its strategic core fiduciary purpose. The divested businesses comprised of a third party registry business (sold in FY12); the Perpetual Lenders Mortgage Services business - which was already classified as a discontinued business in FY12 and sold in FY13; and a loan servicing business, sold in FY13.

Financial summary

Corporate Trust's FY13 profit before tax was $18.3 million, which was $0.9 million or 5% higher than in FY12. The business generated a profit margin on revenue of 37% in FY13, which represented a 400 basis point improvement on FY12. This improvement in profit was the result of:

- Transformation 2015 savings and
- cost benefits associated with the divestment of non-core loan servicing and registry businesses.

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Fiduciary services revenues	24.6	24.7	24.6	24.6	49.3	49.2
Investment in associates (MARQ)	-	-	(0.3)	(0.4)	-	(0.7)
Sold businesses:						
Loan servicing & registry revenues	1.5	1.2	1.0	0.3	2.7	1.3
Total revenues	26.1	25.9	25.3	24.5	52.0	49.8
Operating expenses	(16.6)	(16.1)	(15.8)	(14.0)	(32.7)	(29.8)
EBITDA	9.5	9.8	9.5	10.5	19.3	20.0
Depreciation and amortisation	(1.0)	(0.9)	(0.7)	(0.6)	(1.9)	(1.3)
Equity remuneration amortisation	0.2	(0.2)	(0.2)	(0.2)	-	(0.4)
Profit before tax	**8.7**	**8.7**	**8.6**	**9.7**	**17.4**	**18.3**

Revenue

Corporate Trust's FY13 revenues of $49.8 million represented a decrease of $2.2 million or 4% on FY12. Revenue from core fiduciary services was in line with the prior year. The decline in revenue was principally due to the revenue foregone associated with the divested administration businesses that were sold to enable the business to focus on its core expertise of corporate fiduciary services.

The primary revenue driver of Corporate Trust is the public RMBS securitisation market which continued to be in net outflow in FY13. This reduction was offset by net growth in asset backed securities (ABS), and the relatively lower revenue margin asset classes of covered bonds and non-marketed self-securitised RMBS.

In August 2012, the Group entered into a joint venture agreement with Oliver Wyman and Morgij Analytics to launch MARQ Services, a platform that provides standardised data and reporting analytics for the RMBS and covered bond markets. In its first year of operations, the business has acquired four clients. In FY13, the Group's share of loss from its 45% investment in MARQ Services was $0.7 million.

Expenses

Total expenses in FY13 were $31.5 million, a decrease of $3.1 million on FY12. Transformation 2015 savings were $1.7 million.

Operating expenses of $29.8 million in FY13 were $2.9 million lower than in FY12.

Key variances between FY13 and FY12 were:

- a $2.5 million net decrease in fixed remuneration expense as a result of Transformation 2015 initiatives, including the reduction in FTEs following the sale of non-core businesses
- a $1.7 million decrease in Group shared services costs as a result of the implementation of a leaner and more efficient operating model, coupled with a decrease in shared service allocations based on resources utilised and the transition to an IT outsourcing arrangement in early 2H13, and
- a $0.3 million decrease in other expenses

  offset by

- a $0.8 million IT expense following the transition to an IT outsourcing arrangement in early 2H13 and
- a $0.8 million increase in variable remuneration underpinned by the improved financial performance of the Group as well as improvement in certain business measures.

Depreciation and amortisation expense in FY13 was $1.3 million compared to $1.9 million in FY12, a decrease of $0.6 million primarily due to the reduction in the carrying value of the underlying IT assets in 2H12 as a result of Transformation 2015.

The equity remuneration expense in FY13 was $0.4 million compared to $nil in FY12, an increase of $0.4 million on FY12. Equity remuneration in FY12 was lower due to the write-back of previously amortised long-term incentives (LTIs) as a result of performance measures not being met.

Funds under administration (FUA) (1)

At end of	1H12 $b	2H12 $b	1H13 $b	2H13 $b
CMBS and ABS	23.3	24.8	27.1	28.4
RMBS – non-bank	45.6	43.2	40.3	36.5
RMBS – bank	53.2	50.4	51.7	51.9
RMBS – repos	80.1	74.9	95.5	102.1
Covered bonds	3.5	23.7	33.9	40.5
Total funds under administration (FUA)	**205.7**	**217.0**	**248.5**	**259.4**

(1) Includes warehouse and liquidity finance facilities.

FUA at the end of FY13 increased by 20% compared to the end of FY12, to $259.4 billion. FUA increased across all asset classes other than non-bank RMBS. The majority of growth has come from RMBS – repos and covered bonds. RMBS – repos and covered bonds now represent around 39% and 16% of FUA respectively. Fees earned on RMBS – repos and covered bonds are significantly lower than for the other asset classes. This shift in asset mix has continued from FY12 and consequently resulted in lower average revenue margins for the business.

Run-off rates across existing RMBS increased during FY13 compared to FY12, reflecting the continued de-leveraging of households.

Group Support Services

Costs that have been retained in Group Support Services (GSS) reflect costs that management deems to be associated with corporate rather than reportable business segment activity. These include costs associated with the Board of Directors and 50% of the costs associated with the Group Executives of each of the GSS Business Units (CEO, Corporate Services and People & Culture) as it is deemed that

approximately 50% of their time is spent on Group reporting and setting corporate policies. Costs and revenues associated with the capital structure of the Group, including interest income, financing costs and ASX listing fees are also retained within GSS.

Financial summary

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Revenues	3.8	3.3	4.0	4.3	7.1	8.3
Operating expenses	(4.4)	(5.3)	(6.6)	(6.7)	(9.7)	(13.3)
EBITDA	(0.6)	(2.0)	(2.6)	(2.4)	(2.6)	(5.0)
Depreciation and amortisation	(0.6)	(0.4)	(0.1)	-	(1.0)	(0.1)
Equity remuneration expense	0.0	(0.6)	(0.2)	(0.2)	(0.6)	(0.4)
Interest expense	(1.3)	(1.2)	(0.9)	(0.9)	(2.5)	(1.8)
Profit/(loss) before tax	**(2.5)**	**(4.2)**	**(3.8)**	**(3.5)**	**(6.7)**	**(7.3)**

FY13 revenue from the Group's cash and principal investments of $8.3 million represented an increase of $1.2 million on FY12. This increase was underpinned by increased income from the Group's seed fund investments.

Total expenses for FY13 were $15.6 million compared to $13.8 million in FY12. Transformation 2015 savings were $7.6 million.

Operating expenses in FY13 of $13.3 million were $3.6 million higher than in FY12.

Key variances between FY13 and FY12 were:

- a $12.8 million net decrease in fixed remuneration expense predominantly as a result of lower headcount from the implementation of a leaner and more efficient operating model and the transition to an IT outsourcing arrangement, and
- a $1.8 million reduction in marketing expenditure

offset by

- a $8.9 million decrease in Group shared services cost recoveries as a result of the implementation of a leaner and more efficient operating model, coupled with a decrease in shared service allocations based on resources utilised and the transition to an IT outsourcing arrangement in early 2H13
- a $2.4 million increase due to the non-recurring nature of the FY12 write-back of deferred consideration payable in relation to acquisitions where certain pre-determined hurdles had not been met
- a $3.2 million increase in professional fees in relation to general corporate advice
- a $1.5 million IT expense following the transition to an IT outsourcing arrangement in early 2H13
- a $1.7 million increase in variable remuneration underpinned by the improved financial performance of the Group and an improvement in certain business measures, and
- a $0.5 million increase in other expenses.

