Operating and Financial Review for the six months ended 31 December 2013

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 six months ended 31 December 2013 (1H14). It also includes a review of its financial condition as at 31 December 2013.

The following information should be read in conjunction with the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2013 and should also be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report for the financial year ended 30 June 2013 (FY13).

The Group's unaudited condensed consolidated financial statements were subject to independent review by KPMG.

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 1H14 can be found at Appendix D. 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.

No representation or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained in this review (any of which may change without notice). To the maximum extent permitted by law, the Perpetual Group, its directors, officers, employees, agents and contractors and any other person disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through use or reliance on anything contained in or omitted from this review.

This review contains forward looking statements. These forward looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The Perpetual Group undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this review, subject to disclosure requirements applicable to the Group.

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

Equity markets continued to rally over most of 1H14. The Australian S&P/ASX All Ordinaries Price Index (All Ords) increased by around 12% during 1H14, closing at 5,353.1 at the end of the period, while the average All Ords in 1H14 was around 18% and 5% higher than the average All Ords in 1H13 and 2H13 respectively. This improvement in markets was reflected in the Group's financial performance.

1H14 underlying profit after tax (UPAT) was $48.1 million, an increase of $13.0 million or around 37% from $35.1 million in 1H13. The improvement in 1H14 UPAT included the benefits from the realised cost savings under the Transformation 2015 program, which was announced at the end of FY12, an improvement in net funds flows, and one month's profit contribution from the acquisition of The Trust Company Limited (TrustCo) which was completed in December 2013 for a total consideration of $278 million.

In 1H14, Transformation 2015 cost management initiatives generated incremental program savings of an additional $6.0 million before tax, resulting in cumulative period savings of $19.6 million before tax, equivalent to an annualised run rate of $44 million before tax. The Group remains on track to deliver $50 million in annualised run rate savings before tax by the end of FY14.

1H14 statutory net profit after tax (NPAT) attributable to equity holders of Perpetual Limited was $33.3 million, an increase of $6.0 million or around 22% from $27.3 million in 1H13.

The Board determined to pay a FY14 interim fully franked dividend of 80 cents per share, compared to fully franked dividends of 50 and 80 cents for the FY13 interim and final dividend respectively. The FY14 interim dividend is payable on 4 April 2014. Refer to the 'Dividends' section for additional information.

At the end of 1H14:

- total regulatory capital requirements were $129 million;
- total economic capital requirements were $166 million, compared to around $220 million of liquid funds, which equates to a coverage ratio of 1.3 times the Group's economic capital needs;
- total equity was $534.2 million, compared to $323.7 million at the end of FY13; and
- shares on issue were 46.5 million, an increase of 4.5 million shares ($200 million) from the end of FY13 and were issued as part consideration for the acquisition of TrustCo, with the remaining balance of $78 million paid in cash consideration.

Segment results summary

For the six month period	Operating Revenue 1H13 $m	Operating Revenue 2H13 $m	Operating Revenue 1H14 $m	EBITDA (1) 1H13 $m	EBITDA (1) 2H13 $m	EBITDA (1) 1H14 $m	Profit before/after tax 1H13 $m	Profit before/after tax 2H13 $m	Profit before/after tax 1H14 $m
Perpetual Investments	93.6	102.3	109.5	45.2	53.0	61.3	39.8	47.4	56.1
Perpetual Private	56.5	59.2	60.1	8.1	9.3	9.7	4.4	4.8	4.9
Corporate Trust	25.3	24.5	24.9	9.5	10.5	11.3	8.6	9.7	10.5
TrustCo(2)	-	-	7.5	-	-	1.3	-	-	1.1
Group and Support Services	4.0	4.3	2.9	(2.6)	(2.4)	(4.1)	(3.8)	(3.5)	(5.0)
Totals before tax and significant items	179.4	190.3	204.9	60.2	70.4	79.5	49.0	58.4	67.6
Income tax expense							(13.9)	(17.6)	(19.5)
Underlying profit after tax (UPAT)(3) before significant items							35.1	40.8	48.1
Significant items after tax:									
– Non recurring tax benefit/(expense)							1.9	(1.5)	1.2
– Gain/(loss) on disposal/impairment of investments							(0.9)	0.1	1.2
– Restructuring costs							(6.0)	(4.7)	(6.9)
– Transaction costs relating to TrustCo acquisition							-	(1.5)	(4.1)
– Integration/restructuring costs relating to TrustCo acquisition							-	-	(6.2)
– Operating income from discontinued operations (PLMS)							0.4	-	-
– Gain on disposal of businesses							2.1	0.5	-
– Impairment of assets							(0.1)	-	-
– Foreign currency translation costs							(5.2)	-	-
Statutory net profit after tax (NPAT) attributable to Perpetual Limited ordinary equity holders							27.3	33.7	33.3

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

(2) The Group completed the acquisition of TrustCo on 18 December 2013. The effective date of control was 4 December 2013. The Group's financial performance for 1H14 includes one month of earnings for TrustCo.

(3) 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 reviewed 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 reviewed. A detailed bridge between the statutory NPAT and UPAT can be found at Appendix C.

The following table presents the change in underlying profit before tax by business segment for 1H14, compared to 1H13 and 2H13:

Change in underlying profit before tax	1H14 v 1H13 $m	1H14 v 1H13 % change	1H14 v 2H13 $m	1H14 v 2H13 % change
Perpetual Investments	16.3	41	8.7	18
Perpetual Private	0.5	11	0.1	2
Corporate Trust	1.9	22	0.8	8
TrustCo	1.1	-	1.1	-
Group and Support Services	(1.2)	(32)	(1.5)	(43)
Total	18.6	38	9.2	16

Appendix A details business segment results for these periods.

Movements in key revenue drivers

The profitability of each business unit 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 unit's key revenue driver across the period and incorporates the recently acquired TrustCo business. More detailed analysis is contained within the 'Review of Businesses' section.

	End of 1H13 $b	End of 2H13 $b	1H14 Net flows $b	1H14 TrustCo $b	1H14 Other[1] $b	End of 1H14 $b	1H14 v 1H13 % variance	1H14 v 2H13 % variance
Perpetual Investments FUM	24.3	25.3	0.6	1.3	3.2	30.4	25	20
Perpetual Private FUA	8.8	9.0	-	4.9	0.7	14.6	66	62
Corporate Trust FUA[2]								
- Securitisation	248.5	259.4	34.8	14.1	-	308.3	24	19
- Fund Services	51.2	49.8	0.6	189.4	-	239.8	368	382

(1) Includes reinvestments, distributions, income, and asset growth.
(2) Corporate Trust FUA now comprises Securitisation and Fund Services (such as outsourced responsible entity, trustee and custody FUA).

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 average level of the Australian equity market over the period. At the end of 1H14, Perpetual Investments' FUM and Perpetual Private's FUA were 81% and 57% exposed to equity markets respectively.

Management calculates the expected impact on revenue, across all its businesses, for each 1% movement in the All Ords. Based on the level of the All Ords at the end of December 2013, a 1% movement in the market changes annualised revenue by approximately $2.25 million to $2.75 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 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 channel and product mix, and pricing policy can also affect the level of revenue earned from the Perpetual Investments and Perpetual Private businesses.

Operating environment

The first half of FY14 was very positive for global share markets in response to attractive starting valuations, continued central bank policy support and an improving outlook for the global economy. Global central banks remained key to the improvement in investor confidence, even though the US Federal Reserve stated that its accommodative monetary policy stance was not a permanent feature of the US financial system. Meanwhile, Chinese authorities warned domestic lenders to improve their lending standards stating that bad loans will not necessarily be bailed out by the Chinese authorities.

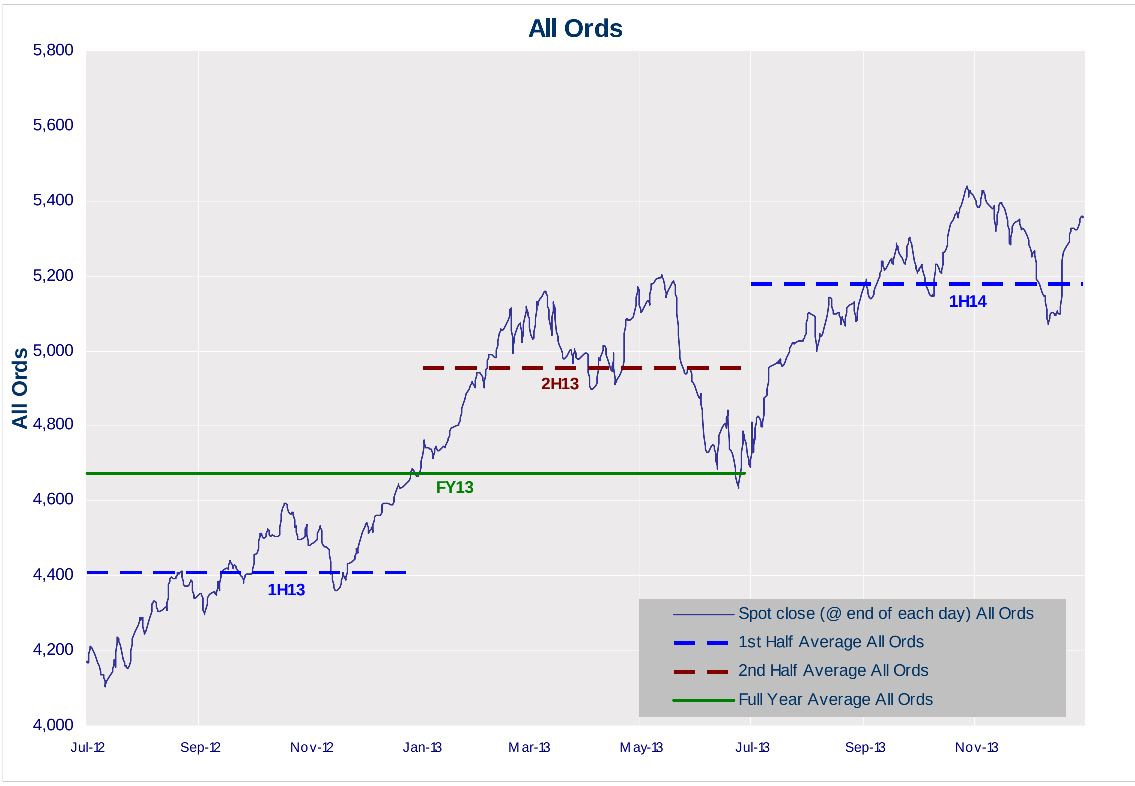
US economic growth ended 2013 at +3.2%, which was a marked improvement from the +0.1% annualised rate at the end of 2012 with activity supported by record levels of consumer spending as households lowered their savings rate. Unlike in 2011, the closure of the US government in the December quarter of 2013 did not have a material impact on US economic growth. Just after this impasse was over the US Federal Reserve took the first steps to reduce their unprecedented monetary stimulus program, which prompted a rise in market volatility, which faded quickly.

