Perpetual Limited ABN 86 000 431 827
and its controlled entities

HALF-YEAR FINANCIAL STATEMENTS

31 December 2013

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

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PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated financial statements of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the half-year ended 31 December 2013 and the independent auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year are:

Peter B Scott, Chairman and Independent Director
BE (Hons), M.Eng.Sc (Age 59)

Appointed Director in July 2005 and Chairman on 26 October 2010. Mr Scott was formerly the Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and held a number of senior positions with Lend Lease. He is a Director of Stockland Corporation Limited and an advisory board member of Igniting Change. He is Chairman of Perpetual's Nominations Committee.

Mr Scott has more than 20 years of senior business experience in publicly listed companies and extensive knowledge of the wealth management industry.

Listed company directorships held during the past three financial years:
- Stockland Corporation Limited (from August 2005 to the present)

Paul V Brasher, Independent Director
BEc (Hons), FCA (Age 63)

Appointed Director in November 2009. Mr Brasher was formerly Chairman of the Global Board of PricewaterhouseCoopers International. He previously chaired the Board of PricewaterhouseCoopers' Australian firm and held a number of other senior management and client service roles during his career with that firm. Mr Brasher was Client Service Partner and/or Lead Engagement Partner for some of the firm's most significant clients. He also spent significant periods working with PricewaterhouseCoopers in the US and UK. Mr Brasher is currently Chairman of Incitec Pivot Limited, Non Executive Director of Amcor Limited and Deputy Chairman of Essendon Football Club. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of the Nominations Committee and People and Remuneration Committee.

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

Listed company directorships held during the past three financial years:
- Incitec Pivot Limited (from September 2010 to the present)
- Amcor Limited (January 2014 to the present)

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip. Ed. (Age 60)

Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was CEO and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a Director of CSG Limited. He also provides advice to the Federal Government, through his role as Chair of the Australian Workforce and Productivity Agency and as a member of the Education Investment Fund and the Australia India Education Council. He is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Bullock brings to the board extensive management experience in Australia and Asia in technology, sales and client management, product and brand management, distribution, marketing and talent development.

Listed company directorships held during the past three financial years:
- Healthscope Limited (from September 2007 to October 2010)
- CSG Limited (from August 2009 to the present)

Sylvia Falzon, Independent Director
MIR(Hons), B.Bus, GAICD, SF Fin (Age 49)

Appointed Director in November 2012. Ms Falzon has worked in the financial services industry for over 27 years and during that time has held senior executive positions responsible for institutional and retail funds management businesses, both domestically and internationally. Her roles have included Head of Business Development at Aviva Investors Australia, an equity partner at Alpha Investment Management and Chief Manager International Sales & Service at National Mutual Funds Management/AXA. Ms Falzon is currently a Non Executive Director of SAI Global Limited, Cabrini Health Ltd and the Museums Board of Victoria, and serves as Chairman of the Cabrini Foundation. She is a member of Perpetual's Audit Risk and Compliance Committee and Investment Committee.

Ms Falzon brings to the board her extensive knowledge and insight in the development of asset management businesses with a particular focus on marketing, sales and service, as well as high level engagement with institutional clients, asset consultants and research houses.

Listed company directorships held during the past three financial years:
- SAI Global Limited (from October 2013 to present)

Elizabeth M Proust AO, Independent Director
BA (Hons), LLB, FAICD (Age 63)

Appointed Director in January 2006. Ms Proust was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ she was Secretary (CEO) of the Victorian Department of Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd and Bank of Melbourne Board; a Director of Insurance Manufacturers of Australia Pty Ltd and a Trustee of the Prince's Charities Australia. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

In addition to her skills from her leadership roles in significant change management programs, Ms Proust brings to the board her strengths in human resources, public affairs and strategy development, and her strong knowledge of board processes and governance through her many senior executive and board roles.

Listed company directorships held during the past three financial years:
- Spotless Group Limited (from June 2008 to 16 August 2012)

P Craig Ueland, Independent Director
BA (Hons and Distinction), MBA (Hons), CFA (Age 55)

Appointed Director in September 2012. Mr Ueland was formerly President and Chief Executive Officer of Russell Investments, a global leader in multi-manager investing. He previously served as Russell's Chief Operating Officer, Chief Financial Officer, and Managing Director of International Operations, which he led from both London and the firm's headquarters in the US. Earlier in his career he opened and headed Russell's first office in Australia. Mr Ueland serves on the Endowment Investment Committee for The Benevolent Society. He is Chairman of Perpetual's Investment Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

Mr Ueland brings to the board detailed knowledge of global financial markets and the investment management industry, gleaned from more than 20 years as a senior executive of a major investment firm, along with a strong commitment to leadership development and corporate strategy development and execution.

Geoff Lloyd, Managing Director and CEO
Barrister at Law, LLM (Distinction) (UTS), Adv. Mgt Program (Harvard) (Age 45)

Appointed Managing Director and Chief Executive Officer in February 2012. Prior to this appointment, Mr Lloyd joined Perpetual in August 2010 as Group Executive of Perpetual Private and has led the development and implementation of the growth strategy for this business unit. He took on the additional responsibility of Head of Retail Distribution in September 2011.

Geoff Lloyd, Managing Director and CEO (continued)

Mr Lloyd was previously General Manager, Advice and Private Banking at BT Financial Group (BTFG) following the merger with St George’s Wealth Management business. Prior to the merger, he led St George's entire wealth management portfolio and was a member of the St George Bank Group Executive reporting to the CEO. He has held many senior positions at BTFG, including Chief Legal Counsel and Head of the Customer and Business Services Division. Mr Lloyd is a board member of the Financial Services Council and co-chair of their Advice Board Committee.

Mr Lloyd has over 20 year’s experience in the financial services industry and has an extensive understanding of the industry and demonstrated leadership skills.

Alternate Director

Gillian Larkins, Alternate Director

BCom, Grad Dip, MBA, CA, GAICD, (Age 42)
Appointed Alternate Director for Geoff Lloyd on 25 January 2013. Ms Larkins joined Perpetual as Group Executive Transformation Office in October 2012 and assumed the role of Chief Financial Officer in January 2013. She has over 20 years of experience in finance, strategy and management roles across a number of industries. Most recently, she was Chief Financial Officer, Managing Director of Westpac Institutional Bank, responsible for Finance and Strategy, and prior to that, Chief Financial Officer Australia & New Zealand of Citigroup. Ms Larkins has also served on the board of Hastings Fund Management as a Non Executive Director from 2009 to 2011.