The FY13 depreciation and amortisation expense of $0.1 million represented a decrease of $0.9 million due to the reduction in the carrying value of the underlying IT assets in 2H12 as a result of Transformation 2015.

The FY13 equity remuneration expense of $0.4 million was $0.2 million lower than in FY12. The prior period was impacted by the accelerated amortisation of the former CEO's TSR-linked equity remuneration.

A lower interest rate expense in FY13 reflects the recent falls in short-term interest rates.

Consolidated Group

Total Group expenses before tax including depreciation and amortisation and equity remuneration expense (excluding significant items[8] and discontinued operations) decreased by $11 million, or around 4% from FY12 to $262.3 million in FY13.

Movement in Group expenses

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Employment	(91.7)	(89.6)	(85.9)	(83.2)	(181.3)	(169.1)
Occupancy	(10.3)	(10.2)	(10.3)	(9.8)	(20.5)	(20.1)
General & administrative	(32.8)	(34.3)	(32.4)	(37.1)	(67.2)	(69.5)
Other intangibles	(0.9)	(0.9)	(0.9)	(0.9)	(1.8)	(1.8)
Financing costs	(1.3)	(1.2)	(0.9)	(0.9)	(2.5)	(1.8)
Total expenses before tax	**(137.0)**	**(136.3)**	**(130.4)**	**(131.9)**	**(273.3)**	**(262.3)**

The previous table excludes expenses that are considered non-recurring and unrelated to the ongoing business activities of the Group.

The key drivers of the decrease in the Group's continuing operations expenses in FY13 are set out in the following table.

	$m
FY12 expenses	**273.3**
Decrease in fixed remuneration	(26.4)
Increase in variable remuneration	11.0
Increase in equity remuneration	3.2
Decrease in depreciation and amortisation	(5.0)
Decrease in custody fees	(2.5)
Decrease in marketing expenses	(1.8)
Decrease in other expenses	(0.9)
Decrease in financing costs	(0.7)
Increase in IT outsourcing arrangement fees	5.1
Absence of any write-back of deferred consideration in FY13	2.4
Increase in professional fees	3.2
Increase in Private Wrap expenses (includes operating expenses and depreciation & amortisation)	1.4
FY13 expenses	**262.3**

The reduction in expenses in FY13 has primarily been due to a decrease in fixed remuneration in line with reduced headcount, depreciation and amortisation and custody fees as a consequence of Transformation 2015 cost management initiatives.

Transformation 2015

In late FY12, the Group announced its Transformation 2015 strategy to achieve its vision of becoming Australia's largest independent wealth manager of choice. To achieve this vision, the Company announced a program that will significantly simplify its corporate structure, refocus its operational activities and capture new opportunities for growth. A cost savings program was announced targeting $50 million of annualised cost savings before tax in FY15.

In FY13, cost management initiatives from Transformation 2015 have delivered $28.2 million of program benefits before tax, of which $24.7 million of savings before tax relates to the Group's continuing operations and $3.5 million before tax relates primarily to cost avoidance from the transfer of future premises obligations as part of the sale of the discontinued PLMS business.

[8] Costs associated with the Transformation Program Office (including employment) are reported as part of the Group's restructuring costs, which are considered a significant item and therefore are not reflected in the Group Expenses table.

The following table provides an analysis of the net $11.0 million in expense reductions for the continuing operations in FY13 attributable to Transformation 2015 cost management program, in part offset by an increase in expenses associated with the execution of the Group's underlying business as usual (BAU) and costs associated with new initiatives.

	Transformation 2015	BAU	Total
	$m	$m	$m
Decrease in fixed remuneration	(23.4)	(3.0)	(26.4)
Increase in variable remuneration	-	11.0	11.0
Increase in equity remuneration	-	3.2	3.2
Increase/(Decrease) in employment expenses	**(23.4)**	**11.2**	**(12.2)**
Decrease in depreciation and amortisation	(3.4)	(1.6)	(5.0)
Decrease in custody fees	(2.5)	-	(2.5)
Decrease in marketing expenses	-	(1.8)	(1.8)
Decrease in other expenses	(0.5)	(0.4)	(0.9)
Decrease in finance expenses	-	(0.7)	(0.7)
Increase in IT outsourcing arrangements	5.1	-	5.1
Absence of any write-back of deferred consideration in FY13	-	2.4	2.4
Increase in professional fees	-	3.2	3.2
Increase in Private Wrap expenses	-	1.4	1.4
Increase/(Decrease) in non-employment expenses	**(1.3)**	**2.5**	**1.2**
Increase/(Decrease) in total expenses before tax	**(24.7)**	**13.7**	**(11.0)**

The key driver of the Transformation 2015 expense savings in FY13 has been the decrease in fixed remuneration expenses in line with the reduction in FTEs.

The increase in FY13 BAU expenses was primarily attributable to an increase in variable remuneration of $11.0 million principally in line with the improved financial performance of the Group. By contrast, FY12 variable remuneration declined by $17.3 million when compared to FY11.

The $28.2 million of Transformation 2015 program benefits in FY13 equates to annualised program run-rate benefits at the end of FY13 of around $41 million before tax. The annualised rate includes $4 million before tax of cost avoidance from the transfer of future premises obligations as part of the sale of the discontinued PLMS business.

The FY13 annualised run-rate savings of around $37 million before tax for the Group's continuing operations equates to 74% of the program's expected $50 million of annualised before tax run-rate savings by the end of FY14, in line with the original estimate.

Costs incurred in relation to Transformation 2015 during FY13 were $13.6 million before tax. Total program expenditure for Transformation 2015 to the end of FY13 was $49.7 million before tax. The total program cost for Transformation 2015 is expected to be $70 million before tax, in line with the original estimate.

At the end of 2H13, FTEs had reduced to 838 from 1,343 at the end of 2H12, a decrease of 38%. The following table provides an analysis of FTEs by business segment over the last two years.

For the period ending	1H12 FTEs	2H12 FTEs	1H13 FTE's	2H13 FTE's
Perpetual Investments	162	150	138	134
Perpetual Private	404	405	405	353
Corporate Trust	146	151	138	111
Group Support Services	386	384	365	240
Total continuing operations	**1,098**	**1,090**	**1,046**	**838**
Discontinued operations (PLMS)	284	253	0	0
Total	**1,382**	**1,343**	**1,046**	**838**
Permanent	1,077	1,072	998	810
Contractors	21	18	48	28
Total continuing operations	**1,098**	**1,090**	**1,046**	**838**

As can be seen from the above table, total FTEs have reduced by 505 FTEs from 1,343 at the end of 2H12 to 838 at the end of 2H13. This reduction was principally due to:

- sale of PLMS and loan servicing businesses
- outsourcing of IT in 2H13 and
- transition to a leaner and more efficient operating model.