This improvement in market sentiment was supported by Japan and Europe both returning to growth after several years of recession. In Japan, the economic stimulus program of the Abe Government contributed to a marked depreciation of the Yen and a solid rise in economic activity, underpinned by higher consumption and public investment. Economic conditions have also improved in Europe, where consumer and industry confidence returned to longer-run averages. However, growth outside Germany and France remained very modest, but nonetheless positive, as the rate of fiscal consolidation in the stressed eurozone periphery economies eased back.

In contrast to improvements in the advanced economies, China's growth rate slowed to +7.6% in 2013 which was well below its 10-year average and the lowest since 1999, but in line with the Government's stated +7.5% target. Elsewhere, Australian growth also moderated in line with an easing in mining investment, which has been central to growth over the past three years. The impact of this investment moderation was cushioned by a lower exchange rate (which depreciated a further -2.7% since June 2013) and the Reserve Bank of Australia reducing the Target Cash Rate down to a record low of 2.5%, as the unemployment rate continued to drift higher.

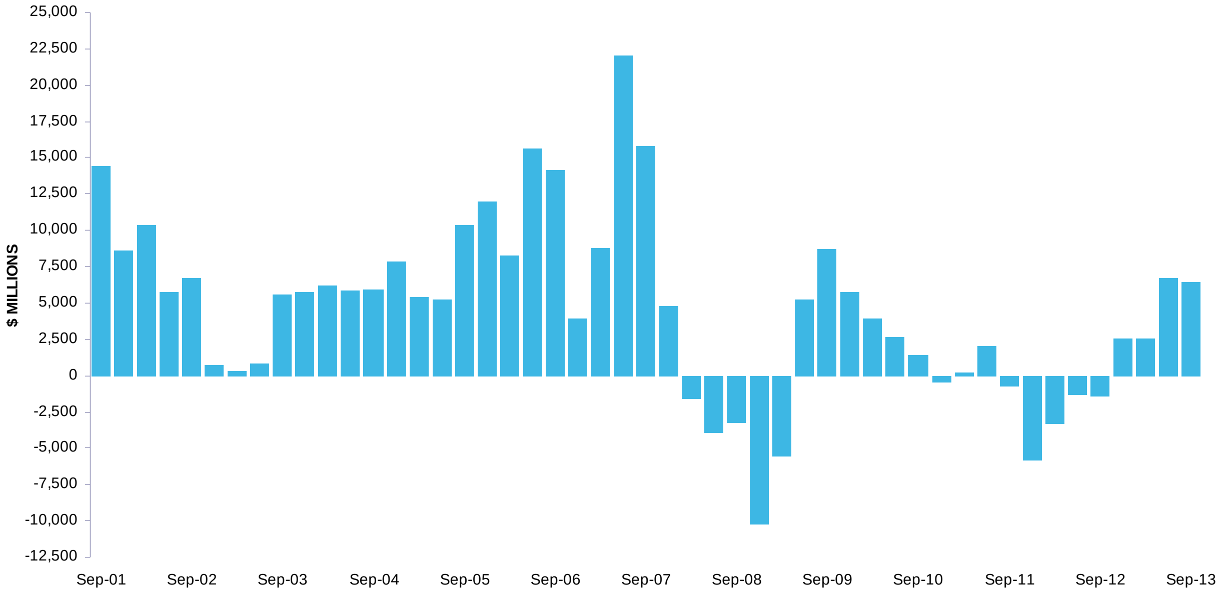
The 2013 Federal Election sparked a short-term rise in market sentiment and helped the domestic sharemarket to record its eighth year of double digit price gains in the past 11 years. The S&P/ASX 300 rose +14.8% in price terms for 2013 which was the best year of returns since the aftermath of the GFC in 2009. This return was around the global average, with Australian companies continuing to pay good dividends, which satisfied income-focused investors.

The All Ords increased in value during 1H14 by 12%, closing at 5,353.1 at the end of the period, compared to 4,775.4 at the end of 2H13. The average All Ords for 1H14 was 18% and 5% higher than during both 1H13 and 2H13 respectively. The following chart shows the movement in the daily All Ords, as well as the average levels for 1H13, 2H13, FY13 and 1H14.



Based on the most recent Plan for Life data (September 2013), the funds management industry has returned to net cumulative inflow over the previous 12 months. As can be seen from the following chart, there has been steady improvement in net flows over the last seven reported quarters. Inflows continue to remain well below pre Global Financial Crisis levels.

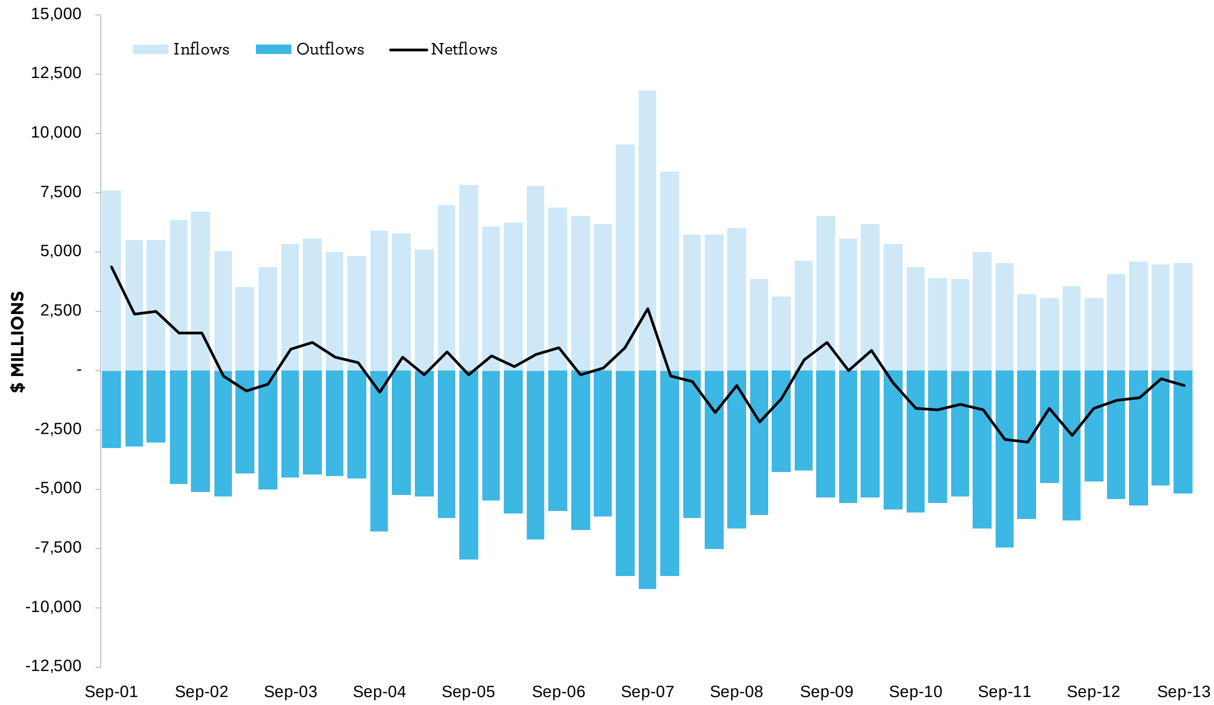
Total Retail and Unitised Wholesale Market: Quarterly Flows (Excluding Cash)



Source: Plan for Life - September 2013 (note: excludes Mandate data and June 2013 quarterly data excludes the $7.6b transfer of Perpetual Private's wrap platform into Macquarie's wrap business)

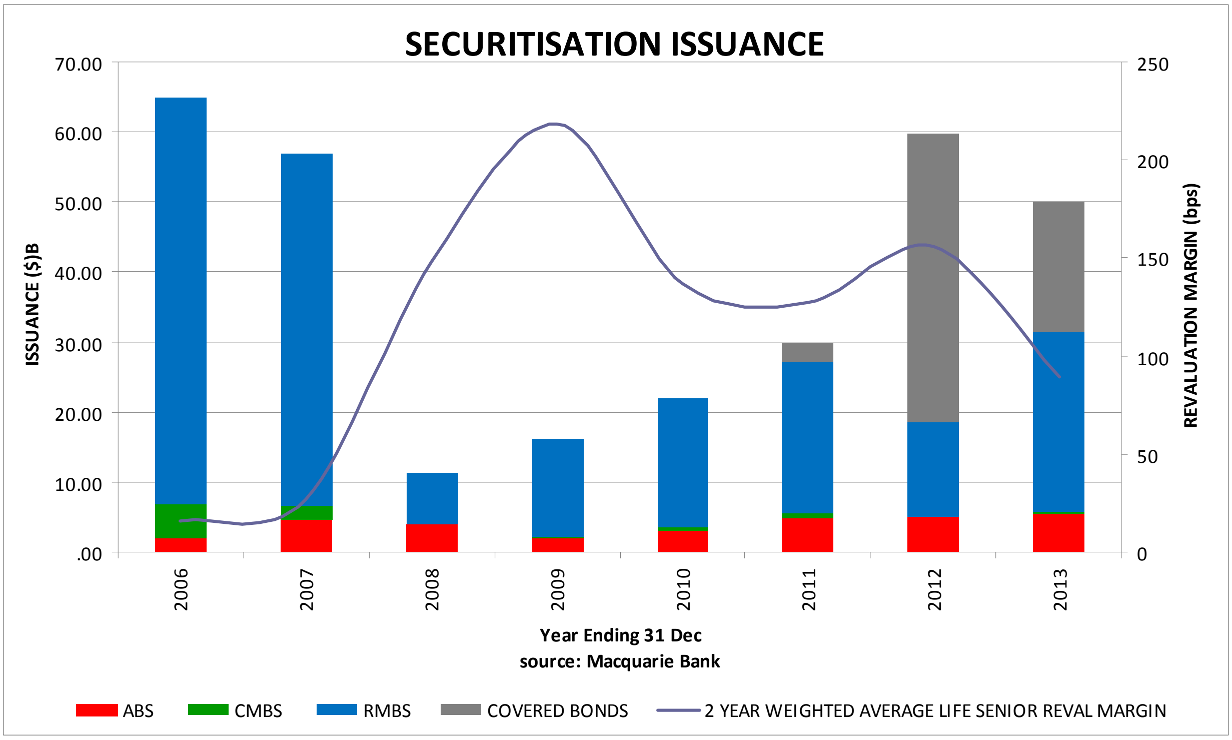
A similar trend can be seen in the following chart, which focuses on Australian share market retail and unitised wholesale fund flows. Over the previous 12 months, inflows have improved and outflows remained steady.