Company secretaries

Joanne Hawkins

BCom, LLB, Grad Dip CSP FGIA
Appointed Company Secretary in June 2003. Ms Hawkins is head of Perpetual's Legal, Risk and Compliance and Company Secretariat teams. Prior to joining Perpetual, Ms Hawkins was Assistant Company Secretary of Macquarie Bank and Ord Minnett and was Company Secretary, National Bank of the Solomon Islands. Ms Hawkins has also worked as a solicitor and legal adviser in New Zealand.

Glenda Charles

Grad. Dip. Corp. Gov. ASX Listed Entities, GIA (Cert)
Joined Perpetual in August 1994. She was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 15 years experience in company secretarial practice and administration and has worked in the financial services industry for over 25 years.

Directors' meetings

The number of directors' meetings which directors were eligible to attend (including meetings of board committees) and the number of meetings attended by each director during the half-year to 31 December 2013 were:

Director	Board*		Audit Risk and Compliance Committee		Investment Committee		Nominations Committee		People & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P B Scott	10	10	-	-	-	-	1	1	-	-
P V Brasher	10	9	4	4	-	-	1	1	3	3
P Bullock	10	10	-	-	3	3	-	-	3	3
S Falzon	10	10	4	4	3	3	-	-	-	-
E M Proust	10	10	4	4	-	-	1	1	3	3
P C Ueland	10	10	4	4	3	3	1	1	-	-
G Lloyd	10	10	-	-	-	-	-	-	-	-

* Board meeting held on 2 August 2013 was an unscheduled meeting.

Review of operations

A review of operations is included in the Operating and Financial Review and Results of Operations (OFR).

For the half-year ended 31 December 2013, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of $33.3 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2012 of $27.3 million.

For the half-year ended 31 December 2013, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of $48.1 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2012 of $35.5 million.

Underlying profit after tax attributable to equity holders of Perpetual Limited excludes certain items, that are either significant by virtue of their size and impact on net profit after tax attributable to equity holders of Perpetual Limited, or are deemed to be outside normal operating activities. Underlying profit after tax attributable to equity holders of Perpetual Limited is disclosed as it is useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities.

The reconciliation of net profit after tax attributable to equity holders of Perpetual Limited to underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2013 is as follows:

	6 months ended	
	31 Dec 2013 $'000	**31 Dec 2012 $'000**
Net profit after tax attributable to equity holders of Perpetual Limited	**33,301**	**27,342**
Significant items after tax:		
Transformation and restructuring costs[1]	6,546	5,965
Loss on sale of assets held for sale	403	-
Foreign currency translation costs[2]	-	5,242
(Gain)/loss on disposal/impairment of investments	(1,205)	915
Gain on disposal of discontinued business	-	(2,391)
Loss on disposal of business	-	199
Net tax benefit on non-recurring capital/equity items	(1,218)	(1,864)
Impairment of assets	-	101
Trust Co integration costs	6,195	-
Trust Co due diligence and transaction costs	4,055	-
Underlying profit after tax attributable to equity holders of Perpetual Limited	**48,077**	**35,509**
Underlying profit after tax from discontinued operation	-	437
Underlying profit after tax from continuing operations	48,077	35,072

[1] Transformation office costs relate to the continued investment of the Group to achieve its Transformation 2015 strategy announced on 25 June 2012 of reducing annualised operating expenses by $50 million per annum by FY 2015.

[2] The Foreign currency translation costs of $5.2m in the previous financial year was a non-cash expense which related to the reclassification of the Foreign Currency Translation Reserve (FCTR) 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 in voluntary liquidation.

This table has been prepared in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. The amounts disclosed for each individual reconciling item have been reviewed by our external auditors.

Dividends

On 27 February 2014, the directors resolved to pay a fully franked interim dividend of 80 cents per share (2013: 50 cents per share).

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial period are as follows:

The consolidated entity acquired 100% of The Trust Company Limited (Trust Co.) and took effective control from 4 December 2013 for consideration of $277.6m, comprising cash consideration of $77.7m and equity consideration of $199.9m. The acquisition of Trust Co. contributes to the Company’s strategy of refocussing on areas of competitive advantage.

Events subsequent to reporting date

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in this report that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

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

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2013.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the condensed consolidated half-year financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed on behalf and in accordance with a resolution of the directors:

Peter Scott
Chairman

Geoff Lloyd
Managing Director

Dated at Sydney this 27th day of February 2014.

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

To: the directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Andrew Yates
Partner

Sydney
27 February 2014

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2013

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue from the provision of services		200,075	171,192
Income from structured products		6,020	15,349
Investment income		3,432	4,018
Total revenue	3	209,527	190,559
Staff related expenses excluding equity remuneration expense		(85,908)	(82,067)
Occupancy expenses		(12,103)	(9,349)
Administrative and general expenses		(49,727)	(41,389)
Distributions and expenses relating to structured products		(4,613)	(11,521)
Financing costs		(796)	(929)
Equity remuneration expense		(5,990)	(6,109)
Depreciation and amortisation expense	4	(5,175)	(4,386)
Proceeds from sale of investments		17,108	21,900
Cost of investments disposed of		(14,491)	(21,966)
Impairment of assets		(91)	(779)
Loss on sale of assets held for sale		(403)	-
Loss on sale of business		-	(199)
Share of loss of equity accounted investment		-	(329)
Net profit before tax from continuing operations		**47,338**	**33,436**
Income tax expense		(13,597)	(9,358)
Income tax expense	8	**(13,597)**	**(9,358)**
Net profit after tax from continuing operations		**33,741**	**24,078**
Discontinued operation			
Net profit after tax from discontinued operation	7	-	2,828
Net profit after tax		**33,741**	**26,906**
(Profit)/Loss after tax attributable to non-controlling interests		(440)	436
Net profit after tax attributable to equity holders of Perpetual Limited		**33,301**	**27,342**

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the 'Notes to the Condensed Consolidated Interim Financial Statements' set out on pages 15 to 35.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2013 (continued)