Tax expense

Perpetual's average tax rate in FY13 was 29% (FY12: 28%), calculated from underlying profit from continuing operations before tax (UPBT), which is broadly in line with Company tax rate of 30%.

Significant Items

The Group separately discloses items that were material to the financial performance of the Group, but are considered to be either non-recurring or not part of the operating result as a significant item. Significant items are excluded from UPAT.

	Profit/(Loss) Before Tax					
For the period ended	**1H12 $m**	**2H12 $m**	**1H13 $m**	**2H13 $m**	**FY12 $m**	**FY13 $m**
Significant items:						
1. Operating income from discontinued operations (PLMS)	0.6	2.6	0.6	-	3.2	0.6
2. Non recurring tax benefit/(expense) items	-	-	1.9	(1.5)	-	0.4
3. Gain/(Loss) on disposal of businesses	0.6	(0.8)	2.1	0.5	(0.2)	2.6
4. Gain/(Loss) on disposal/impairment of investments & associates	(2.8)	(2.8)	(0.9)	1.7	(5.6)	0.8
5. Restructuring costs	(11.1)	(17.8)	(8.5)	(6.8)	(28.9)	(15.3)
6. Impairment of assets	-	(17.9)	(0.1)	-	(17.9)	(0.1)
7. Foreign currency translation costs	-	-	(5.2)	-	-	(5.2)
8. Costs relating to Trust Company proposal	-	-	-	(1.5)	-	(1.5)
Total significant items	**(12.7)**	**(36.7)**	**(10.1)**	**(7.6)**	**(49.4)**	**(17.7)**

	Profit/(Loss) After Tax					
For the period ended	**1H12 $m**	**2H12 $m**	**1H13 $m**	**2H13 $m**	**FY12 $m**	**FY13 $m**
Significant items:						
1. Operating income from discontinued operations (PLMS)	0.4	1.8	0.4	-	2.2	0.4
2. Non recurring tax benefit/(expense) items	-	-	1.9	(1.5)	-	0.4
3. Gain/(Loss) on disposal of businesses	0.6	(0.8)	2.1	0.5	(0.2)	2.6
4. Gain/(Loss) on disposal/impairment of investments & associates	(2.2)	(3.4)	(0.9)	0.1	(5.6)	(0.8)
5. Restructuring costs	(10.2)	(12.4)	(6.0)	(4.7)	(22.6)	(10.7)
6. Impairment of assets	-	(12.5)	(0.1)	-	(12.5)	(0.1)
7. Foreign currency translation costs	-	-	(5.2)	-	-	(5.2)
8. Costs relating to Trust Company proposal	-	-	-	(1.5)	-	(1.5)
Total significant items	**(11.4)**	**(27.3)**	**(7.8)**	**(7.1)**	**(38.7)**	**(14.9)**

1. Operating income from discontinued operations (PLMS)

For the period ended	**1H12 $m**	**2H12 $m**	**1H13 $m**	**2H13 $m**	**FY12 $m**	**FY13 $m**
Profit before tax	0.6	2.6	0.6	-	3.2	0.6
Tax expense	(0.2)	(0.8)	(0.2)	-	(1.0)	(0.2)
Restructuring expenses after tax	**0.4**	**1.8**	**0.4**	**-**	**2.2**	**0.4**

In 2H12, as part of the Transformation 2015 strategy, the Group announced its intention to exit the mortgage servicing business (PLMS) and accordingly, the business became a discontinued operation held for sale at the end of 2H12.

The net operating profit after tax from the PLMS discontinued business in FY12 was $2.2 million.

On 12 July 2012, a sale for PLMS was announced and this sale was completed on 1 August 2012.

The net operating profit after tax from the PLMS discontinued business in FY13 was $0.4 million.

Refer to significant item 3: *Gain/(loss) on disposal of businesses* for the profit on sale of the PLMS business and *Note 7:Discontinued operations held for sale* in the FY13 financial statements.

2. Non recurring tax benefit/(expense) items

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Non-recurring tax benefit/(expense) items	**-**	**-**	**1.9**	**(1.5)**	**-**	**0.4**

In FY13 the Group received a net tax benefit of $0.4 million from non-recurring items.

In 1H13 the Group was able to claim a tax offset under the Australian Tax Office's research and development tax incentive for process improvements undertaken by Perpetual Private, predominantly for Project ICE. The $1.9 million benefit consists of $0.5 million in relation to FY11 and $1.4 million in relation to FY12.

In 2H13, a review of the Group's Equity Compensation Reserve was undertaken and the Company became aware that $1.5 million of tax benefits claimed in prior years, in respect of the equity remuneration expense in relation to TSR linked shares, needed to be reversed following the forfeiture of those shares.

3. Gain/(loss) on disposal of businesses

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Gain/(loss) on disposal of businesses	0.6	(0.8)	2.1	0.5	0.2	2.6
Tax benefit/(expense)	-	-	-	-	-	-
Gain/(loss) on disposal of businesses after tax	**0.6**	**(0.8)**	**2.1**	**0.5**	**0.2**	**2.6**

In FY13 the Group generated a net $2.6 million from the sale of the discontinued PLMS operation in 1H13 ($2.4 million net) and Corporate Trust's loan servicing business in 2H13 ($0.2 million net).

In FY12 the Group sold Perpetual Investments' smartsuper business in 1H12 and in 2H12 it sold Corporate Trust's third party registry business for a gain of $0.8 million, offset by $1.4 million of selling costs in relation to PLMS.

4. Gain/(loss) on sale/impairment of investments & associates

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Profit/(loss) on disposal/impairment of investments	(2.8)	(2.8)	(0.9)	1.7	(5.6)	0.8
Income tax benefit/(expense)	0.6	(0.6)	-	(1.6)	-	(1.6)
Total profit/(loss) after tax on sale/impairment of investments	**(2.2)**	**(3.4)**	**(0.9)**	**0.1**	**(5.6)**	**(0.8)**

In FY13, the Group incurred a $0.8 million after tax loss on investments & associates, compared to a loss of $5.6 million in the prior year.

Profit or loss on investments relates to gains/losses on sale or impairment of the underlying investments in managed funds that are predominantly exposed to equity markets. These funds relate to the seeding of new investments.

In 2H13, the Group took up a $1.1 million impairment charge in relation to its investment in the MARQ Services joint venture to reflect its recoverable amount as at the end of FY13. In FY12 the Company did not hold any investments that it accounted for as an investment in associates or joint ventures.

5. Restructuring costs

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Restructuring costs	(11.1)	(17.8)	(8.5)	(6.8)	(28.9)	(15.3)
Tax benefit	0.9	5.4	2.5	2.1	6.3	4.6
Restructuring expenses after tax	**(10.2)**	**(12.4)**	**(6.0)**	**(4.7)**	**(22.6)**	**(10.7)**

In FY13, the Group incurred $10.7 million in restructuring costs after tax. These costs principally relate to the Group's continued execution of its Transformation 2015 strategy. Restructuring costs in 2H12 were principally related to Transformation 2015.