Australian share market retail and unitised wholesale fund flows



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

As can be seen from the following chart in calendar 2013, issuance of RMBS increased by around 90% while issuance of Covered Bonds declined by 55%. In calendar year 2013, issuance of RMBS exceeded covered bonds, reversing the prior year’s experience. Australian Banks only began issuing covered bonds in October 2012. Credit spreads have continued to narrow compared to their peak in 2009.



Regulatory environment

The financial services industry is subject to continued legislative and regulatory reform which affects or could affect the Group's operations.

The Future of Financial Advice (FoFA)

The FoFA package of legislation amended the Corporations Act and introduced key reforms from 1 July 2013 seeking to address conflicts of interest associated with the provision of personal financial advice.

The FoFA reforms include a ban on conflicted remuneration between product manufacturers and financial advisers, 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 that advisers recommend to their clients. Volume-based fees paid to platform operators are also banned. Generally, arrangements entered into prior to 1 July 2013 will be grandfathered and allowed to continue.

In addition, financial advisers now have a duty to act in the best interests of their clients, subject to a 'reasonable steps' qualification, and must place the best interests of their clients ahead of their own when providing personal advice to retail clients.

In December 2013, the Government announced a number of changes to the FoFA reforms, such as removing the opt-in obligation which would require advisers to seek client agreement to ongoing fee arrangements every two years. The proposed changes should clarify the operation of the FoFA reforms and remove unnecessary compliance costs.

Perpetual Private is well placed to 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 designed to improve their integrity and increase community confidence in SMSFs. They will also improve the operation and efficiency of the sector; and

Governance - 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.

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. Although this exemption is still in place, legislation has been passed to remove it with effect from 1 July 2014. This means financial planning firms that wish to continue to provide tax agent services, including Perpetual Private, will be required to register with the Tax Practitioners Board (TPB) by that date. Furthermore planners will be required to comply with the TPB Code of Conduct, meet certain education obligations, meet Competency and Fit & Proper requirements and have Professional Indemnity insurance arrangements in place that cover the provision of tax agent services. There is a three year transition regime until 1 July 2017.

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. The report makes a series of recommendations in respect of changes to the existing regulatory setting. The recommendations were not acted upon by the previous Federal Government and the current Government is yet to formally consider each recommendation.

ASIC’s new financial requirements for Custodians

From 1 July 2014, licensed custodians will be subject to increased financial requirements under changes to ASIC regulatory policy. Under the changes, custodians will be required to hold net tangible assets amounting to the greater of $10 million or 10% of average revenue. The changes are not expected to have a material impact as the Perpetual Group holds $220 million of liquid funds as at 31 December 2013.

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 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 regulatory changes is not expected to be material.

Shareholder returns

For the six month period (1) (2)		1H13	2H13	1H14
Diluted earnings per share (EPS) on a UPAT basis	cents	86.1	99.0	115.7
Diluted EPS on a statutory NPAT basis	cents	67.0	81.8	80.1
Annualised return on equity (ROE) on a UPAT basis	%	24.9	26.8	27.4
Annualised ROE on a statutory NPAT basis	%	19.4	22.1	18.9

(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 Perpetual Limited equity holders for the period divided by average equity attributable to the equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE. With respect to the annualised returns in 1H14, these do not represent a forecast of full year results for the Group in respect of FY14.

In 1H14, EPS on a UPAT basis increased by 34% and 17% on 1H13 and 2H13 respectively, reflecting the improvement in underlying profitability.

In 1H14, EPS on an NPAT basis increased by 20% on 1H13 and declined by 2% on 2H14, reflecting the increase in significant items in 1h14 due to the acquisition of TrustCo.

In 1H14 ROE on a UPAT basis was 27.4%, compared to 24.9% and 26.8% in 1H13 and 2H13 respectively, in line with the improvement in underlying profitability.

In 1H14, ROE on NPAT was 18.9%, compared to 19.4% and 22.1% in 1H13 and 2H13 respectively, reflecting the increase in significant items and average equity in response to the acquisition of TrustCo.

At the end of 1H14, there were 46.5 million shares on issue. During the period the Company issued 4.5 million shares as equity consideration (equivalent to a value of $200 million) in relation to the acquisition of TrustCo. In addition, the Company also paid cash consideration of $78 million.

Shareholders' equity attributable to holders of Perpetual Limited increased by $209.1 million, or around 70% in 1H14, primarily due to:

– the issue of $200.8 million in ordinary shares, predominantly used to acquire TrustCo; plus
– total comprehensive income of $35.8 million; plus
– equity remuneration expense of $6.0 million, which gave rise to a corresponding increase in the equity remuneration reserve; less
– $33.6 million of dividends paid during the period in respect of the FY13 final dividend.

Dividends

For the six month period		1H13	2H13	1H14
Fully franked dividends paid/payable	$m	21.0	33.6	37.2
Fully franked dividend per ordinary share	cents	50.0	80.0	80.0
Dividend payout ratio(1)	%	74.6	97.8	100.0
Proportion of statutory NPAT paid/payable as dividend	%	76.9	99.7	111.7(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 shares fully paid at end of 1H14.

Perpetual's dividend policy is to pay dividends within a range of 80%-100% of statutory 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.

In applying the Group's dividend policy to the FY14 interim dividend, the Board acknowledged that:

– 1H14 NPAT was reduced by $9.6 million after tax in relation to the net contribution from the recently acquired TrustCo business comprising $6.2 million of integration and restructuring costs and $4.1 million of transaction costs offset by the business' contribution of one month of earnings to FY14 UPAT of $0.7 million after tax; and
– the Group's financial profile remains strong.

Having taken these matters into consideration, the Board has on this occasion excluded the impact of the above items on 1H14 NPAT in determining the FY14 interim dividend.

A FY14 interim fully franked dividend of 80 cents per share will be payable on 4 April 2014 (Ex-dividend Date of 7 March 2014 and Record Date of 14 March 2014), compared to fully franked dividends of 50 cents and 80 cents per share for the FY13 interim and final dividends respectively. This equates to a dividend payout ratio of 87% when the aforementioned items are excluded.

A dividend history can be found at Appendix D.

The Dividend Reinvestment Plan (DRP) will be operational for the FY14 interim 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 DRP participants at the Average Market Price as defined in the DRP terms[1]. There will be no discount applicable to the Average Market Price.

The Pricing Period for the FY14 interim dividend will be the ten Trading Days commencing 17 March 2014 and ending 28 March 2014.

The Group's franking credit balance as at the end of 1H14 was $29.3 million (equivalent to 63 cents per share), which will enable it to fully frank $68.4 million of cash dividends, or 147 cents per share. After payment of the FY14 interim dividend, the franking balance is expected to be capable of fully franking a further $31.2 million of cash dividends, or around 67 cents per share.

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

As at 31 December 2013:

– Perpetual Limited, the Group's parent company had $38.0 million of distributable profits, equivalent to 82 cents per share; and
– the Group had $23.5 million of distributable profits, equivalent to 51 cents per share, 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 vision to become Australia's largest independent wealth manager of choice. The Transformation 2015 program has delivered significant benefits in cost savings, greater management focus and growth initiatives, both organic and inorganic, and is expected to deliver further benefits in 2H14.

By continuing to reduce the ongoing cost base of the Group, shareholders should be better positioned to benefit from any improvements in market conditions as well as being better insulated against future market shocks. 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 its earnings leverage. While the Group does not forecast market movements, the Group expects improved flows to continue in 2H14 and shareholders should expect to enjoy the benefits of the leaner cost base in the form of improved profitability.

The acquisition of the TrustCo business further protects shareholders from market volatility through a combination of diversification benefits and cost synergies. TrustCo is highly complementary to all three of the Group's core businesses: it adds funds under management to Perpetual Investments, which further improves leverage to equity markets; it adds new capability to Corporate Trust, helping to diversify Group revenues; and it brings considerable scale benefits to Perpetual Private. Perpetual is conducting a review

[1] The Group's DRP Rules can be found at http://shareholders.perpetual.com.au/phoenix.zhtml?c=171717&p=irol-drip

of TrustCo's operations, including its international operations, to maximise profitability and value for Perpetual's shareholders.

Looking forward, a better understanding of client needs remains 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 tangible results in 1H14 and the Group anticipates further success in 2H14 and beyond. At the same time, the Group continues to examine selected inorganic growth opportunities in a disciplined manner, using the Group's experience gained from Transformation 2015 and 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

The Group completed the acquisition of the ASX listed TrustCo on 18 December 2013. The Group's financial performance for 1H14 includes one month of earnings for TrustCo which is reported as a business segment.

As at the end of 1H14, the integration of TrustCo into the Perpetual Group had only just commenced following an intensive period of integration planning.

From 2H14, the financial performance and activities of TrustCo will be integrated into the Group's three core business segments**.**

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, property securities, 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.

Financial summary

Perpetual Investments 1H14 profit before tax was $56.1 million. This result is $16.3 million or 41% above 1H13, and $8.7 million or 18% above 2H13. A rebound in equity markets, improvement in net flows and a continued focus on expenses has enabled the business to improve its profit margin on revenues[2] from 43% in 1H13 to 46% in 2H13 and 51% in 1H14.

For the six month period	1H13 $m	2H13 $m	1H14 $m
Revenues	93.6	102.3	109.5
Operating expenses	(48.4)	(49.3)	(48.2)
EBITDA	45.2	53.0	61.3
Depreciation and amortisation	(1.0)	(0.8)	(0.8)
Equity remuneration expense	(4.4)	(4.8)	(4.4)
Profit before tax	39.8	47.4	56.1
Average margin annualised (Revenues/average FUM)	77bps	77bps	78bps
Average FUM	$23.7b	$26.2b	$27.7b

In 1H14 the multi manager team responsible for the Group's Select Funds was transferred from Perpetual Investments to Perpetual Private to better align their activities with Perpetual Private's clients. Commencing in 1H14, the revenue and expenses for this activity will be reported in the Perpetual Private business. Prior period comparatives have not been restated due to the immaterial impact on Perpetual Investments' profit before tax.

Revenues

1H14 revenue of $109.5 million represented an increase of 17% on 1H13 and an increase of 7% on 2H13, primarily due to changes in average FUM between the periods and some change in product and channel mix.