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Net profit after tax		**33,741**	**26,906**
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit and loss:			
Cash flow hedge reserve			
Effective portion of changes in fair value of cash flow hedges		161	66
Foreign currency reserve			
Foreign exchange translation difference - foreign currencies		715	5,259
Available-for-sale reserve			
Net increase/(decrease) in fair value of available-for-sale financial assets		4,675	10,460
Impairment of available-for-sale financial assets reclassified to profit or loss		91	635
Loss of previously impaired available-for-sale financial assets reclassified to profit or loss upon disposal		(1,506)	(2,758)
Income tax on items that may be reclassified to profit or loss		(740)	(2,012)
Other comprehensive income/(expense), net of tax		**3,396**	**11,650**
Total comprehensive income		**37,137**	**38,556**
Total comprehensive income is attributable to:			
Non-controlling interests		1,374	1,317
Equity holders of Perpetual Limited		35,763	37,239
Total comprehensive income		**37,137**	**38,556**
Earnings per share			
Basic earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	84.7	71.4
Diluted earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	80.1	67.0
Earnings per share - continuing operations			
Basic earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	84.7	64.0
Diluted earnings per share attributable to equity holders of Perpetual Limited - cents per share	10	80.1	60.1

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the 'Notes to the Condensed Consolidated Interim Financial Statements' set out on pages 15 to 35.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
as at 31 December 2013

	Note	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets			
Cash and cash equivalents	11	203,240	217,119
Receivables		88,952	62,020
Assets held for sale	20	-	803
Other financial assets		-	40
Structured products - EMCF assets	12a	307,763	427,006
Structured products - receivable from investors	12b	28,987	34,882
Prepayments		8,632	6,927
Total current assets		**637,574**	**748,797**
Non-current assets			
Other receivables	15	4,599	-
Other financial assets		45,332	35,415
Structured products - loans receivable from investors	12b	36,716	41,859
Property, plant and equipment		23,187	18,289
Intangibles and goodwill		381,346	129,267
Deferred tax assets		30,983	30,345
Prepayments		8,871	396
Total non-current assets		**531,034**	**255,571**
Total assets		**1,168,608**	**1,004,368**
Current liabilities			
Payables		52,975	37,911
Structured products - EMCF liabilities	12a	305,144	423,848
Structured products - interest-bearing liabilities	12b	30,961	36,231
Structured products - income received in advance		2,625	5,468
Derivative financial instruments		2	423
Current tax liabilities		6,742	13,308
Employee benefits		38,412	41,534
Provisions	16	6,138	2,779
Total current liabilities		**442,999**	**561,502**
Non-current liabilities			
Other payables	15	4,599	-
Interest-bearing liabilities	14	97,000	45,000
Structured products - interest-bearing liabilities	12b	37,732	42,418
Deferred tax liabilities		26,408	8,071
Employee benefits		4,508	2,402
Provisions	16	21,182	21,237
Total non-current liabilities		**191,429**	**119,128**
Total liabilities		**634,428**	**680,630**
Net assets		**534,180**	**323,738**
Equity			
Contributed equity	17	457,344	239,801
Reserves		28,802	37,124
Retained earnings		37,255	37,415
Total equity attributable to holders of Perpetual Limited		**523,401**	**314,340**
Non-controlling interest		10,779	9,398
Total equity		**534,180**	**323,738**

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to the Condensed Consolidated Interim Financial Statements' set out on pages 15 to 35.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2013

$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 July 2013	356,317	(116,516)	239,801	4,269	103	(66)	33,215	(397)	37,124	37,415	314,340	9,398	323,738
Total comprehensive (expense)/income	**-**	**-**	**-**	**1,634**	**-**	**715**	**-**	**113**	**2,462**	**33,301**	**35,763**	**1,374**	**37,137**
Movement on treasury shares	162	16,598	16,760	-	-	-	(16,833)	-	(16,833)	124	51	-	51
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(33,585)	(33,585)	-	(33,585)
Equity remuneration expense	-	-	-	-	-	-	6,049	-	6,049	-	6,049	-	6,049
Issue of ordinary shares	200,783	-	200,783	-	-	-	-	-	-	-	200,783	-	200,783
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	7	7
Balance at 31 December 2013	**557,262**	**(99,918)**	**457,344**	**5,903**	**103**	**649**	**22,431**	**(284)**	**28,802**	**37,255**	**523,401**	**10,779**	**534,180**

$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cashflow hedge reserve	Total reserves	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 July 2012	379,567	(143,037)	236,530	(370)	103	(5,379)	30,369	(495)	24,228	7,440	268,198	12,263	280,461
Total comprehensive (expense)/income	**-**	**-**	**-**	**4,592**	**-**	**5,259**	**-**	**46**	**9,897**	**27,342**	**37,239**	**1,317**	**38,556**
Movement on treasury shares	(6,211)	18,189	11,978	-	-	-	(13,103)	-	(13,103)	1,219	94	-	94
Dividends paid on treasury shares	-	-	-	-	-	-	-	-	-	(16,792)	(16,792)	-	(16,792)
Equity remuneration expense	-	-	-	-	-	-	6,128	-	6,128	-	6,128	-	6,128
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,257)	(1,257)
Balance at 31 December 2012	**373,356**	**(124,848)**	**248,508**	**4,222**	**103**	**(120)**	**23,394**	**(449)**	**27,150**	**19,209**	**294,867**	**12,323**	**307,190**

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to the Condensed Consolidated Interim Financial Statements' set out on pages 15 to 35.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Condensed Consolidated Cash Flow Statement
for the half-year ended 31 December 2013

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		214,095	191,605
Cash payments in the course of operations		(176,164)	(152,392)
Dividends received		409	486
Interest received		3,011	3,511
Interest paid		(796)	(929)
Income taxes paid		(16,198)	(3,753)
Net cash from operating activities		**24,357**	**38,528**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,567)	(5,621)
Payments for investments		(20,216)	(16,732)
Repayments of advances made under the Employee Share Purchase Plan		45	68
Acquisition of business		(61,519)	(599)
Proceeds from the sale of investments		36,901	21,900
Proceeds from the sale of PLMS		-	8,355
Tax paid on sale of investments		(151)	-
Net cash provided by/(used in) from investing activities		**(47,507)**	**7,371**
Cash flows from financing activities			
Proceeds from issue of shares		850	-
Net proceeds from borrowings		42,000	-
Dividends paid		(33,585)	(16,792)
Sale of units in seed funds to non-controlling interests		6	(1,909)
Net cash provided by/(used in) financing activities		**9,271**	**(18,701)**
Net increase/(decrease) in cash and cash equivalents		(13,879)	27,198
Cash and cash equivalents at 1 July		217,119	153,057
Cash and cash equivalents at 31 December	11	**203,240**	**180,255**

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with 'Notes to the Condensed Consolidated Interim Financial Statements' set out on pages 15 to 35.