1H12 restructuring costs were principally related to the closure of the Group's Dublin operation.

6. Impairment of assets

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H123 $m	FY12 $m	FY13 $m
Impairment of assets	-	(17.9)	(0.1)	-	(17.9)	(0.1)
Tax benefit	-	5.4	-	-	5.4	-
Total impairment of assets after tax	**-**	**(12.5)**	**(0.1)**	**-**	**(12.5)**	**(0.1)**

In FY13, impairment related to a further charge in 1H13 in relation to the carrying value of certain IT assets that were subsequently sold in 2H13 as part of the Group's Transformation 2015 strategy to outsource its IT.

In FY12, impairment charges of $12.5 million were incurred in relation to a review of the carrying value of the group's IT assets in response to the Transformation 2015 initiatives relating to IT.

7. Foreign currency translation costs

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Foreign currency translation costs after tax	**-**	**-**	**(5.2)**	**-**	**-**	**(5.2)**

In 1H13, the Group recognised a $5.2 million non-cash after tax expense as a result of the reclassification of the foreign currency translation reserve to the statement of comprehensive income as a result of the closure of the business in Dublin, which has ceased operations. The legal entity through which the business operated is now in voluntary liquidation.

8. Cost relating to the Trust Company proposal

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Trust Company proposal costs after tax	**-**	**-**	**-**	**(1.5)**	**-**	**(1.5)**

On 7 May 2013, Perpetual Limited entered into a Scheme Implementation Agreement under which Perpetual Limited proposes to acquire all of the ordinary shares in ASX listed The Trust Company Limited (TrustCo) via a scheme of arrangement. TrustCo represents an attractive growth opportunity given its strong strategic fit with Perpetual's existing businesses.

At the date of this report, the transaction is not yet complete as a number of necessary approvals remain outstanding, including TrustCo shareholder approval and regulatory approvals.

In FY13, the Group incurred expenses of $1.5 million after tax associated with the proposed acquisition of TrustCo.

Capital Management

The Group manages its capital and liquidity to sustain a strong and flexible balance sheet. It has adopted a conservative and prudent policy to ensure the Group:

- can efficiently support all of its businesses
- retains sufficient surplus capital to provide for uncertainty and operational risk that resides within the businesses
- can maintain adequate liquidity to ensure financial flexibility and
- has capital resources to take advantage of inorganic growth opportunities as they arise.

The Group uses a risk-based capital model based on the Basel II framework to assess its capital requirements. The model requires capital to be set aside for operational, credit and market risk and any known capital commitments. At the end of FY13, the total amount of economic capital assessed by the model exceeds the Group's $89.1 million of regulatory capital by a factor of around 35%. At the end of FY13, total economic capital requirements were $122 million, compared to around $230 million of liquid funds, which equates to a coverage ratio of 1.89 times the Group's economic capital needs, compared to 1.38 times at the end of FY12.

The above calculation for regulatory capital includes a capital allowance required to meet APRA's requirement that all registerable superannuation entity (RSE) licensees maintain and manage the necessary financial resources to cover the operational risk that relates to each RSE within its business operations. APRA expects a soundly run RSE licensee that has implemented an effective risk management framework to have an Operational Risk Framework Requirement (ORFR) target amount of at least 0.25 per cent of funds under management.

The Group maintains a conservative balance sheet and in FY13 has continued to reduce its balance sheet risk following the difficult trading environment experienced in the years immediately following the GFC.

During FY13, the Group has continued to execute a number of strategies to strengthen its balance sheet, including

- continuing to improve the overall credit quality of the Group's risk assets and reduce exposure to structured products on the balance sheet;
- maintaining a committed debt facility from its long-term banking partner for $70.0 million, drawn to $45 million. $25 million remains undrawn as at 29 August 2013, and
- focusing on ensuring strong discretionary expense discipline across each business segment and support group.

Interest rate risk

Perpetual's balance sheet is subject to interest rate risk.

The Group generates positive cash flows from operations from a relatively light capital structure. Cash balances are held in high quality credit and highly liquid investment funds managed by the Group. These investments generally invest in short-term assets and earn a variable interest rate.

Perpetual has both corporate and operational debt facilities. The corporate facility has a variable interest rate. As at 29 August 2013, there are no interest rate hedges against the drawn portion ($45.0 million) of this facility.

Operational debt facilities are used to finance clients into capital protected investment products. The facilities are a combination of fixed and variable rate borrowings used to finance a combination of fixed and variable structured product loans. To minimise interest rate risk between these fixed rate assets and variable rate liabilities, management uses interest rate swaps to broadly match fixed rate assets to floating rate liabilities.

Credit risk

Credit risk is the risk of default and change in the credit quality of issuers of securities, counterparties and intermediaries to whom the Group has exposure.

The Group is subject to credit risk in the following areas

- All cash and cash equivalent balances are subject to credit risk as they represent deposits made by the Group with external banks and other institutions. The Group invests its corporate cash balances principally with ADIs and in cash funds managed by the Group
- The Group is exposed to the performance of assets held in the EMCF products through a swap agreement, where the Group pays a return based on the UBS Bank Bill Index and receives the return on the underlying portfolio, which is subject to credit and market risks
- The Group is exposed to credit risk on its loan assets to PPI customers. This risk is capped at $5 million for Series 1 and 2, and 7% of the outstanding loan book for Series 3 as the borrowings used to fund these loans are limited recourse in nature.

The Group limits the number of counterparties upon which it is willing to take credit risk. This can lead to concentrations of credit risk. The Group operates under a Treasury policy that limits its financial exposure to any counterparty. The Group does not expect any counterparties to fail to meet their obligations beyond what has been provided for in the carrying value of those assets.

Exact Market Cash Fund

The EMCF products are investment funds managed by the Group that invest in a diversified portfolio of cash and credit securities, offering investors a guaranteed return linked to the UBS Bank Bill Index. The Group delivers the guaranteed return to investors via a swap agreement.

As investments mature in EMCF1, proceeds are used to meet redemptions or are reinvested in bank bills or cash, in line with the Group's decision to reduce risk on its balance sheet. As assets in the portfolio mature, the unrealised mark-to-market losses recorded in prior years are being recovered.

The majority of the unrealised mark-to-market losses from prior periods in the EMCF1 portfolio have now been recovered and the remainder are expected to be recovered as the portfolio matures. The average maturity of the portfolio at the end of FY13 was around 2.0 years. The portfolio's maturity profile is considered to be appropriately structured to meet a level and pattern of redemptions consistent with past experience. The recovery rate of unrealised losses is expected to decline over time as securities in the portfolio continue to mature at their face value.

EMCF liabilities at end of period	1H12 $m	2H12 $m	1H13 $m	2H13 $m
EMCF1	287.3	180.1	163.2	115.3
EMCF2	513.7	515.1	528.0	308.5
Total EMCF liabilities	**801.0**	**695.2**	**691.2**	**423.8**

Funds invested in the EMCF have declined further in FY13, particularly in respect of EMCF2 which experienced a net outflow of around $0.2 billion late in 2H13.