[2] Calculated as profit before tax divided by revenue.

Movements in average FUM balances generally correlate to movements in equity markets over the period, but are also impacted by the level of investor applications and redemptions (net flows) during the period.

The average FUM revenue margin in 1H14 was 78bps. This was 1 bp higher than in both 1H13 and 2H13. 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.

Multi manager revenues in both 1H13 and 2H13 were $1.0 million compared to nil in 1H14. As previously mentioned, from 1H14 the revenue and expenses associated with the Group's multi-manager investment management activities is reported in the Perpetual Private business.

The following tables provide an analysis of Perpetual Investments' revenue and average FUM by asset class.

Total revenue by asset class for the six month period	1H13 $m	2H13 $m	1H14 $m
By asset class:			
– Equities	73.1	82.7	93.5
– Cash and fixed income	14.1	13.6	10.4
– Other FUM related	4.3	4.2	3.8
– Other non-FUM related	2.1	1.8	1.8
Total revenue including performance fees	93.6	102.3	109.5

Performance fees for the six month period	1H13 $m	2H13 $m	1H14 $m
By asset class:			
– Equities	0.8	0.3	1.8
– Cash and fixed income	3.8	3.8	1.4
Total performance fees	4.6	4.1	3.2

Average FUM for the six month period	1H13 $b	2H13 $b	1H14 $b
By asset class:			
– Equities	17.6	20.2	22.3
– Cash and fixed income	4.8	4.7	4.2
– Other FUM related	1.3	1.3	1.2
Average FUM	23.7	26.2	27.7

Revenue margin for the six month period	1H13 bps	2H13 bps	1H14 bps
By asset class:			
– Equities	83	82	84
– Cash and fixed income	59	58	50
– Other FUM related	66	65	63
Average revenue margin including performance fees	77	77	78

Equities revenues represent fees earned on Australian and global equities products. This revenue was $93.5 million in 1H14, an increase of 28% on 1H13 and an increase of 13% on 2H13. This movement in revenue was broadly in line with the increase in average FUM. The average revenue margin in 1H14 was 84 bps, a 1 bps increase on 1H13 and 2 bps increase on 2H13.

Cash and Fixed Income revenues are derived from fixed income, cash and mortgage products. 1H14 revenue of $10.4 million was $3.7 million and $3.2 million lower than in 1H13 and 2H13 respectively. This was largely as a result of a reduction in FUM invested in higher revenue margin products such as:

– EMCF (Exact Market Cash Fund) products which earned performance fees of $1.4 million in 1H14 compared to $3.8 million in both of 1H13 and 2H13, and

– the continued run-off of the closed retail and intermediary mortgage fund products. In 1H14, investors received $0.1 billion in returns of their capital from mortgage fund products compared to $0.2 billion in both 1H13 and 2H13. At the end of 1H14, $0.3b of FUM remains to be returned to investors from these funds, with the next scheduled return of capital expected to occur in March 2014.

Also, in 2H13 FUM was further reduced by the $0.5 billion transfer from a low margin cash strategy to the new Perpetual Private wrap service. The transfer to the wrap service was revenue neutral from a Group perspective, as the revenue forgone in Perpetual Investments is now recognised in Perpetual Private.

The reduction in FUM from the higher revenue margin products reduced the average revenue margin in 1H14 to 50 bps compared to 59 bps and 58 bps in 1H13 and 2H13 respectively.

Other FUM related revenue includes management fees for sub-advisory mandates, external funds on the WealthFocus platform and administration fees on Perpetual Protected Investments (PPI) structured products (which have been in run-off since 2009). Other FUM related revenue of $3.8 million in 1H14 was $0.5 million and $0.4 million lower than in 1H13 and 2H13 respectively. Adjusting for the multi manager revenue transferred to Perpetual Private from 1H14, Other FUM related revenue was $0.5 million and $0.6 million higher than in 1H13 and 2H13 respectively due to higher revenue from external funds on the WealthFocus platform.

Other non-FUM related revenue mainly includes the net interest margin on the structured products loan book and interest earned on operational bank accounts across the business. 1H14 revenue of $1.8 million was unchanged from 2H13, but $0.3 million less than in 1H13 due to a reduction in the net interest margin as a result of the continued run-off of the PPI product series.

Total expenses

Total expenses for 1H14 of $53.4 million were $0.4 million and $1.5 million lower than in 1H13 and 2H13 respectively.

In 1H14, Transformation 2015 cost management initiatives reduced total expenses by a further $0.9 million, in addition to incremental savings of $3.9 million generated in FY13.
Operating expenses for 1H14 of $48.2 million were $0.2 million and $1.1 million lower than in 1H13 and 2H13 respectively.

Key variances between 1H14 and 2H13 were:

– a $0.9 million reduction in compressible costs[3] (predominantly general and administrative expenses) as a result of Transformation 2015 initiatives;

– a $0.9 million reduction in costs associated with transfer of the multi-manager investment management function to the Perpetual Private business;

– a $0.7 million reduction in shared services cost allocations;

offset by

– a $0.5 million increase in insurance expense;

– a $0.5 million increase in regulatory compliance costs; and

– a $0.4 million increase in IT outsource provider costs.

Depreciation and amortisation expense in 1H14 of $0.8 million was $0.2 million less than in 1H13 and unchanged from 2H13 respectively, due to lower software depreciation.

Equity remuneration expense in 1H14 of $4.4 million was unchanged from 1H13 and $0.4 million lower than in 2H13. Equity remuneration in 1H14 was lower principally due to the forfeiture of equity share awards by some departing executives.

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[3] Compressible costs are costs that reduce in response to a reduction in headcount and associated activity such as recruitment, travel, professional subscriptions, office consumables and entertainment.

Funds under management

At the end of 1H14, FUM was $29.1 billion, an increase of 20% and 15% from the end of 1H13 and 2H13 respectively. This increase in FUM was underpinned by higher equity markets, as well as a return to net inflows.

At end of	1H13 $b	2H13 $b	Net flows $b	Other [1] $b	1H14 $b
Institutional	7.2	7.8	0.5	1.1	9.4
Intermediary	11.9	12.3	0.2	1.5	14.0
Retail	5.2	5.2	(0.1)	0.6	5.7
All channels	24.3	25.3	0.6	3.2	29.1
Australian equities	17.3	18.7	0.4	3.1	22.2
Global equities	0.9	1.1	-	0.2	1.3
Equities	18.2	19.8	0.4	3.3	23.5
Cash and fixed income	4.7	4.2	0.2	-	4.4
Other	1.4	1.3	-	(0.1)	1.2
All asset classes	24.3	25.3	0.6	3.2	29.1

[1] Includes reinvestments, distributions, income and change in market value.

1H14 average FUM was $27.7 billion or 17% higher than in 1H13 and 6% higher than in 2H13.

In addition, at the end of 1H14, the business also provided investment advice on $0.1 billion through a sub-advisory mandate for the Global Resources strategy for an offshore client and the Direct Equity Alpha strategy that is targeted to the Self Managed Superannuation Fund market.

In 1H14 the business also launched the Pure Microcap Fund which seeks to provide investors with long term capital growth via an investment in a portfolio of quality Australian microcap companies. Microcap companies are defined as companies with a market capitalisation of less than $250m on acquisition.

Net flows

In 1H14, net flows improved on both 1H13 and 2H13.

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

For the six month period	1H13 $b	2H13 $b	1H14 $b
Institutional	(0.4)	0.2	0.5
Intermediary	(0.4)	(0.5)	0.2
Retail	(0.4)	(0.3)	(0.1)
All channels	(1.2)	(0.6)	0.6
Australian equities	(0.8)	0.1	0.4
Global equities	-	-	-
Equities	(0.8)	0.1	0.4
Cash and fixed income	(0.4)	(0.6)	0.2
Other	-	(0.1)	-
All asset classes	(1.2)	(0.6)	0.6

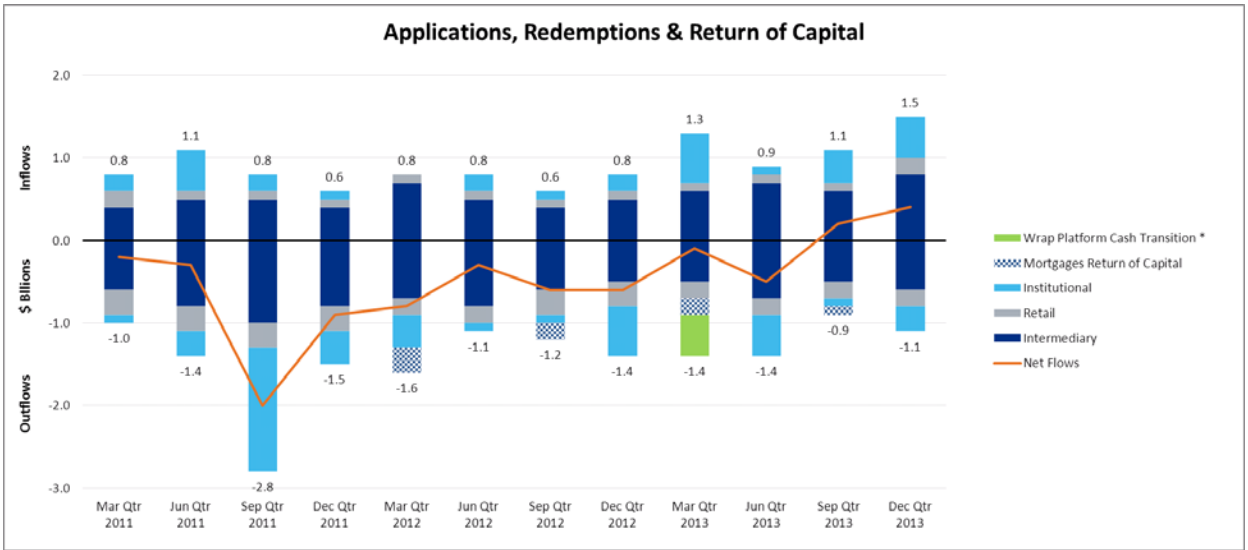
In 1H14 there was $0.1 billion in capital returned to investors in the closed mortgage funds compared to $0.2 billion in 1H13 and 2H13, and in 2H13 a $0.5 billion outflow from the cash asset class due to the transition to the new Perpetual Private wrap service. Adjusting the previous table for these non-client initiated outflows produces the following adjusted net flow profile for the last three reporting periods:

For the six month period	1H13 $b	2H13 $b	1H14 $b
Institutional	(0.4)	0.2	0.5
Intermediary	(0.3)	0.1	0.2
Retail	(0.3)	(0.2)	-
All channels	(1.0)	0.1	0.7
Australian equities	(0.8)	0.1	0.4
Global equities	-	-	-
Equities	(0.8)	0.1	0.4
Cash and fixed income	(0.2)	0.1	0.3
Other	-	(0.1)	-
All asset classes	(1.0)	0.1	0.7

As can be seen from the above table, net FUM flows, excluding non-client initiated outflows, returned to net inflow in 2H13, and have continued to improve in 1H14 across all channels and in both the equities and the cash and fixed income asset classes.