Note 1. Reporting entity

Perpetual Limited ("the Company") is a company domiciled in Australia. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2013 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interests in associates.

The consolidated annual financial statements for the consolidated entity as at and for the year ended 30 June 2013 are available at www.perpetual.com.au.

a. Statement of compliance

The condensed consolidated half-year financial statements are a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting*, IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated half-year financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the consolidated entity for the year ended 30 June 2013.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 27 February 2014.

b. Estimates

The preparation of the half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

Note 2. Significant accounting policies

The accounting policies applied by the consolidated entity in these half-year financial statements are the same as those applied by the consolidated entity in its annual financial statements as at and for the year ended 30 June 2013.

Changes in accounting policy

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

AASB 10 Consolidated Financial Statements (2011)
AASB 13 Fair Value Measurement
AASB 119 Employee Benefits (2011)

Note 2. Significant accounting policies (continued)

Changes in accounting policy (continued)

AASB 10 Consolidated Financial Statements (2011)

As a result of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, AASB 10 (2011) requires the Group to consolidate investees that it controls on the basis of de facto circumstances. This change in policy did not change the entities that are consolidated.

AASB 13 Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see Note 13).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

AASB 119 Employee Benefits (2011)

AASB 119 revises the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The consolidated entity has assessed the impact of the change in measurement principles and they have not had a material impact.

	31 Dec 2013 $'000	31 Dec 2012 $'000
Note 3. Revenue		
Revenue from the provision of services		
Gross revenue from fees	200,075	171,192
Other income		
Income from structured products	6,020	15,349
Investment income		
Dividends	362	415
Interest and unit trust distributions	3,070	3,603
Total investment income	3,432	4,018
	209,527	**190,559**

Note 4. Net profit before tax

Net profit before tax has been arrived at after charging the following items:

	31 Dec 2013 $'000	31 Dec 2012 $'000
Depreciation of property, plant and equipment	1,996	2,036
Amortisation of intangible assets:		
- Capitalised software	2,266	1,437
- Other intangible assets	913	913
	3,179	2,350
Total depreciation and amortisation expense for continuing operations	5,175	4,386
Total depreciation and amortisation expense for discontinued operations	-	-
Rental charges – operating leases	8,039	7,152

Note 5. Individually significant and other items included in net profit for the period

	31 Dec 2013 $'000	31 Dec 2012 $'000
Gain/(loss) on disposal of investments	2,617	(66)
Income tax expense applicable	(891)	-
Gain/(loss) on disposal of investments after tax	1,726	(66)
Impairment of available-for-sale-securities	(91)	(635)
Gain attributable to non-controlling interest	(430)	(214)
Gain/(loss) on disposal/impairment of investments	1,205	(915)
Gain on disposal of discontinued business (after tax)	-	2,391
Income tax expense applicable*	-	-
	-	2,391
Loss on disposal of business	-	(199)
Income tax benefit/(expense) applicable*	-	-
	-	(199)
Transformation and restructuring costs	(9,363)	(8,520)
Income tax benefit applicable	2,817	2,555
	(6,546)	(5,965)
Loss on sale of assets held for sale	(403)	-
	(403)	-
Foreign currency translation costs	-	(5,242)
Income tax benefit applicable	-	-
	-	(5,242)
Tax expense on forfeited treasury shares in equity	(44)	-
Research and development tax incentives	1,262	1,864
	1,218	1,864
Trust Co integration costs	(8,850)	-
Income tax benefit applicable	2,655	-
	(6,195)	-
Trust Co due diligence and transaction costs	(4,179)	-
Income tax benefit applicable	124	-
	(4,055)	-
Impairment of intangibles	-	(144)
Income tax benefit applicable	-	43
Total impairment of assets after tax	-	(101)

* Tax losses not previously recognised have been utilised.

Note 6. Segment information

	Perpetual Investments[1] $'000	Perpetual Private $'000	Corporate Trust[2] $'000	Trust Co[3] $'000	Total $'000
31 December 2013					
External revenues	113,532	60,108	24,933	7,530	206,103
Inter-segment revenue/(expense)	-	-	-	-	-
Interest revenue	515	23	-	14	552
Total revenue for reportable segment	114,047	60,131	24,933	7,544	206,655
Depreciation and amortisation	(769)	(3,609)	(547)	(247)	(5,172)
Reportable segment net profit before tax	56,175	4,886	10,552	1,061	72,674
Reportable segment assets	420,195	137,408	28,161	344,054	929,818
31 December 2012					
External revenues	103,888	57,032	28,890	-	189,810
Inter-segment revenue/(expense)	621	(621)	-	-	-
Interest revenue	591	105	32	-	728
Total revenue for reportable segment	105,100	56,516	28,922	-	190,538
Depreciation and amortisation	(1,068)	(2,590)	(637)	-	(4,295)
Reportable segment net profit before tax	39,756	4,356	9,253	-	53,365
Reportable segment assets	819,834	132,900	28,441	-	981,175

[1] Segment information for Perpetual Investments includes the Exact Market Cash Funds.

[2] Segment information for Corporate Trust includes discontinued operation, Perpetual Lenders Mortgage Services for the 31 December 2012 comparatives only. Further information is provided in note 7.

[3] Revenue and expenses of the Trust Company Limited (Trust Co.) have been recognised for the period from the 4 December 2013 when Perpetual gained effective control.