By way of comparison, at the end of 2H13, the carrying value of EMCF assets was $427.0 million (compared to $694.6 million at the end of 2H12) and was at a surplus to the fair value of its liabilities by $3.2 million, compared to a deficit $0.6 million at the end of 2H12.

The financial performance of the EMCF products is reported in the cash and fixed income asset class in Perpetual Investments.

Equity risk

Equity risk is the risk of change in value of an issued equity security to which the Group has an exposure.

The Group is subject to equity risk from its investments in managed funds. These investments 'seed' new investment funds for the Group to develop a track record and examine the viability of the fund to the investment community. If the investment fund is successful, the fund is opened to third party investors.

Market risk

The Group's revenue is significantly dependent on FUM and FUA, which are influenced by equity market movements. Management calculates the expected impact on revenue, across all of its businesses, for each 1% movement in the All Ords. Based on the level of the All Ords at the end of FY13, a 1% movement in the market changes annualised revenue by approximately $1.75 million to $2.25 million. It is worth noting that this movement is not linear to the overall movement in the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller effect on revenue as FUM and FUA are comprised of both equity market and non-equity market-sensitive asset classes. Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to:

- equity funds under the Group's management and advice performing broadly in line with the All Ords
- the impact of FUM and FUA flows, both inflows and outflows, and their timing and
- changes in distribution channel, product mix and pricing policy possibly affecting the level of revenue earned from the Perpetual Investments and Perpetual Private businesses.

Operational risk

Operational risk is the risk arising from the daily functioning of the Group's businesses as well as outsourced functions. Operational risk is mitigated through internal controls, vendor risk management, active management overview and regular reviews by Perpetual's independent Risk teams that reside in Corporate Services.

Each business and support head is responsible for identifying risks within their businesses and ensuring they are appropriately managed. The Risk teams assist the business by providing the framework, tools, advice and assistance to enable the business to effectively identify, assess and manage risk.

The Board of Directors oversees the risk management within the business, ensuring it is within an accepted risk tolerance range, and that all organic and inorganic business initiatives are consistent with the Group's strategy and conducted ethically, responsibly and with the highest degree of integrity. The Board's oversight of risk management is assisted by the Audit Risk and Compliance Committee (ARCC).

The ARCC's main responsibilities are to oversee Group accounting policies and practices; the integrity of financial statements and reports; the scope, quality and independence of external audit arrangements; the monitoring of the internal audit function; the effectiveness of risk management policies; and the adequacy of insurance.

Financial strength

At end of		1H12	2H12	1H13	2H13	FY12	FY13
Total equity	$m	290.0	280.5	307.2	323.7	280.5	323.7
Cash	$m	122.6	153.1	180.3	217.1	153.1	217.1
Corporate debt	$m	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)	(45.0)
Net cash	$m	77.6	108.1	135.3	172.1	108.1	172.1
Corporate debt to capital ratio (corporate debt/(corporate debt + equity)) (1)	%	13.4	13.8	12.8	12.2	13.8	12.2
Interest coverage calculation for continuing operations (EBITDA/interest expense) (2) for the period ended	times	47x	46x	67x	78x	46x	73x
Net tangible assets per share	$	2.91	3.23	3.82	4.10	3.23	4.10

(1) Excludes structured product debt, which is operational debt used to fund PPI loans.

(2) EBITDA for continuing operations represents earnings before financing costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

At the end of FY13, Perpetual's gross corporate debt was $45.0 million. The Group's gearing ratio (corporate debt to capital ratio) remains low at 12.2% and is well within its stated risk appetite limit of 30%. FY13 interest coverage for continuing operations, at 73 times, was well in excess of financial covenant requirements. Financial covenants under the debt facilities include minimum shareholders' funds, leverage and interest coverage ratios and caps on operational debt. At the end of FY13, the Group was in compliance with all of its debt covenants.

At the end of FY13, the Group had a committed bank corporate debt facility of $70.0 million. At 29 August 2013, $45.0 million was drawn under this facility.

Corporate debt is currently sourced solely from one long-term banking relationship with a domestic bank. The facility has greater than 12 months to expiry.

The Group actively manages liquidity risk by preparing cash flow forecasts for future periods, reviewing them regularly with senior management, maintaining a committed credit facility, and engaging regularly with its debt providers.

Net tangible assets per share increased from $3.23 at the end of FY12 to $4.10 at the end of FY13, primarily due to the increase in total shareholder funds which was underpinned by an increase in retained earnings and reserves.

Cash flow

For the period ended	1H12 $m	2H12 $m	1H13 $m	2H13 $m	FY12 $m	FY13 $m
Net cash from operating activities	9.5	56.9	38.5	67.0	66.4	105.5
Net cash provided by/(used in) investing activities	(0.8)	(6.4)	7.4	(6.8)	(7.2)	0.6
Net cash used in financing activities	(106.4)	(20.1)	(18.7)	(23.4)	(126.5)	(42.1)
Net increase/(decrease) in cash and cash equivalents	**(97.7)**	**30.4**	**27.2**	**36.8**	**(67.3)**	**64.0**

In FY13, cash and cash equivalents increased by $64.0 million compared to a decrease of $67.3 million in FY12. This represented a turnaround in cashflows of $131.3 million, principally due to

- $71.0 million decrease in cash outflows as no share buy-back was undertaken in FY13
- $24.9 million improvement in net operating cashflows
- $23.4 million reduction in cash dividends
- $14.9 million reduction in tax payments
- $8.4 million cash inflow from the sale of businesses, offset by
- $10.0 million cash outflow in relation to liquid investments.

Summary Consolidated Balance Sheet

At end of	1H12 (1) $m	2H12(1) $m	1H13 (1) $m	2H13 (1) $m
Assets				
Cash and cash equivalents	122.6	153.1	180.3	217.1
Liquid investments	42.8	39.7	38.5	35.4
Assets held for sale	-	14.0	2.2	0.8
Structured products – PPI loans to clients	116.4	109.2	83.0	76.7
Goodwill and other intangibles	116.3	109.5	108.6	107.7
Software intangibles	30.4	13.2	16.7	21.6
Other assets	135.5	119.3	118.9	121.2
Total assets	**564.0**	**558.0**	**548.2**	**580.5**
Liabilities				
Corporate loan facility	45.0	45.0	45.0	45.0
Liabilities held for sale	-	5.6	-	-
Structured products – PPI finance facilities	119.5	111.4	85.9	84.1
Other liabilities	109.5	115.5	110.1	127.7
Total liabilities	**274.0**	**277.5**	**241.0**	**256.8**
Net assets	**290.0**	**280.5**	**307.2**	**323.7**
Shareholder funds				
Contributed equity	222.7	236.6	248.5	239.8
Reserves	32.5	24.2	27.2	37.1
Retained earnings	22.9	7.4	19.2	37.4
Total shareholder funds	**278.1**	**268.2**	**294.9**	**314.3**
Non-controlling interest	11.9	12.3	12.3	9.4
Total equity	**290.0**	**280.5**	**307.2**	**323.7**

(1) Note: excludes the offsetting asset and liability for the EMCF structured product. At 1H12, the EMCF asset was $798.2 million, with the liability being $801.0 million. At 2H12, the EMCF asset was $694.6 million, with the liability being $695.2 million. At 1H13, the EMCF asset was $694.3 million, with the liability being $691.2 million. At 2H13, the EMCF asset was $427.0 million, with the liability being $423.8 million. The net liability of $2.8 million and $0.6 million at 1H12 and 2H12 respectively have been included with Other liabilities. The net asset of $3.1 million and $3.2 million at 1H13 and 2H13 respectively have been included with Other assets.