Flows analysis by distribution channel

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



* Perpetual Private portfolio wrap service transition.

As can be seen from the above chart, gross inflows have continued to improve over the last nine months. In 2QFY14, the business recorded its highest level of gross inflows in 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 1H14, a number of equity investment strategies received upgraded ratings from asset consultants whose clients are predominantly institutional investors.

[4] All figures in the above table are rounded. Institutional inflows and outflows into Cash, Enhanced Cash and Exact Market Cash Funds have been netted out during the quarter so that only a net increase or decrease is included.

The following table tracks the movement in net FUM flows by asset class for the institutional channel for 1H13, 2H13 and 1H14.

For the six month period	1H13 $b	2H13 $b	1H14 $b
Equities	(0.3)	0.3	0.4
Cash & fixed income	(0.1)	(0.1)	0.1
Other	-	-	-
Total	(0.4)	0.2	0.5

In 1H14 the institutional channel had:

– net inflows of $0.5 billion, which represented a significant improvement on net outflows of $0.4 billion experienced in 1H13, versus $0.2 billion of net inflows in 2H13;

– the equities asset class had $0.4 billion of net inflows predominantly into the Concentrated, Smaller Companies and Pure Equity Alpha strategies. This compared to $0.3 billion of net outflows in 1H13 and $0.3 billion of net inflows in 2H13; and

– the cash and fixed income asset class had net inflows of $0.1 billion predominantly in the cash asset class. This compares to net outflows of $0.1 billion in both 1H13 and 2H13.

During the period, Perpetual Investments won three new institutional mandates. Two for the Concentrated strategy and one for Smaller Companies strategy.

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

Since announcing the Transformation 2015 strategy in June 2012, distribution of Perpetual Investments products have benefited from a reinvigorated sales and distribution function which has delivered:

– 13 additions into discretionary platforms;

– 12 additions into financial adviser approved product lists;

– 14 additions into model portfolios;

– 12 fund rating upgrades; and

– 11 funds newly rated at investment grade (or its equivalent) or above.

The following table tracks the movement in net FUM flows by asset class for the intermediary channel for 1H13, 2H13 and 1H14, excluding non-client initiated outflows.

For the six month period	1H13 $b	2H13 $b	1H14 $b
Equities	(0.3)	(0.2)	0.1
Cash & fixed income	-	0.3	0.1
Other	-	-	-
Total	(0.3)	0.1	0.2

In 1H14, the intermediated channel, excluding non-client initiated outflows, had:

– net inflows of $0.2 billion, compared to net outflows of $0.3 billion in 1H13 and net inflows of $0.1 billion in 2H13;

– the equities asset class had $0.1 billion of net inflows, predominantly into the SHARE-PLUS, Ethical and Australian Shares strategies offsetting net outflows from the Industrial Share Fund. This compared to net outflows of $0.3 billion and $0.2 billion in 1H13 and 2H13 respectively; and

– the cash & fixed income asset class experienced $0.1 billion of net inflows, predominantly into the Diversified Income Fund. This compared to neutral net flows in 1H13 and net inflows of $0.3 billion in 2H13.

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.

The following table tracks the movement in net FUM flows by asset class for the retail channel for 1H13, 2H13 and 1H14, excluding non-client initiated transactions.

For the six month period	1H13 $b	2H13 $b	1H14 $b
Equities	(0.2)	-	(0.1)
Cash & fixed income	(0.1)	(0.1)	0.1
Other	-	(0.1)	-
Total	(0.3)	(0.2)	(0.0)

In 1H14, the retail channel, excluding non-client initiated outflows, had:

– experienced neutral flows, compared to net outflows of $0.3 billion and $0.2 billion in 1H13 and 2H13 respectively;

– the equities asset class experienced $0.1 billion of net outflows, predominantly from the Industrial Share Fund. This compared to $0.2 billion of net outflows in 1H13 and neutral net flows in 2H13;

– the cash & fixed income asset class had net inflows of $0.1 billion . This compared to $0.1 billion of net outflows in both 1H13 and 2H13; and

– the other asset class experienced neutral net flows. This compared to neutral net flows in 1H13 and $0.1 billion of net outflows in 2H13.

Investment performance

Almost all of Perpetual Investments' funds have experienced 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 periods:

Excess/(under) investment performance p.a. – gross as at end December 2013								
Period	Australian Share Fund	Industrial Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Active Fixed Interest Fund	Diversified Income Fund	Share Plus Fund	Ethical Share Fund
1 year	7.9%	2.8%	24.5%	7.1%	1.2%	3.5%	12.7%	11.9%
3 years	5.5%	1.5%	15.5%	6.8%	1.7%	3.4%	10.1%	12.3%
5 years	5.2%	2.0%	13.7%	5.7%	1.9%	3.9%	8.3%	13.5%
7 years	4.1%	2.4%	10.4%	5.2%	0.9%	0.7%	6.7%	7.1%
10 years	3.4%	1.7%	7.6%	3.4%	N/A	N/A	4.8%	5.9%

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 ten years.

Momentum on ratings continued to be strong for the Group's Australian Equities capabilities during 1H14. The Concentrated Equity Fund and Share-Plus Long-Short Funds were both upgraded to Highly Recommended by Lonsec and the Group's Australian Large-cap and Long/Short capabilities were both recognised as winners in their categories at the Australian Fund Manager Awards. Perpetual Investments also won the Australian Large-cap manager of the year and Overall Fund Manager of the Year at the Zenith/Professional Planner Awards.

[5] The above table provides no allowance for management expenses, redemption fees, or taxation.
[6] Mercer wholesale surveys – quartile rankings – December 2013

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 $9.7 billion at the end of 1H14, an increase of 10% and 8% on 1H13 and 2H13 respectively.

Perpetual Private is one of Australia's largest managers of philanthropic funds, including as trustee for over 560 charitable trusts and endowment funds, with $1.3 billion in FUA at the end of 1H14.

Key accomplishments in 1H14 included:

- 1H14 net flows up slightly on 2H13;
- net new clients continue to increase;
- increase in number of both alliance partners and referrals;
- $300 million in Super Wrap[7] since its launch in April 2012, an increase of $0.1 billion since end of 2H13;
- continued focus on native title segment – secured 2 additional trusts in 1H14;
- voted #1 for range of advisory services in Euromoney Private banking and Wealth Management Survey 2014: Australia; and
- upskilling of advisory teams through recruitment of more senior and experienced advisers and the appointment in late 1H14 of a new managing partner responsible for growing the Fordham business.

Financial summary

1H14 profit before tax of $4.9 million represented an increase of 11% from 1H13 and an increase of 2% on 2H13, reflecting improved equity market conditions and lower non-market related revenue. The foreshadowed higher costs associated with Perpetual Private's new wrap platform (Project ICE), were in the main, offset by additional savings generated under the Transformation 2015 program.

For the six month period	1H13 $m	2H13 $m	1H14 $m
Market related revenue	34.5	36.7	39.4
Non-market related revenue	22.0	22.5	20.7
Total revenues	56.5	59.2	60.1
Operating expenses	(48.4)	(49.9)	(50.4)
EBITDA	8.1	9.3	9.7
Depreciation and amortisation	(2.6)	(3.3)	(3.6)
Equity remuneration expense	(1.1)	(1.2)	(1.2)
Profit before tax	4.4	4.8	4.9
Closing Funds under Advice (FUA)	$8.8b	$9.0b	$9.7b
Average Funds under Advice (FUA)	$8.5b	$9.1b	$9.5b
Market related revenue margin	81bps	81bps	83bps

Revenues

The main revenue driver for Perpetual Private is FUA, with market related revenue contributing 66% of total 1H14 revenues compared to 61% in 1H13 and 62% in 2H13. The increase was predominately due to higher asset values as well as the inclusion of revenue associated with the transfer of the multi manager investment management function from Perpetual Investments to Perpetual Private.

[7] Designed exclusively for Perpetual Private clients, the service offers simplified management of super and pension investments with a range of estate planning features

1H14 market related revenue of $39.4 million represented an increase of 14% and 7% on 1H13 and 2H13 respectively. The inclusion of multi manager revenue in 1H14 increased market related revenue by $1.8 million, which included a $1.2 million performance fee.

The revenue margin from market related revenue in 1H14 was 83 bps, representing an increase of 2 bps over the 81 bps in 1H13 and 2H13. The increase in revenue margin was primarily due to the multi manager performance fee.

Non-market related revenue in 1H14 was $20.7 million, a decrease of $1.3 million or 6% on 1H13 and $1.8 million or 8% on 2H13.

The key variances between 1H14 and 2H13 were

– a $1.8 million decrease in tax and accounting revenue due to lower client activity and seasonality;

– a $0.4 million decrease in estate administration fees;

offset by

– a $0.3 million increase in planning and establishment fees; and

– a $0.2 million increase in insurance commission.

Expenses

Total expenses in 1H14 were $55.2 million, $3.1 million or 6% higher than in 1H13, and $0.8 million or 1% higher than in 2H13.

In 1H14, Transformation 2015 cost management initiatives reduced total expenses by a further $2.7 million, in addition to incremental savings of $4.4 million generated in FY13.

Operating expenses in 1H14 were $50.4 million, $2.0 million or 4% higher than 1H13, and $0.5 million or 1% higher than in 2H13.

Key variances between 1H14 and 2H13 were:

– a $2.7 million decrease in employment costs in response to Transformation 2015 initiatives which have reduced the number of FTE roles required in the business. In 1H14 around 20 additional roles were made redundant and the full run-rate cost savings benefit from this restructure is expected to occur in 2H14;

– a $0.9 million reduction in shared services cost allocations;

– a $0.2 million reduction in variable remuneration due to the absence of sign-on payments;

offset by

– a $2.7 million increase in platform outsource provider fees;

– a $1.2 million increase in costs associated with operating the Group’s multi-manager investment management strategy, which previously resided in the Perpetual Investments business; and

– a $0.4 million increase in insurance expense.

The 1H14 depreciation and amortisation expense of $3.6 million represented an increase of $1.0 million and $0.3 million compared to 1H13 and 2H13 respectively. The increase is due to the commencement of the amortisation of costs associated with the new wrap service (Project ICE) in mid 2H13.