Note 6. Segment information (continued)

		31 Dec 2013 $'000	31 Dec 2012 $'000
Reconciliations of reportable segment revenues, net profit before tax, and total assets			
Revenues			
Total revenue for reportable segments		206,655	190,538
less: Revenue from discontinued operation	7	-	(3,269)
add: Group and Support Services revenue		2,872	3,290
Total group revenue from continuing operations		209,527	190,559
Net profit before tax			
Total net profit before tax for reportable segments		72,674	53,365
less: Net profit before tax for discontinued operation	7	-	(624)
Financing costs		(796)	(929)
Gain/(loss) on disposal of investments		2,617	(66)
Impairment of available-for-sale securities		(91)	(635)
Impairment of intangibles		-	(144)
(Loss) on sale of business		-	(199)
Foreign currency translation costs		-	(5,242)
Transformation/Restructuring costs		(9,363)	(8,520)
Trust Co integration costs		(8,850)	-
Trust Co due diligence and transaction costs		(4,179)	-
Loss on sale of assets held for sale		(403)	-
Group and Support Services expense		(4,271)	(3,570)
Net profit before tax from continuing operations		47,338	33,436
Total assets			
Total assets for reportable segments		929,818	981,175
Group and Support Services assets		238,790	258,254
Total assets		1,168,608	1,239,429

Note 6. Segment information (continued)

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

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

Perpetual Investments	Manufacturer of financial products, management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Perpetual Private	Perpetual Private provides a wide range of investment and non-investment products and services. These include a comprehensive advisory service, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. Perpetual Private also provides many of these services to charities, not for profit and other philanthropic organisations.
Corporate Trust	The Corporate Trust division provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, trustee, registrar or agent for corporate and financial services clients. The Corporate Trust division provided mortgage processing services until the sale of Perpetual Lenders Mortgage Services (PLMS) on 1 August 2012.
Trust Co.	The Trust Company Limited (Trust Co.) provides Personal Client Services (PCS) and the Corporate Client Services (CCS). PCS specialises in providing advice and expertise in Estate Planning and Administration, Lifestyle and Executive Assist, Financial Planning, Personal Trusts, Charitable Trusts, Wealth Management and Health and Personal Injury services. CCS in Australia and Singapore provides Responsible Entity, Property and Infrastructure Custody, Superannuation compliance and Trustee and REIT Trustee services.

Note 7. Discontinued Operations

On 1 August 2012, Perpetual Lenders Mortgage Services (PLMS) was sold to FAF International Property Services (Australia) Pty Limited, an affiliate of First Mortgage Services (FMS). The operation was a discontinued operation and classified as held for sale at 30 June 2012. The results of the discontinued operation have been shown separately from continuing operations.

A gain on sale of the business of $2,391,000 was recognised during the period ended 31 December 2012.

	31 Dec 2012 $'000
Results of discontinued operation	
Revenue	3,269
Expenses	(2,645)
Profit before tax	624
Income tax expense	(187)
Profit from a discontinued operation	437
Gain on sale of business	2,391
Net profit after tax from discontinued operation	2,828
Earnings per share:	
Basic profit for the year, from discontinued operation – cents per share	7.4
Diluted, profit for the year, from discontinued operation – cents per share	6.9
Cash flows (used in)/from discontinued operation	
Net cash (used in)/from operating activities	(294)
Net cash from investing activities	2,391
Net cash used in financing activities	(2,238)
Net cash flows for the year	(141)
Effect of disposal on the financial position of the Group	
Intangibles	5,648
Property, plant and equipment	1,091
Trade and other receivables	1,158
Other assets	813
Deferred tax assets	149
Trade and other payables	(736)
Employee benefits	(1,938)
Lease provisions	(236)
Net assets	5,949
Proceeds from disposal	(8,340)
Gain on sale	2,391

Note 8. Income tax expense

	31 Dec 2013 $'000	31 Dec 2012 $'000
a. Income tax expense		
Current tax expense	9,399	11,857
Deferred tax expense	5,897	(65)
Research and Development tax incentives from prior years	(1,262)	(1,864)
Over provided in prior year	(437)	(383)
Total	13,597	9,545
Continuing operations	13,597	9,358
Discontinued operation	-	187
Total	13,597	9,545
Deferred income tax included in income tax expense		
(Decrease) in deferred tax assets	(4,211)	(670)
(Increase)/decrease in deferred tax liabilities	(1,686)	735
Total	(5,897)	65

The above movements in deferred tax assets and deferred tax liabilities are net of movements recognised directly in profit or loss. They exclude movements recognised in reserves of $740,000 (31 December 2012: $2,012,000).

At 31 December 2013, the consolidated entity had carried forward realised tax capital losses of $10,788,000 (30 June 2013: $13,152,000) which had a tax benefit of $3,237,000 (30 June 2013: $3,946,000); the tax benefit of these capital losses has been recognised in deferred tax assets.

At 31 December 2013, there are additional accumulated tax losses of $17,750,000 (30 June 2013: $17,537,000) which had a tax benefit of $5,324,000 (30 June 2013: $5,260,000); the tax benefit of these capital losses has not been recognised in deferred tax assets.

As at 31 December 2013, the consolidated entity had carried forward unrealised tax capital losses of $407,000 (30 June 2013: $653,000) which had a tax benefit of $122,000 (30 June 2013: $196,000). Of this amount $nil (30 June 2013: $nil) which had a tax benefit of $nil (30 June 2013: $nil) has been recognised in profit and loss in the current and prior periods, and $407,000 (30 June 2013: $653,000) which had a tax benefit of $122,000 (30 June 2013: $196,000) has been recognised in other comprehensive income in the current and prior periods. The tax benefit of these capital losses has been recognised in deferred tax assets.

As at 31 December 2013, the consolidated entity had carried forward unrealised tax capital gains of $8,190,000 (30 June 2013: $7,330,000) which had a tax expense of $2,457,000 (30 June 2013: $2,199,000). Of this amount $nil (30 June 2013: $1,360,000) which had a tax expense of $nil (30 June 2013: $408,000) has been recognised in profit and loss in the current and prior periods, and $8,190,000 (30 June 2013: $5,970,000) which had a tax expense of $2,457,000 (30 June 2013: $1,791,000) has been recognised in other comprehensive income in the current and prior periods. The tax expense of these capital gains has been recognised in deferred tax liabilities.

At 31 December 2013, the consolidated entity has carried forward foreign trading tax losses of EUR$51,792,000 (30 June 2013: EUR$51,794,000). This loss converted to $79,864,000 (30 June 2013: $73,001,000) which had a tax benefit of $9,983,000 (30 June 2013: $9,125,000) at 12.5 per cent that was not recognised in the Statement of Financial Position.

A deferred tax asset has not been recognised in respect of losses incurred by PI Investment Management Limited, the controlled entity incorporated in Ireland, that was placed into voluntary liquidation on 8 June 2012. These trading losses will be trapped in the liquidated entity, however they convert to capital losses on the completion of the liquidation. The tax benefit relating to these losses has not been recognised as a deferred tax asset at the 31 December 2013.