Cash and cash equivalents increased from $153.1 million at the end of FY12 to $217.1 million at the end of FY13, an increase of $64.0 million, sourced principally from net cash inflows from operations of $105.6 million offset by cash dividends of $37.8 million paid during the period.

Liquid investments decreased due to the combination of the impact of declines in valuation and a decrease in investment by minority interests in funds controlled by the Group.

PPI loans to clients continued to decline in FY13 as clients continued to close out their investment in the product.

Goodwill and other intangibles have decreased during FY13, primarily due to the amortisation associated with other intangibles. Other intangibles are amortised over their useful life.

The expected amortisation for the next four financial years of existing identifiable intangible assets that have arisen in recent acquisitions is as follows:

	FY14 $m	FY15 $m	FY16 $m	FY17 $m
Amortisation of identifiable intangibles [1]	1.8	1.7	1.6	1.6

[1] Based on $10.4 million net book value at end of FY13.

As the Group continues to seek to acquire businesses in line with its strategic goals, the level of identifiable intangible assets carried on the balance sheet is likely to increase, which in turn will increase the amortisation of identifiable intangible assets.

At the end of FY13, total shareholder funds were $314.3 million, which represented an increase of $46.1 million over the year, principally due to:

- a $30.0 million increase in retained earnings, underpinned by:
  - FY13 NPAT of $61.0 million
  - a $6.8 million transfer from reserves to retained earnings in respect of forfeited market linked employee share plan shares and dividends paid on employee share plan shares offset by
  - $37.8 million of dividend payments in FY13 and
- a $12.9 million increase in relation to reserves.

The non-controlling interest of $9.4 million at the end of FY13 comprises third party interests in consolidated funds managed by the Group.

Events subsequent to balance date

As previously announced on 7 May 2013, Perpetual Limited entered into a Scheme Implementation Arrangement under which Perpetual proposes to acquire all of the ordinary shares in ASX listed The Trust Company Limited (TrustCo) via a scheme of arrangement. TrustCo represents an attractive growth opportunity given its strong strategic fit with Perpetual's existing businesses. An acquisition of TrustCo is expected to deliver greater scale and capabilities across the whole business and represents a financially compelling opportunity for Perpetual's shareholders.

At the date of this report, the transaction is not yet complete as a number of necessary approvals remain outstanding, including TrustCo shareholder approval and regulatory approvals.

Appendix A: Segment Results

	Operating revenue						EBITDA (1)						Profit before/after tax					
For the period ended	**1H12 $m**	**2H12 $m**	**1H13 $m**	**2H13 $m**	**FY12 $m**	**FY13 $m**	**1H12 $m**	**2H12 $m**	**1H13 $m**	**2H13 $m**	**FY12 $m**	**FY13 $m**	**1H12 $m**	**2H12 $m**	**1H13 $m**	**2H13 $m**	**FY12 $m**	**FY13 $m**
Perpetual Investments	99.1	91.4	93.6	102.3	190.5	195.9	43.9	39.3	45.2	53.0	83.2	98.2	37.7	34.3	39.8	47.4	72.0	87.2
Perpetual Private	56.8	57.9	56.5	59.2	114.7	115.7	8.4	7.8	8.1	9.3	16.2	17.4	4.9	3.4	4.4	4.8	8.3	9.2
Corporate Trust	26.1	25.9	25.3	24.5	52.0	49.8	9.5	9.8	9.5	10.5	19.3	20.0	8.7	8.7	8.6	9.7	17.4	18.3
Group Support Services	3.8	3.3	4.0	4.3	7.1	8.3	(0.6)	(2.0)	(2.6)	(2.4)	(2.6)	(5.0)	(2.5)	(4.2)	(3.8)	(3.5)	(6.7)	(7.3)
Underlying profit before tax and significant items	185.8	178.5	179.4	190.3	364.3	369.7	61.2	54.9	60.2	70.4	116.1	130.6	48.8	42.2	49.0	58.4	91.0	107.4
Income tax expense													(14.5)	(11.1)	(13.9)	(17.6)	(25.6)	(31.5)
Underlying profit after tax (UPAT)(2) before significant items													**34.3**	**31.1**	**35.1**	**40.8**	**65.4**	**75.9**
Significant items:																		
› Operating income from discontinued operations (PLMS)													0.4	1.8	0.4	-	2.2	0.4
› Net tax benefit/(expense) from non-recurring items													-	-	1.9	(1.5)	-	0.4
› Gain/(Loss) on disposal of businesses													0.6	(0.8)	2.1	0.5	(0.2)	2.6
› Gain/(Loss) on disposal/impairment of investments & associates													(2.2)	(3.4)	(0.9)	0.1	(5.6)	(0.8)
› Restructuring costs													(10.2)	(12.4)	(6.0)	(4.7)	(22.6)	(10.7)
› Impairment of assets													-	(12.5)	(0.1)	-	(12.5)	(0.1)
› Foreign currency translation costs													-	-	(5.2)	-	-	(5.2)
› Costs relating to Trust Company proposal													-	-	-	(1.5)	-	(1.5)
Net profit after tax (NPAT) attributable to equity holders of Perpetual Limited													**22.9**	**3.8**	**27.3**	**33.7**	**26.7**	**61.0**

(1) EBITDA represents earnings before interest, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

(2) UPAT attributable to equity holders of Perpetual Limited excludes certain items, as determined by the Board and management, that are either significant by virtue of their size and impact on NPAT attributable to equity holders of Perpetual Limited, or are deemed to be outside normal operating activities. It reflects an assessment of the result for the ongoing business of the Group. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been audited by the Group's external auditors, however the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited for the FY12 and FY13 periods.