The 1H14 equity remuneration expense of $1.2 million represented an increase of $0.1 million compared to 1H13 and was unchanged from 2H13.

Funds under advice (FUA)

FUA at end of	1H13 $b	2H13 $b	Net flows $b	Other (1) (2) $b	1H14 $b
Financial advisory:					
› superannuation	3.7	3.8	-	0.5	4.3
› non-superannuation	2.0	2.1	-	-	2.1
	5.7	5.9	-	0.5	6.4
Fiduciary services:					
› philanthropic	1.3	1.2	-	0.1	1.3
› trust and estates	1.8	1.9	-	0.1	2.0
	3.1	3.1	-	0.2	3.3
Total funds under advice	8.8	9.0	-	0.7	9.7

(1) Includes reinvestments, distributions, income, and change in market value.

(2) Includes reclassification of $0.2 billion from non-superannuation to superannuation following the transition of a client book onto the new wrap service.

Perpetual Private's FUA at the end of 1H14 increased by $0.9 billion or 10% from the end of 1H13 and $0.7 billion or 8% from the end of 2H13, underpinned by stronger equity markets. Average 1H14 FUA was $9.5 billion, 12% higher than in 1H13 and 4% higher than in 2H13. This increase in average FUA reflected the rebound in investment markets and neutral net flows during 1H14. Net flows remained broadly consistent with the two prior reporting periods. At the end of 1H14, 57% of Perpetual Private's FUA was invested in equities.

At the end of 1H14:

– around 50% of FUA was held in direct investments; and

– around 50% of FUA was held in managed investments; of which:

  - around 33% was managed by Perpetual, and
  - around 67% was managed by other managers.

The acquisition of TrustCo is expected to contribute to improving the profitability of Perpetual Private as the business will be able to better leverage its scale and increase its broad offering to an expanded client base.

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 and accounting services for property, private equity and mortgage funds; and trusteeships for corporate debt issues, infrastructure projects and other structures.

During the period, the business continued to refine its activities and concentrated 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.

Financial summary

Corporate Trust's 1H14 profit before tax was $10.5 million, an increase of $1.9 million or 22% from 1H13 and $0.8 million or 8% from 2H13. The business generated an improved profit margin on revenue of 42% in 1H14, compared to 34% and 40% in 1H13 and 2H13 respectively.

For the six month period	1H13 $m	2H13 $m	1H14 $m
Trust revenue	19.7	20.0	20.5
Fund services revenue	4.9	4.6	4.4
Total fiduciary services revenues	24.6	24.6	24.9
Investment in associates (MARQ)	(0.3)	(0.4)	-
Sold business – Loan servicing	1.0	0.3	-
Total revenues	25.3	24.5	24.9
Operating expenses	(15.8)	(14.0)	(13.6)
EBITDA	9.5	10.5	11.3
Depreciation and amortisation	(0.7)	(0.6)	(0.6)
Equity remuneration expense	(0.2)	(0.2)	(0.2)
Profit before tax	8.6	9.7	10.5
Funds under administration ($b)			
- Securitisation	248.5	259.4	294.2
- Fund Services	51.2	49.8	50.4

Revenue

Total revenues of $24.9 million in 1H14 represented a decrease of $0.4 million on 1H13 and an increase of $0.4 million on 2H13.

Revenue from core fiduciary services in 1H14 was $0.3 million higher than in both 1H13 and 2H13 principally due to increased activity in the securitisation markets.

The decline in total revenue from 1H13 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.

In 1H14, there was nil revenue impact from the business' 45% investment in MARQ, compared to the share of losses that were incurred in 1H13 and 2H13. Whilst the business continues to gradually expand its take-up with clients, this has not yet translated into underlying profitability. The Group has fully provided for its investment in this joint venture in 2H13. In 1H14, the MARQ business acquired one new client.

Expenses

Total expenses in 1H14 were $14.4 million, a decrease of $2.3 million or 14% on 1H13 and a decrease of $0.4 million or 3% on 2H13. This decrease principally reflects the disposal of the non-core loan servicing administration business.

In 1H14, Transformation 2015 cost management initiatives reduced total expenses by a further $0.6 million, in addition to incremental savings of $0.8 million generated in FY13.

Operating expenses of $13.6 million in 1H14 were $2.2 million and $0.4 million lower than in 1H13 and 2H13 respectively.

Key variances between 1H14 and 2H13 were:

– a $0.6 million reduction in compressible costs (predominantly general and administrative) as a result of transformation 2015 initiatives;

– a $0.3 million reduction in employment costs in relation to the loan servicing business which was sold in 2H13

offset by

– a $0.4 million increase in property expense as 2H13 benefited from the release of a lease liability provision following the transfer of certain property obligations associated with a sold business.

The 1H14 depreciation and amortisation expense of $0.6 million represented a decrease of $0.1 million and unchanged on 1H13 and 2H13 respectively.

The 1H14 equity remuneration expense of $0.2 million was in line with both 1H13 and 2H13.

Funds under administration (FUA)

At end of	1H13 $b	2H13 $b	1H14 $b
CMBS & ABS	27.1	28.4	29.4
RMBS – non-bank	40.3	36.5	38.9
RMBS – bank	51.7	51.9	52.9
RMBS – repos	95.5	102.1	128.4
Covered bonds	33.9	40.5	44.6
Total funds under administration (FUA) – securitisation	248.5	259.4	294.2

FUA at the end of 1H14 increased by 18% and 13% to $294.2 billion compared to the end of 1H13 and 2H13 respectively. 1H14 FUA benefited from continued growth in both the ABS asset class and a rebound in FUA in the traditional RMBS bank and non-bank asset classes compared to 2H13. These asset classes generally earn better revenue margins than RMBS-Repos and covered bonds.

The acquisition of TrustCo is expected to improve the profitability of Corporate Trust due to its increased scale, especially in the fund services segment, and the opportunity to increase the level of activity through TrustCo's established presence in Singapore.

Trust Company

The Group completed the acquisition of the ASX listed TrustCo on 18 December 2013. Total consideration paid was $278 million, comprising a combination of $200 million in equity consideration and $78 million in cash.

TrustCo is one of the region's foremost trustee companies, providing services for individuals, companies and charitable trusts.

TrustCo provides wide-ranging advice and expertise in personal client services in Australia and New Zealand, including estate planning and administration, financial planning, personal trusts, charitable trusts, wealth management and health and personal injury services.

TrustCo's corporate client services business in Australia and Singapore includes corporate trustee, debt capital markets trustee, property and infrastructure custody, superannuation compliance and trustee. In New Zealand, TrustCo offers trustee services for debt securities, securitisation unit trust, superannuation and Kiwisaver[8].

[8] A New Zealand voluntary long-term savings scheme which came into operation from Monday, 2 July 2007.

Financial summary

The effective date of acquisition of TrustCo was 4 December 2013. TrustCo's financial performance from that date to the end of 1H14 is summarised in the following table.

For the six month period	1H13 $m	2H13 $m	1H14 $m
Revenues	-	-	7.5
Operating expenses	-	-	(6.2)
EBITDA	-	-	1.3
Depreciation and amortisation	-	-	(0.2)
Equity remuneration expense	-	-	-
Profit before tax	-	-	1.1
Funds under management ($b)			
- Australia	-	-	1.0
- New Zealand	-	-	0.3
Funds under advice ($b)			
- Australia	-	-	2.8
- New Zealand	-	-	2.1
Funds under administration ($b)			
- Australia	-	-	121.2
- New Zealand	-	-	82.3

Revenue for the month of December was $7.5 million. Transactional revenue in December was lower due to the impact of seasonality around the Christmas period. The Personal Client business represented 60% of revenues and Corporate Client Services 40% of revenues.

For the month of December 2013, the business generated a profit before tax of $1.1 million.

Had the acquisition of TrustCo occurred on 1 July 2013, the revenue for 1H14 would have been $52.7 million.

On 20 December 2013, in accordance with an undertaking provided by Perpetual to the ACCC, the Group sold its 13% equity interest in ASX listed Equity Trustees Limited for $20 million in cash.

Integration

The Group has established a transition team to manage the smooth integration of TrustCo into the Perpetual group to minimise disruption to the business. This integration commenced in December 2013. Perpetual intends to:

– utilise the expertise and capability developed through Perpetual's Transformation 2015 initiative to integrate the operations of TrustCo into Perpetual's three businesses (Perpetual Investments, Perpetual Private and Perpetual Corporate Trust) with the objective of removing duplication, extracting synergies and making those operations more efficient and profitable and improving and expanding the range of offerings available to clients of both Perpetual and TrustCo;

– consolidate and migrate TrustCo's IT systems into the Group's outsourced technology environment leveraging Perpetual's partnership with Fujitsu Australia Limited to provide modern IT infrastructure and service and capability improvements with reduced cost;

– migrate TrustCo's personal clients onto Perpetual Private's market leading outsourced portfolio wrap and fiduciary administration platform, leveraging the significant investment made in Perpetual's 'Improving the Client Experience' (ICE) program and the capabilities of Macquarie's best-in-class service solution offering clients sophisticated web-based reporting and self-service capabilities;

– centralise and consolidate shared services functions and remove duplicate support infrastructure to improve efficiency and enhance economies of scale; and

– maintain Perpetual's current head office in Sydney and co-locate offices, where able and deemed appropriate.

The Group expects to generate annual run-rate synergies of at least $15 million before tax by the end of the second year post acquisition (1H16) as a result of removing duplication across both the corporate and business unit level, consolidating and migrating IT systems and platforms and centralising and consolidating shared services functions.

The cost to achieve these annual savings is expected to be approximately 200% of fully phased cost synergies achieved, including one-off IT related costs.

From 2H14, the financial performance and activities of TrustCo will be integrated into the Group's three core business segments.

Group and Support Services

Costs retained in Group and Support Services (GSS) reflect costs that management deem to be associated with corporate rather than business unit 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, Group Finance, Risk 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 six month period	1H13 $m	2H13 $m	1H14 $m
Revenues	4.0	4.3	2.9
Operating expenses	(6.6)	(6.7)	(7.0)
EBITDA	(2.6)	(2.4)	(4.1)
Depreciation and amortisation	(0.1)	-	-
Equity remuneration expense	(0.2)	(0.2)	(0.1)
Interest expense	(0.9)	(0.9)	(0.8)
Loss before tax	(3.8)	(3.5)	(5.0)

Revenue from the Group's cash and principal investments of $2.9 million in 1H14 was $1.1 million lower than in 1H13, and $1.4 million lower than in 2H13. The lower revenue in 1H14 compared to both 1H13 and 2H13 was principally due to lower seed fund income after minority interest and lower interest income due to lower cash balances.