Note 8. Income tax expense (continued)

	31 Dec 2013 $'000	31 Dec 2012 $'000
b. Income tax recognised in other comprehensive income		
Cash flow hedge	(74)	20
Available-for-sale financial assets	(666)	1,992
	(740)	2,012

Note 9. Dividends

Dividends paid or provided for in the current and prior comparative period are as follows**:**

a. Dividends paid

	Cents per share	Total Amount $'000	Franked[1] / Unfranked	Date of Payment
31 December 2013				
Final 2013 - Ordinary dividend	80	33,585	Franked	4 October 2013
31 December 2012				
Final 2012 - Ordinary dividend	40	16,792	Franked	5 October 2012

[1]All franked dividends declared or paid during the period were franked at a tax rate of 30 per cent and paid out of reserves.

b. Subsequent events

The directors resolved on 27 February 2014 to pay an interim ordinary dividend of 80 cents per share franked at 30% (2013: 50 cents per share franked at 30%). The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2013 and will be recognised in subsequent financial periods. The dividend is payable on 4 April 2014 with a record date of 14 March 2014.

c. Dividend franking account

	31 Dec 2013 $'000	31 Dec 2012 $'000
30% (2012: 30%) franking credits available after the payment of income tax provided for in the financial statements	29,295	28,918

The above available amounts are based on the balance of the dividend franking account at 31 December 2013 adjusted for franking credits that will arise from the payment of the current tax liabilities.

Note 10. Earnings per share

	31 Dec 2013	31 Dec 2012
	Cents per share	
Earnings per share		
Basic earnings per share	84.7	71.4
Diluted earnings per share	80.1	67.0
Earnings per share - continuing operations		
Basic earnings per share	84.7	64.0
Diluted earnings per share	80.1	60.1

The following reflects the income and share information used in calculating the basic and diluted earnings per share:

	$'000	$'000
Net profit after tax attributable to equity holders of Perpetual Limited	33,301	27,342
Net profit after tax from discontinued operation	-	2,828
Net profit after tax from continuing operations attributable to equity holders of Perpetual Limited	33,301	24,514

	31 Dec 2013	31 Dec 2012
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	39,319,235	38,290,871
Effect of dilutive securities:		
Weighted average number of dilutive potential ordinary shares (including those subject to performance rights)	2,275,669	2,521,258
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	41,594,904	40,812,129

Note 11. Cash and cash equivalents

For the purposes of the Condensed Consolidated Cash Flow Statement, cash and cash equivalents includes bank balances, deposits at call and short-term deposits.

	31 Dec 2013 $'000	30 Jun 2013 $'000
Bank balances	151,051	177,974
Deposits at call	11,508	14,965
Short-term deposits	40,681	24,180
	203,240	217,119

Note 11. Cash and cash equivalents (continued)

Included within deposits at call are investments in a cash management trust operated by the consolidated entity. Short term deposits in the Perpetual High Grade Treasury Fund have a Standard & Poor's fund credit quality rating of 'Af' and are invested in high grade credit products with the intention of generating a return in excess of the UBS Bank Bill Index. Funds are generally available at seven days' notice.

Note 12. Structured products assets and liabilities

	31 Dec 2013 $'000	30 Jun 2013 $'000
a. Exact Market Cash Funds		
Current assets		
Exact Market Cash Fund 1	180,765	116,930
Exact Market Cash Fund 2	126,998	310,076
	307,763	427,006
Current liabilities		
Exact Market Cash Fund 1	178,751	115,364
Exact Market Cash Fund 2	126,393	308,484
	305,144	423,848

The Exact Market Cash Funds' current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds' investors under the swap agreement and reflect the net assets of the funds for unit pricing purposes.

The Exact Market Cash Fund 1 (EMCF 1) was established during the financial year ended 30 June 2005 with the purpose of providing an exact return that matched the UBS Bank Bill rate (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of $3 million (2013: $3 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity and credit risks.

The Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund, and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of $6 million (2013: $6 million) to be called upon in the event that Perpetual does not meet its obligations.

Note 12. Structured products assets and liabilities (continued)

	31 Dec 2013 $'000	30 Jun 2013 $'000

b. Perpetual Protected Investments

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

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current assets		
Structured products - receivable from investors	31,139	36,892
Less: loan establishment fees	(11)	(24)
	31,128	36,868
Less: provision for credit losses	(2,141)	(1,986)
	28,987	34,882
Non-current assets		
Structured products - loans receivable	38,019	43,202
Less: loan establishment fees	(22)	(31)
	37,997	43,171
Less: provision for credit losses	(1,281)	(1,312)
	36,716	41,859
Movements in the provision for credit losses are as follows:		
Balance as at beginning of period/year	3,298	3,064
Provision for credit losses recognised during the period/year	124	426
Provision utilised during the period/year	-	(192)
Balance as at end of period/year	3,422	3,298
Structured products - interest-bearing liabilities at reporting date consists of the following:		
Current liabilities		
Structured products - interest-bearing liabilities	30,961	36,231
Non-current liabilities		
Structured products - interest-bearing liabilities	37,732	42,418

Note 13. Financial instruments

Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 31 December 2013. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: Inputs for the asset or liability that are not based on observable market data.

Note 13. Financial instruments (continued)

Consolidated

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2013				
Financial assets				
Available-for-sale listed equity securities	33,453	-	-	33,453
Available-for-sale unlisted unit trusts	-	11,524	-	11,524
Structured products - EMCF assets[1]	-	297,570	-	297,570
	33,453	309,094	-	342,547
Financial liabilities				
Swap contracts	-	43	-	43
Derivative financial instruments - forward exchange contracts and index futures	-	(6)	-	(6)
Derivative financial instruments	-	(35)	-	(35)
	-	2	-	2

[1] The EMCF liability is not included as it is accounted for at amortised cost.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price. Marketable shares included in other financial assets are traded in an organised financial market and their fair value is the current quoted market bid price for an asset. The carrying amounts of bank term deposits and receivables approximate fair value. The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The estimates of fair value where valuation techniques are applied are subjective and involve the exercise of judgement. Changing one or more of the assumptions applied in valuation techniques to reasonably possible alternative assumptions may impact on the amounts disclosed.