	1H13					2H13					FY13				
	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group Support Services $m	Total $m	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group Support Services $m	Total $m	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group Support Services $m	Total $m
Operating revenue	93.6	56.5	25.3	4.0	179.4	102.3	59.2	24.5	4.3	190.3	195.9	115.7	49.8	8.3	369.7
Operating expenses	(48.4)	(48.4)	(15.8)	(6.6)	(119.2)	(49.3)	(49.9)	(14.0)	(6.7)	(119.9)	(97.7)	(98.3)	(29.8)	(13.3)	(239.1)
EBITDA	**45.2**	**8.1**	**9.5**	**(2.6)**	**60.2**	**53.0**	**9.3**	**10.5**	**(2.4)**	**70.4**	**98.2**	**17.4**	**20.0**	**(5.0)**	**130.6**
Depreciation & amortisation	(1.0)	(2.6)	(0.7)	(0.1)	(4.4)	(0.8)	(3.3)	(0.6)	-	(4.7)	(1.8)	(5.9)	(1.3)	(0.1)	(9.1)
Equity remuneration	(4.4)	(1.1)	(0.2)	(0.2)	(5.9)	(4.8)	(1.2)	(0.2)	(0.2)	(6.4)	(9.2)	(2.3)	(0.4)	(0.4)	(12.3)
EBIT	**39.8**	**4.4**	**8.6**	**(2.9)**	**49.9**	**47.4**	**4.8**	**9.7**	**(2.6)**	**59.3**	**87.2**	**9.2**	**18.3**	**(5.5)**	**109.2**
Interest expense	-	-	-	(0.9)	(0.9)	-	-	-	(0.9)	(0.9)	-	-	-	(1.8)	(1.8)
UPBT	**39.8**	**4.4**	**8.6**	**(3.8)**	**49.0**	**47.4**	**4.8**	**9.7**	**(3.5)**	**58.4**	**87.2**	**9.2**	**18.3**	**(7.3)**	**107.4**

	1H12					2H12					FY12				
	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group Support Services $m	Total $m	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group Support Services $m	Total $m	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group Support Services $m	Total $m
Operating revenue	99.1	56.8	26.1	3.8	185.8	91.4	57.9	25.9	3.3	178.5	190.5	114.7	52.0	7.1	364.3
Operating expenses	(55.2)	(48.4)	(16.6)	(4.4)	(124.6)	(52.1)	(50.1)	(16.1)	(5.3)	(123.6)	(107.3)	(98.5)	(32.7)	(9.7)	(248.2)
EBITDA	**43.9**	**8.4**	**9.5**	**(0.6)**	**61.2**	**39.3**	**7.8**	**9.8**	**(2.0)**	**54.9**	**83.2**	**16.2**	**19.3**	**(2.6)**	**116.1**
Depreciation & amortisation	(2.0)	(3.1)	(1.0)	(0.6)	(6.7)	(2.3)	(3.2)	(0.9)	(0.4)	(6.8)	(4.3)	(6.3)	(1.9)	(1.0)	(13.5)
Equity remuneration	(4.2)	(0.4)	0.2	-	(4.4)	(2.7)	(1.2)	(0.2)	(0.6)	(4.7)	(6.9)	(1.6)	-	(0.6)	(9.1)
EBIT	**37.7**	**4.9**	**8.7**	**(1.2)**	**50.1**	**34.3**	**3.4**	**8.7**	**(3.0)**	**43.4**	**72.0**	**8.3**	**17.4**	**(4.2)**	**93.5**
Interest expense	-	-	-	(1.3)	(1.3)	-	-	-	(1.2)	(1.2)	-	-	-	(2.5)	(2.5)
UPBT	**37.7**	**4.9**	**8.7**	**(2.5)**	**48.8**	**34.3**	**3.4**	**8.7**	**(4.2)**	**42.2**	**72.0**	**8.3**	**17.4**	**(6.7)**	**91.0**

Appendix B: Average funds under management (FUM)

Average FUM	1H11 $b	2H11 $b	1H12 $b	2H12 $b	1H13 $b	2H13 $b	FY12 $b	FY13 $b	% change
Australian equities	18.9	19.8	16.9	16.4	16.7	19.3	16.7	18.0	+8%
Global equities	1.1	1.0	0.9	0.9	0.9	0.9	0.9	0.9	na
Quantitative investments	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	na
Equities	**20.1**	**20.8**	**17.8**	**17.3**	**17.6**	**20.2**	**17.6**	**18.9**	**+7%**
Cash & fixed income	6.2	6.0	5.4	5.1	4.8	4.7	5.2	4.7	-10%
Other	1.2	1.2	1.1	1.1	1.3	1.3	1.1	1.3	+18%
Total	**27.5**	**28.0**	**24.3**	**23.5**	**23.7**	**26.2**	**23.9**	**24.9**	**+4%**

Appendix C: FY13 ASX Announcements

Full text of these announcements can be found at:
http://shareholders.perpetual.com.au/phoenix.zhtml?c=171717&p=irol-news&nyo=0

12 July 2012	PPT – Sale of PLMS to First Mortgage Services
26 July 2012	PPT – Funds Under Management at 30 June 2012
01 August 2012	PPT - Sale of PLMS to First Mortgage Services Completed
08 August 2012	PPT – Independent Director Resignation – Paul McClintock
30 August 2012	PPT – Full Year Results Presentation PPT – MD&A PPT – Media Release PPT – Full Year Statutory Accounts PPT – Preliminary Final Report
06 September 2012	PPT – Independent Director Appointments – Craig Ueland and Sylvia Falzon
25 September 2012	PPT – Notice of Annual General Meeting/Proxy Form PPT – Annual Report to shareholders PPT – Resignation of Phillip Twyman as Independent Director
28 September 2012	PPT – DRP Allocation Price 2012 Final Dividend
04 October 2012	PPT – Appendix 3B
09 October 2012	PPT – Shareholder Update October 2012
17 October 2012	PPT – Funds Under Management at 30 September 2012
26 October 2012	PPT – Michael Gordon appointed Group Executive for Perpetual Investments
01 November 2012	PPT – Results of Meeting 1 November 2012 PPT – 2012 AGM Addresses to Shareholders PPT – 2012 AGM Media Release
02 November 2012	PPT – Constitution approved at AGM 1 November 2012
05 November 2012	PPT – Management Change
26 November 2012	PPT – Appendix 3B
05 December 2012	PPT – Appendix 3B
10 December 2012	PPT – Gillian Larkins appointed Chief Financial Officer
07 January 2013	PPT – Becoming a substantial holder
25 January 2013	PPT – Funds Under Management at 31 December 2012

28 February 2013	PPT – Appendix 4D PPT – MD&A PPT – Half Year Accounts PPT – Half Year Results Announcement PPT – Half Year Results Presentation 31 December 2012
15 March 2013	PPT – Appendix 3B
28 March 2013	PPT – Dividend Reinvestment Plan
02 April 2013	PPT – Transformation 2014 Update
05 April 2013	PPT – Shareholder Update April 2013
18 April 2014	PPT – Funds Under Management 31 March 2013
07 May 2013	TRU – Perpetual Scheme of Arrangement PPT – Acquisition of Trust Company PPT – Investor Presentation – Acquisition of Trust Company
08 May 2013	EQT – Considers its offer for The Trust Company
10 May 2013	TRU – Correspondence to all Shareholders re PPT
16 May 2013	PPT –Shareholder Update 16 May 2013
20 May 2013	TRU – Correspondence to all Shareholders re PPT
21 May 2013	PPT – Change in Substantial Holding (VINVA)
27 May 2013	EQT – Takeover of Trust Company – Extension of Offer Period
23 July 2013	TRU – EY Synergies Assessment
26 July 2013	PPT – Funds Under Management at 30 June 2013
01 August 2013	AXX – ACCC calls for comment on Perpetual / Trust Company
01 August 2013	PPT – Notes ACCC Statement of Issues 1 August 2013
14 August 2013	TRU – TRU and EQT agree a process of further inquiry

Appendix D: Dividend History

In February 2009 Perpetual announced that it had revised its dividend policy to a payout ratio range of between 80-100 per cent of net profit after tax on an annualised basis.