Total expenses for 1H14 were $7.9 million compared to $7.8 million in both 1H13 and 2H13 respectively.

In 1H14, Transformation 2015 cost management initiatives reduced total expenses by a further $1.8 million, in addition to incremental savings of $4.5 million generated in FY13.

Operating expenses in 1H14 of $7.0 million were $0.4 million and $0.3 million higher than in 1H13 and 2H13 respectively.

Key variances between 1H14 and 2H13 were:

– a $1.8 million decrease in professional fees relating to general corporate advice;

– a $1.8 million reduction in employment costs due to Transformation 2015 initiative to outsource the Group's IT function;

offset by

– a $3.2 million reduction in shared services cost allocations to other business units including the Transformation Office;

– a $0.3 million increase in marketing expenditure in 1H14; and

– a $0.3 million non-recurring refund for overpaid Fringe Benefits Tax in 2H13.

The 1H14 equity remuneration expense of $0.1 million was $0.1 million lower than in both 1H13 and 2H13.

Interest expense of $0.8 million in 1H14 was $0.1 million lower than in both 1H13 and 2H13.

Consolidated Group

In 1H14, total Group expenses before tax including depreciation and amortisation and equity remuneration expense (excluding significant items[9]) increased by $6.9 million from 1H13 and by $5.4 million from 2H13, to $137.3 million, including the expenses associated with the TrustCo acquisition which was completed in December 2013.

Excluding TrustCo's 1H14 operating expenses, underlying expenses in 1H14 increased by $0.5 million on 1H13 and decreased by $1.0 million on 2H13.

Movement in Group expenses

For the six month period	1H13 $m	2H13 $m	1H14 $m
Employment	(85.9)	(83.2)	(78.4)
Occupancy	(10.3)	(9.8)	(10.3)
Administration & general	(32.4)	(37.1)	(40.5)
Other intangibles	(0.9)	(0.9)	(0.9)
Financing costs	(0.9)	(0.9)	(0.8)
Total expenses excluding TrustCo	(130.4)	(131.9)	(130.9)
TrustCo expenses (December 2013)	-	-	(6.4)
Total expenses before tax	(130.4)	(131.9)	(137.3)

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

Changes in the key drivers of the Group's expenses before tax are set out in the following table.

	2H13 versus 1H14 $m
Expenses in 2H13 excluding TrustCo	131.9
Decrease in fixed remuneration	(3.1)
Decrease in variable remuneration	(1.2)
Decrease in equity remuneration	(0.5)
Decrease in employment expenses	(4.8)
Increase outsource provider costs	3.1
Increase in other expenses	0.7
1H14 expenses excluding TrustCo	130.9
TrustCo expenses (December 2013)	6.4
1H14 total expenses	137.3

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 would 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 1H14, cost management initiatives from Transformation 2015 have delivered $19.6 million of cost savings before tax compared to $11.1 million and $13.6 million in 1H13 and 2H13 respectively.

The following table provides an analysis of the incremental $6.0 million in expense reduction between 1H14 and 2H13 attributable to Transformation 2015 cost management initiatives, offset by $5.0 million of expenses incurred in relation to the continued execution of the Group's underlying business as usual (BAU) operations.

[9] 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 not reflected in the Group Expenses table.

	Transformation 2015 $m	BAU $m	Total $m
Increase/(Decrease) in fixed remuneration	(3.8)	0.7	(3.1)
Decrease in variable remuneration	-	(1.2)	(1.2)
Decrease in equity remuneration	-	(0.5)	(0.5)
Decrease in employment expenses	(3.8)	(1.0)	(4.8)
Increase in outsource provider fees	-	3.1	3.1
Increase/(Decrease) in other expenses	(2.2)	2.9	0.7
Increase/(Decrease) in non-employment expenses	(2.2)	6.0	3.8
Increase/(Decrease) in expenses before tax	(6.0)	5.0	(1.0)

The key driver of the Transformation 2015 expense savings in 1H14 has been a decrease in fixed remuneration employment expenses in response to the continued reduction in FTEs, as detailed in the following table. Incremental cost savings generated in 1H14 comprise the full period savings in relation to FTEs that left the Company during 2H13 as well as part period savings from FTEs that left during 1H14.

The increase in 1H14 BAU expenses was primarily due to an increase in outsource provider fees relating to the transition to new IT and wrap service outsourcing arrangements that were implemented during 2H13.

The 1H14 annualised savings of $44 million represents around 90% of the program's expected $50 million before tax target, unchanged from previous guidance.

Costs incurred in relation to Transformation 2015 during 1H14 were $9.8 million before tax. Total program expenditure for Transformation 2015 to the end of 1H14 was $59.5 million before tax. The total program cost for Transformation 2015 is expected to be $70 million before tax, unchanged from previous guidance.

At the end of 1H14, full-time equivalent employees (FTEs) excluding TrustCo. had reduced from 1,046 FTEs at the end of 1H13 to 813 FTEs, a decrease of 233 FTEs. This is detailed in the following table[10].

For the six month period	1H13 FTEs	2H13 FTEs	1H14 FTE's
Perpetual Investments	226	234	237
Perpetual Private	405	353	321
Corporate Trust	138	111	114
Group Support Services	277	140	141
Total continuing operations excluding TrustCo	1,046	838	813
TrustCo - acquired December 2013			
Australia	-	-	234
New Zealand	-	-	184
Total TrustCo	-	-	418
Total continuing operations	1,046	838	1,231
Permanent	998	810	1,157
Contractors	48	28	74
Total continuing operations	1,046	838	1,231

The acquisition of TrustCo has increased the number of FTEs in the Group. As previously mentioned, The Group will, as part of its integration activity, look to remove duplication, extract synergies and make its operations more efficient and profitable and improve and expand the range of offerings available to clients of both Perpetual and TrustCo.

The businesses utilise contractors to perform project-related activity.

[10] In 1H14 the fund administration and support function was transferred from Group Support Services to Perpetual Investments. FTEs in both 1H13 and 2H13 in the previous table have been restated to enable comparison with 1H14.

Tax expense

Perpetual's average tax rate in 1H14 was 29% (1H13: 28% and 2H13: 30%), calculated from underlying profit before tax.

The Group received a research & development tax incentive for eligible expenditure incurred in relation to certain process improvements undertaken in the Perpetual Private business. Refer to significant item 1: *Non recurring tax benefit/(expense) items*.

Significant Items

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.

Significant items that are excluded from UPAT are detailed in the following table.

A detailed bridge between the statutory NPAT and UPAT can be found at Appendix C.

For the six month period	Profit/(loss) before tax $m			Profit/(loss) after tax $m		
	1H13	2H13	1H14	1H13	2H13	1H14
Significant items:						
1. Non recurring tax benefit	1.9	(1.5)	1.2	1.9	(1.5)	1.2
2. Gain/(loss) on disposal/impairment of investments[1]	(0.9)	1.7	2.1	(0.9)	0.1	1.2
3. Restructuring costs	(8.5)	(6.8)	(9.8)	(6.0)	(4.7)	(6.9)
4. Transaction costs relating to TrustCo acquisition	-	(1.5)	(4.2)	-	(1.5)	(4.1)
5. Integration/restructuring costs relating to TrustCo acquisition	-	-	(8.9)	-	-	(6.2)
6. Operating income from discontinued operations (PLMS)	0.6	-	-	0.4	-	-
7. Gain on disposal of businesses	2.1	0.5	-	2.1	0.5	-
8. Impairment of assets	(0.1)	-	-	(0.1)	-	-
9. Foreign currency translation costs	(5.2)	-	-	(5.2)	-	-
Total significant items	(10.1)	(7.6)	(19.6)	(7.8)	(7.1)	(14.8)

(1) Net of non-controlling interests.

1. Non recurring tax benefit/ (expense) items

For the six month period	1H13 $m	2H13 $m	1H14 $m
Non-recurring tax benefit/(expense) items	1.9	(1.5)	1.2

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 tax offset was $1.2 million and $1.9 million in 1H14 and 1H13 respectively.

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.

2. Gain/ (loss) on sale/impairment of investments

For the six month period	1H13 $m	2H13 $m	1H14 $m
Profit/(loss) before tax on disposal/impairment of investments(1)	(0.9)	1.7	2.1
Income tax expense	-	(1.6)	(0.9)
Gain/(loss) on disposal/impairment after tax on investments(1)	(0.9)	0.1	1.2

(1) Net of non-controlling interests.

In 1H14, the Group incurred a gain on investments of $1.2 million after tax, compared to a loss of $0.9 million and a gain of $0.1 million after tax in 1H13 and 2H13 respectively.

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 strategies.

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.

3. Restructuring costs

For the six month period	1H13 $m	2H13 $m	1H14 $m
Restructuring costs	(8.5)	(6.8)	(9.8)
Tax benefit	2.5	2.1	2.9
Restructuring costs after tax	(6.0)	(4.7)	(6.9)

In 1H14, the Group incurred $6.9 million in after tax restructuring expenses. These expenses principally relate to the Group's continued execution of its Transformation 2015 strategy. Restructuring expenses in 1H13 and 2H13 were principally related to Transformation 2015.

4. Transaction costs relating to TrustCo acquisition

For the six month period	1H13 $m	2H13 $m	1H14 $m
Transaction costs relating to TrustCo acquisition	-	(1.5)	(4.2)
Tax benefit	-	-	0.1
Transaction Costs relating to Trust Company acquisition after tax	-	(1.5)	(4.1)

In 1H14, Perpetual Limited completed the acquisition of the ASX listed TrustCo and incurred transaction expenses of $4.1 million after tax in relation to the acquisition. In 2H13 the Group also incurred $1.5m in transaction expenses in relation to the acquisition of TrustCo.

5. Integration/restructuring costs relating to TrustCo acquisition

For the six month period	1H13 $m	2H13 $m	1H14 $m
Integration/restructuring costs relating to TrustCo acquisition	-	-	(8.9)
Tax benefit	-	-	2.7
Integration/restructuring costs relating to TrustCo acquisition after tax	-	-	(6.2)

In 1H14 the Group incurred $6.2 million in after tax integration and restructuring expenses in relation to the acquisition of TrustCo. These expenses comprised restructuring provisions and consulting fees.

6. Operating income from discontinued operations (PLMS)

For the six month period	1H13 $m	2H13 $m	1H14 $m
Profit before tax	0.6	-	-
Tax benefit	(0.2)	-	-
Discontinued operations (PLMS) after tax	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 as at the end of 2H12.