Carrying amount versus fair value

The consolidated entity's financial assets and liabilities included as current and non-current in the balance sheet are carried at amounts in accordance with its accounting policy. The carrying amount of financial assets and financial liabilities, less any impairment, approximates their fair value, except for those outlined in the table below, which are stated at amortised cost.

	31 Dec 2013	
	Carrying amount $'000	Fair Value $'000
Non-current		
Structured products – loans receivable	36,716	36,445
Structured products – interest bearing liabilities	37,732	37,702

Note 14. Interest-bearing liabilities

Entity	Total facilities $'000	Utilised $'000	Unutilised $'000	Interest rate	Repayment date
31 December 2013					
Perpetual facility agreement	130,000	87,000	43,000	4.04 - 4.07%	31-Oct-15
Trust Co. facility agreement	15,000	10,000	5,000	4.95 - 4.97%	15-Jul-17
Total	**145,000**	**97,000**	**48,000**		
30 June 2013					
Perpetual facility agreement	70,000	45,000	25,000	3.61%	31-Jan-15
Total	**70,000**	**45,000**	**25,000**		

Perpetual is in compliance with all of the debt covenants of the $130,000,000 facility as at 31 December 2013. Should the Company not satisfy any of these covenants, the outstanding balance of the loan may become due and payable.

Perpetual Limited settled the acquisition of The Trust Company Limited (Trust Co.) on 18 December 2013 under a scheme of arrangement. The conditions of the Trust Co. $15,000,000 facility have been renegotiated with the lender and a waiver has been obtained for defaults that existed due to the delisting of Trust Co. shares and the non compliance of covenants which required the guarantors of the facility to hold not less than 90% of the total assets and account for not less than 90% of the EBITDA of the Trust Co. group.

The $10,000,000 utilised loan amount was repaid on 20 January 2014, however the facility remains available to the consolidated entity.

Note 15. Other receivable and other payable

	31 Dec 2013 $'000	30 Jun 2013 $'000
Non-current		
Indemnity receivable (i)	4,599	-
Non-current		
Indemnity payable (i)	4,599	-

(i) On acquisition of Trust Co. the group has recognised indemnities receivable and payable relating to certain indemnity arrangements that have been agreed between Trust Co. and Suncorp Group New Zealand Limited. These indemnities relate to certain Group Investment Funds and certain Specified Client Matters, which were agreed as part of Trust Co.'s acquisition of Guardian Trust.

Note 16. Provisions

	31 Dec 2013 $'000	30 Jun 2013 $'000
Current		
Internal insurance and legal provision	1,257	626
Operational process review provision	274	116
Lease expense provision	2,107	2,037
Other provisions	2,500	-
	6,138	2,779
Non-current		
Internal insurance and legal provision	800	800
Lease expense provision	20,382	20,437
	21,182	21,237

Note 17. Contributed equity

	31 Dec 2013 $'000	30 Jun 2013 $'000
Share capital		
46,529,270 (30 June 2013: 41,980,678) ordinary shares, fully paid	457,344	239,801

Movement in share capital	Number of Shares	$'000	Number of Shares	$'000
Balance at beginning of the period/year	38,778,390	239,801	38,106,316	236,530
Shares issued:				
- Issue of ordinary shares	4,548,592	200,783	-	-
- Movement on treasury shares	441,748	16,760	672,074	3,271
Balance at end of the period/year	43,768,730	457,344	38,778,390	239,801
Ordinary shares fully paid (excluding unvested shares from share plans)	43,768,730	457,344	38,778,390	239,801
Unvested shares from share plans	2,760,540	99,918	3,202,288	116,516
Ordinary shares fully paid	46,529,270	557,262	41,980,678	356,317

During the half-year, the Company granted $7,385,000 (30 June 2013: $2,990,000) performance rights in accordance with Perpetual Limited's Long Term Incentive Plan.

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

4,526,446 ordinary shares were issued as a result of the Trust Co. acquisition (see note 19) and 22,146 issued due to the dividend reinvestment plan.

Terms and conditions

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

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

Note 18. Goodwill

	31 Dec 2013 $'000	30 Jun 2013 $'000
Reconciliation of carrying amount		
Balance at beginning of period	97,308	97,308
Acquisition through business combination	197,237	-
Balance at end of period	294,545	97,308

The Clean Energy Act introduced a carbon pricing mechanism into the Australian economy from 1 July 2012. The introduction of the carbon pricing mechanism did not have a material impact on the future cash flow generated from the cash-generating units for the purpose of fair value calculations in asset impairment models.

Note 19. Business combinations

The Trust Company Limited

On 18 December 2013 the Company settled the acquisition of 100% of the issued share capital of The Trust Company Limited (Trust Co.), which specialises in providing advice and expertise in Personal Client Services including Estate Planning and Administration, Lifestyle and Executive Assist, Financial Planning, Personal Trusts, Charitable Trusts, Wealth Management and Health and Personal Injury services. The acquired entity is based in the Sydney CBD.

The acquisition of Trust Co. is part of the consolidated entity's strategy to provide complementary business to Corporate Trust and economies of scale to Perpetual Private and Perpetual Investments. The acquisition contributes to the Company's strategy of refocusing on areas of competitive advantage. The Company expects synergies at both the corporate and business unit levels through the rationalisation of administration and technology costs.

The effective date of control was 4 December 2013 when the Supreme Court approval of the Scheme of arrangement was lodged with Australian Securities and Investment Commission. The acquired business contributed revenue of $7.5 million and a net profit after tax of $0.7 million to the consolidated entity for the period from 4 December 2013, the effective date of acquisition, to 31 December 2013.

If this acquisition had occurred on 1 July 2013, the revenue and net profit after tax would have been $52.7 million and $5.2 million respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 July 2013.

Note 19. Business combinations (continued)

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

	$'000
Cash consideration	77,655
Equity consideration	199,933
Total consideration	277,588

The cash consideration was calculated based on the volume weighted average price of $44.9481 which was based on the 10 trading days up to the scheme meeting on 27 November 2013.

The fair value of the ordinary shares issued (4,526,446 shares) was based on the listed share price of the Company at 18 December 2013 of $44.17 per share.