Year	Dividend	Date paid	Dividend per share	Franking rate	Company tax rate	DRP price
FY13	Final	4 Oct 2013	80 cents	100%	30%	Not determined at time of publication
FY13	Interim	5 Apr 2013	50 cents	100%	30%	$40.7149
FY12	Final	5 Oct 2012	40 cents	100%	30%	$27.0003
FY12	Interim	29 Mar 2012	50 cents	100%	30%	$24.3352
FY11	Final	27 Sep 2011	90 cents	100%	30%	$22.3996
FY11	Interim	30 Mar 2011	95 cents	100%	30%	$28.4425
FY10	Final	28 Sep 2010	105 cents	100%	30%	$29.5983
FY10	Interim	1 Apr 2010	105 cents	100%	30%	$35.2134
FY09	Final	30 Sep 2009	60 cents	100%	30%	$37.7777
FY09	Interim	13 Mar 2009	40 cents	100%	30%	N/A
FY08	Final	12 Sep 2008	141 cents	100%	30%	N/A
FY08	Interim	14 Mar 2008	189 cents	100%	30%	N/A
FY07	Final	14 Sep 2007	187 cents	100%	30%	N/A
FY07	Interim	16 Mar 2007	173 cents	100%	30%	N/A
FY06	Special	12 Sep 2006	100 cents	100%	30%	N/A
FY06	Final	12 Sep 2006	164 cents	100%	30%	N/A
FY06	Interim	17 Mar 2006	162 cents	100%	30%	N/A
FY05	Special	12 Sep 2005	100 cents	100%	30%	N/A
FY05	Final	12 Sep 2005	130 cents	100%	30%	N/A
FY05	Interim	18 Mar 2005	130 cents	100%	30%	N/A
FY04	Special	17 Sep 2004	200 cents	100%	30%	N/A
FY04	Final	17 Sep 2004	80 cents	100%	30%	N/A
FY04	Special	23 Jun 2004	50 cents	100%	30%	N/A
FY04	Interim	19 Mar 2004	70 cents	100%	30%	N/A
FY03	Final	3 Sep 2003	70 cents	100%	30%	N/A
FY03	Special	25 Jun 2003	50 cents	100%	30%	N/A
FY03	Interim	21 Mar 2003	60 cents	100%	30%	N/A

Appendix E: Bridge for FY13 Statutory Accounts and OFR

	FY13 Stat Accounts	OFR UPAT Adjustments	FY13 OFR Presentation	EMCF	Operating income from discontinued operations	Net tax benefit on non-recurring items	Gain/(Loss) on disposal of businesses	Loss on disposal/impairment of investments	Restructuring Costs	Impairment of assets	Foreign Currency Translation Costs	Costs relating to the Trust Company proposal	Share of loss of equity accounted investments	Total Adjustments
Total revenue from continuing operations	397,478	(27,826)	369,652	(28,273)	-	-	-	1,151	-	-	-	-	(704)	**(27,826)**
Staff related expenses excluding equity remuneration expense	(161,011)	4,190	(156,821)		-				4,100			90		**4,190**
Occupancy expenses	(17,668)	495	(17,173)		-				495			1	(1)	**495**
Administrative and general expenses	(81,954)	16,830	(65,124)		-				10,250		5,207	1,372	1	**16,830**
Distributions and expenses relating to structured products	(28,273)	28,273	-	28,273										**28,273**
	-	-	-											**-**
Financing costs	(1,764)	-	(1,764)											**-**
Equity remuneration expense	(12,727)	480	(12,247)		-				480					**480**
Depreciation and amortisation expense	(9,092)	1	(9,091)						1					**1**
	-	-	-											**-**
Proceeds from sale of investments	38,802	(38,802)	-					(38,802)						**(38,802)**
Costs of investments disposed of	(37,511)	37,511	-					37,511						**37,511**
		-												**-**
Impairment of assets	(3,348)	3,348	-	-	-	-	-	3,204	-	144	-	-	-	**3,348**
Gain on sale of businesses	145	(145)	-				(145)							**(145)**
	-	-	-											**-**
Share of loss of equity accounted investment	(704)	704	-										704	**704**
		-												
Net profit before tax from continuing operations	**82,373**	**25,059**	**107,432**	**-**	**-**	**-**	**(145)**	**3,064**	**15,326**	**144**	**5,207**	**1,463**	**-**	**25,059**
Income tax expense	(24,864)	(6,674)	(31,538)	-	-	(389)		(1,652)	(4,592)	(41)				**(6,674)**
Net profit after tax from continuing operations	57,509	18,385	75,894	-	-	(389)	(145)	1,412	10,734	103	5,207	1,463	-	18,385
Net profit after tax from discontinued operations	2,876	(2,876)	-		(426)		(2,450)							(2,876)
Net Profit After Tax consolidated entity	**60,385**	**15,509**	**75,894**	**-**	**(426)**	**(389)**	**(2,595)**	**1,412**	**10,734**	**103**	**5,207**	**1,463**	**-**	**15,509**
Loss after tax attributable to non-controlling interests	583	(583)	-					(583)						**(583)**
Net Profit After Tax attributable to equity holders of Perpetual Limited	**60,968**	**14,926**	**75,894**	**-**	**(426)**	**(389)**	**(2,595)**	**829**	**10,734**	**103**	**5,207**	**1,463**	**-**	**14,926**

Operating income from discontinued operations	426
Net tax benefit on non-recurring items	389
Gain/(Loss) on disposal of businesses	2,595
Loss on disposal/impairment of investments	(829)
Restructuring costs	(10,734)
Impairment of assets	(103)
Foreign currency translation costs	(5,207)
Costs relating to the Trust Company proposal	(1,463)
Net profit after tax attributable to equity holders	**60,968**

Glossary

ABS	Asset backed securities
AICD	Australian Institute of Company Directors
AOFM	Australian Office of Financial Management
APRA	Australian Prudential Regulation Authority
ARCC	Audit Risk and Compliance Committee
ASX	Australian Securities Exchange
b	Billion
bps	Basis point (0.01 of 1%)
CMBS	Commercial mortgage backed securities
DPS	Dividend(s) per share
DRP	Dividend Reinvestment Plan
EBITDA	Earnings before tax, depreciation and amortisation of intangible assets, equity remuneration expense, and significant items
EMCF	Perpetual Exact Market Cash Fund
EPS	Earnings per share
Finsia	Financial Services Institute of Australasia
FUA	Funds under advice or funds under administration
FUM	Funds under management
Group	Perpetual Limited and its controlled entities (the consolidated entity) and the consolidated entity's interests in associates
m	Million
NPAT	Net profit after tax
PLMS	Perpetual Lenders Mortgage Services
PPI	Perpetual Protected Investments
RBA	Reserve Bank of Australia
RMBS	Residential mortgage backed securities
ROE	Return on equity
SMSF	Self managed superannuation fund
UPAT	Underlying profit after tax