Acquisition-related costs

The consolidated entity incurred acquisition-related costs of $5.5m on legal fees and due diligence costs. These costs have been included in administrative and general expenses in the consolidated entity's statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed	**$'000**
Intangible assets	55,674
Receivables	22,479
Cash and cash equivalents	16,136
Deferred tax assets	4,970
Other current assets	3,082
Other financial assets	19,700
Property, Plant & Equipment	6,339
Non-current prepayments	8,527
Other non-current assets	4,599
Trade and other payables	(18,205)
Financial liabilities	(10,000)
Current tax liabilities	(1,886)
Deferred tax liabilities	(15,882)
Provisions	(8,083)
Contingent liabilities	(2,500)
Other non-current liabilities	(4,599)
Total identifiable net assets	80,351

All trade receivables are expected to be collectible at the acquisition date.

Upon acquisition of Trust Co., the Group recognised a contingent liability in the provisional purchase price allocation of $2.5m in relation to Banksia and Australian Capital Reserve as outlined in note 21 contingent liabilities and contingent assets. Like all major financial institutions Trust Co. carries insurance for these types of circumstances. Trust Co. is keeping its insurers fully informed of the claims.

Fair values measured on a provisional basis

At 31 December 2013 the acquisition accounting balances were provisional and will be subject to an independent valuation, whereby on completion of that valuation the accounting balances for the acquisition may be revised in accordance with Australian Accounting Standards Board AASB 3 – Business Combinations.

Note 19. Business combinations (continued)

Goodwill	**$'000**
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	277,588
Less value of identifiable net assets	(80,351)
Goodwill	197,237

The goodwill is attributable mainly to the skills and technical talent of the acquiree's work force, and the synergies expected to be achieved from integrating the Trust Co. into the consolidated entity. None of the goodwill recognised is expected to be deductible for income tax purposes.

Note 20. Assets and liabilities held for sale

	31 Dec 2013 $'000	**30 Jun 2013 $'000**
Assets classified as held for sale		
IT outsourcing	-	803
	-	803

IT outsourcing
In November 2013, the signing of a managed service agreement with Tech Mahindra was announced and the remaining registry assets held for sale were sold. This agreement allows Perpetual to modernise IT infrastructure and applications, and enables a number of material service and capability improvements.

Consideration of $400,000 was received for the assets transferred. A loss on sale of $403,000 has being recognised in Net Profit before Tax.

Note 21. Contingent liabilities and contingent assets

The Directors are of the opinion that the recognition of liabilities is not required in respect of the matters below, as it is not probable that future sacrifice of economic benefits will be required and the amount is not capable of reliable measurement.

	31 Dec 2013 $'000	30 Jun 2013 $'000
(a) Contingent liabilities		
Undertaking supporting the AFS licence requirements for subsidiaries	25,000	-
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	2,000	1,000
Bank guarantee in favour of Australian Prudential Regulation Authority in relation to the provision of superannuation services	5,000	-
Bank guarantee in favour of the Australian Securities and Investment Commission in relation to the provision of responsible entity services and custodial services	10,000	-
Bank guarantee issued in respect of the lease of premises of the Trust Company Limited	1,602	-
Bank guarantee issued in respect of the lease of premises of the Perpetual Limited	2,621	2,621
Bank guarantee in favour of the Australian Securities and Investment Commission in relation to AFS licenses	20	-
	46,243	3,621

The Group, given the nature of its business, can receive claims for breach of duty from time to time. Where necessary, the Group has provided for potential litigation claims. Other than the Banksia and Australian Capital Reserve matters referred to below, the Group is not currently engaged in any litigation or claim in its personal capacity which is likely to have a materially adverse effect on the business, financial condition or operating results of the Group which has not been provided for in the financial statements. Where some loss in the Group's personal capacity is probable and can be reliably estimated, an appropriate provision has been made of the likely amount of each claim on an individual basis. The amount provided for each claim is reviewed by management regularly.

Banksia
In January 2013 a claim for unspecified damages was lodged against The Trust Company (Nominees) Limited in its capacity as trustee for the debentures issued by Banksia Securities Limited (Banksia) and other defendants including Banksia Securities Limited, Cherry Fund Limited, RSD Chartered Accountants and the directors of both Banksia Securities Limited and Cherry Fund Limited. The claim was lodged by a debenture holder of Banksia and alleges breaches of the Corporations Act and general law trustee duties. The Trust Company is strongly defending the action. The Trust Company also has a right of indemnity from the assets of the trust (subject to certain conditions).

Note 21. Contingent liabilities and contingent assets (continued)

a) Contingent liabilities (continued)

Australian Capital Reserve
In May 2013 a claim for unspecified damages was lodged against The Trust Company (Nominees) Limited in its capacity as trustee for the debentures issued by Australian Capital Reserve Limited (ACR). The claim was lodged by debenture holders of ACR and alleges breaches of general law trustee duties and a failure to exercise reasonable diligence. The Trust Company is strongly defending the action. The Trust Company also has a right of indemnity from the assets of the trust (subject to certain conditions).

In addition, the acquired The Trust Company has an agreement with Suncorp Group New Zealand Limited (Suncorp) whereby it is indemnified in respect of certain client provisions.

The Trust Company has provided indemnities to a number of related parties in respect of mortgage funds that it managed in New Zealand. All of the mortgage indemnities have back to back arrangements in place under which The Trust Company is to recover certain losses from Suncorp Mortgage Company NZ Limited.

(b) Contingent assets

The Trust Company has an admitted claim against FAI General Insurance Company Limited (in liquidation) of $17.0 million. To date, 54.4 cents in the dollar ($9.34m of the admitted $17.0m) has been received in cash in financial years 2007 to 2014.

The scheme administrator has indicated that the estimate of total percentage payout is currently between 55 and 65 cents in the dollar but has not provided guidance as to timing of the payments.

The Group has not recognised any receivable in the financial statements due to the uncertainty of timing and quantum of amounts to be received.

Note 22. Events subsequent to balance date

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in this report that has affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors' Declaration

In the opinion of the directors of Perpetual Limited ("the Company"):

1. the condensed consolidated financial statements and notes set out on pages 10 to 35 are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that Perpetual Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Peter Scott Director	Geoff Lloyd Director

Dated at Sydney this 27th day of February 2014.

KPMG

Independent auditor's review report to the members of Perpetual Limited

Report on the financial report

We have reviewed the accompanying half year financial report of Perpetual Limited ("the consolidated entity"), which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year's end or from time to time during the half year period.

Directors' responsibility for the half-year financial report

The directors of the consolidated entity are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Perpetual Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Perpetual Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Andrew Yates
Partner

Sydney
27 February 2014