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

The net operating profit after tax from the PLMS discontinued business in 1H13 was $0.4 million.

Refer to significant item 7: Gain/ (loss) on disposal of businesses for the profit on sale of the PLMS business in 1H13 and Note 7: Discontinued operations held for sale in the Group's 1H14 financial statements.

7. Gain/ (loss) on disposal of businesses

For the six month period	1H13 $m	2H13 $m	1H14 $m
Gain/(loss) on disposal of business	2.1	0.5	-
Tax benefit/(expense)	-	-	-
Gain/(loss) on disposal of businesses after tax	2.1	0.5	-

In FY13 the Group generated $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).

8. Impairment of assets

For the six month period	1H13 $m	2H13 $m	1H14 $m
Impairment of assets	(0.1)	-	-
Tax benefit	-	-	-
Impairment of assets after tax	(0.1)	-	-

Impairment in 1H13 related to a further charge in relation to the carrying value of certain IT assets that were expected to be sold as part of the Group's Transformation 2015 strategy to outsource its IT.

9. Foreign currency translation costs

For the six month period	1H13 $m	2H13 $m	1H14 $m
Foreign currency translation costs	(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.

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. The amount of economic capital assessed by the model exceeds the Group's $129 million of regulatory capital by around 30%. At the end of 1H14, total economic capital requirements were $166 million, compared to $220 million of available liquid funds.

The Group maintains a conservative balance sheet, which has continued to be de-risked following the difficult trading environment experienced in prior periods. During 1H14, 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;
- as at 27 February 2014 maintaining committed debt facilities of $130 million, drawn to $87 million. $43 million remains undrawn; and
- focusing on ensuring strong discretionary expense discipline across each business unit 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 27 February 2014, there are no interest rate hedges against the drawn portion ($87 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 rate 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 primarily invests its corporate cash balances 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 contains credit and market risks; and

– the Group is exposed to credit risk on its loan assets to PPI clients. 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 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 funds (EMCF)

The EMCF products are investment funds managed by the Group that invest in a diversified portfolio of cash and credit securities that offer investors a guaranteed return equivalent 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 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 1H14 was 1.9 years. The recovery rate of unrealised losses is expected to continue to decline over time as securities in the portfolio continue to mature at their face value.

At end of	1H13 $m	2H13 $m	1H14 $m
EMCF1	163.2	115.3	178.7
EMCF2	528.0	308.5	126.4
Total EMCF liabilities	691.2	423.8	305.1

Funds invested in EMCF1 increased in 1H14 as a result of net inflows of $0.1 billion from clients. EMCF2 continued to reduce further and experienced net outflow of around $0.2 billion in early 1H14.

By way of comparison, at the end of 1H14, the carrying value of EMCF1 assets was $180.8 million (compared to $116.9 million at the end of 2H13) and was at a surplus to the fair value of its liabilities by $2.1 million, compared to a surplus of $1.6 million at the end of 2H13.

EMCF2 was established in July 2008. It has a similar structure to EMCF1 but has specific rules that govern the withdrawal of funds. EMCF2 assets are held on a hold-to-maturity basis for unit pricing purposes. At the end of 1H14, the carrying value of EMCF2 assets was $127.0 million (compared to $310.1 million at the end of 2H13), which exceeded their liabilities by $0.6 million, compared to a surplus of $1.6 million at the end of 2H13.

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 1H14, a 1% movement in the market changes annualised revenue by approximately $2.25 million to $2.75 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 channel and product mix, and pricing policy can also affect 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. Operational risk is mitigated through internal controls, active management overview and regular reviews by the Group's independent Risk Group function.

Each business and support head is responsible for identifying risks within their businesses and ensuring they are appropriately managed. The Risk Group assists 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 such as Treasury; and the adequacy of insurance.

Financial strength

At end of		1H13	2H13	1H14
Total equity	$m	307.2	323.7	534.2
Cash	$m	180.3	217.1	203.2
Corporate debt	$m	(45.0)	(45.0)	(97.0)
Net cash	$m	135.3	172.1	106.2
Debt to capital ratio (corporate debt/corporate debt + equity) (1)	%	12.8	12.2	15.4
Interest coverage calculation (EBITDA/interest expense)(2) for the period ended	times	67x	78x	99x
Net tangible assets per share	$	3.82	4.10	3.19

(1) Excludes structured product loans, which are operational debt used to fund PPI loans.
(2) EBITDA represents earnings before interest, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

At the end of 1H14, Perpetual's gross corporate debt was $97.0 million. The Group's gearing ratio increased during 1H14 to 15.4% from 12.2% at the end of 2H13 as a result of an increase in borrowings used to finance the acquisition of TrustCo. The Group remains well within its stated gearing risk appetite limit of 30%. 1H14 interest coverage at 99 times is stronger than in 1H13 and 2H13, and is also well in excess of financial covenant requirements. Financial covenants under the debt facilities include minimum shareholders' funds, leverage ratios, interest coverage ratios, and limits on operational debt. At the end of 1H14, the Group was in compliance with all of its debt covenants.

As at the end of 1H14, the Group has committed bank corporate debt facilities of $145.0 million. At 27 February 2014, $87.0 million was drawn down against $130.0 million of facilities, having repaid $10.0 million of drawn debt in January 2014.

Corporate debt is currently sourced from one long-term banking relationship with a domestic bank. The current 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 decreased from $4.10 at the end of 2H13 to $3.19 at the end of 1H14 as the Group increased its level of intangible assets as a result of the financing and consolidation of the TrustCo. acquisition.

Cash flow

For the six month period	1H13 $m	2H13 $m	1H14 $m
Net cash from operating activities	38.5	67.0	24.3
Net cash provided by/(used in) investing activities	7.4	(6.8)	(47.5)
Net cash used in financing activities	(18.7)	(23.4)	9.3
Net increase/(decrease) in cash and cash equivalents	27.2	36.8	(13.9)

In 1H14, cash and cash equivalents decreased by $13.9 million compared to an increase of $27.2 million in 1H13, representing a turnaround in cash flows of $41.1 million, principally due to outflows of:

- $77.7 million to acquire TrustCo;
- $16.8 million increase in dividend payments to shareholders (FY13 final dividend of 80 cents per share compared to FY12 final dividend of 40 cents per share);
- $12.4 million increase in tax payments;
- $8.4 million decrease in cash inflows as no businesses were sold in 1H14 compared to the sale of the PLMS business in 1H13;

offset by inflows of

- $42.0 million increase in borrowings to acquire TrustCo;
- $16.1 million of cash and cash equivalents assumed from the acquisition of TrustCo;
- $11.5 million from sale of investments; and
- $3.0 million decrease in purchase of property, plant and equipment.

In 1H14, cash and cash equivalents decreased by $13.9 million compared to an increase of $36.8 million in 2H13, representing a turnaround in cash flows of $50.7 million, principally due to outflows of:

- $77.7 million to acquire TrustCo;
- $33.2 million decrease in net cash operating cashflows (seasonality impacted e.g. incentive payments are paid in 1H14);
- $12.6 million increase in dividend payments to shareholders (FY13 final dividend of 80 cents per share compared to 1H13 interim dividend of 50 cents per share);
- $8.7 million increase in tax payments;

offset by inflows of

- $42.0 million increase in borrowings to acquire TrustCo;
- $16.1 million of cash and cash equivalents assumed from the acquisition of TrustCo;
- $16.8 million from sale of investments; and
- $6.0 million decrease in purchase of property, plant and equipment.

Summary Consolidated Balance Sheet

At end of	1H13(1) $m	2H13 (1) $m	1H14 (1) $m
Assets			
Cash and cash equivalents	180.3	217.1	203.2
Liquid investments	38.5	35.4	45.3
Assets held for sale	2.2	0.8	-
Structured products – PPI loans to clients	83.0	76.7	65.7
Goodwill and other intangibles	108.6	107.7	357.2
Software intangibles	16.7	21.6	24.1
Other assets	118.9	121.2	168.0
Total assets	548.2	580.5	863.5
Liabilities			
Corporate loan facilities	45.0	45.0	97.0
Liabilities held for sale	-	-	-
Structured products – PPI finance facilities	85.9	84.1	71.3
Other liabilities	110.1	127.7	161.0
Total liabilities	241.0	256.8	329.3
Net assets	307.2	323.7	534.2
Shareholder funds			
Contributed equity	248.5	239.8	457.3
Reserves	27.2	37.1	28.8
Retained earnings	19.2	37.4	37.3
Total shareholder funds	294.9	314.3	523.4
Minority interest	12.3	9.4	10.8
Total equity	307.2	323.7	534.2

(1) Note: excludes the offsetting asset and liability for the EMCF structured products. At 1H14, the EMCF asset was $307.8 million, with the liability being $305.1 million. At 2H13, the EMCF asset was $427.0 million, with the liability being $423.8 million. At 1H13, the EMCF asset was $694.3 million, with the liability being $691.2 million. The net asset of $2.7 million and $3.2 million and $3.1 million at 1H14, 2H13 and 1H13 respectively has been included with Other assets.

On 18 December 2013 the Group settled the acquisition of TrustCo for total consideration of $277.6 million. TrustCo has been included into the Group's consolidated balance sheet from 4 December 2013 when the Group took effective control.

Key movements in the balance sheet between 2H13 and 1H14 were:

– goodwill and intangibles increased by $249.5 million due to the acquisition of TrustCo. For further information refer to Note 19 (Business Combinations) in the Group's 1H14 financial statements;

– PPI loans to clients continued to decline in 1H14 due to loan repayments from clients. This, in turn, has reduced the PPI finance facility liability by a similar amount;

– corporate debt increased by $52 million. The Group borrowed $42 million to partially fund the $78 million of cash consideration, and assumed $10 million of bank debt that TrustCo had borrowed;

– total shareholder funds increased by $209.1 million to $523.4 million in 1H14, predominantly due to:

  - the issue of $200.8 million in ordinary shares, predominantly used to acquire TrustCo; plus
  - total comprehensive income of $35.8 million; plus
  - equity remuneration expense of $6.0 million, which gave rise to a corresponding increase in the equity remuneration reserve; less
  - $33.6 million of dividends paid during the period in respect of the FY13 final dividend; and

– the non-controlling interest comprises third party interests in consolidated funds managed by the Group.

If the Group continues to acquire businesses in line with its strategic goals, such as TrustCo, the level of identifiable intangible assets carried on the balance sheet is likely to increase, which in turn will increase the non-cash amortisation expense of identifiable intangible assets.

As at 1H14, the acquisition accounting balances for TrustCo 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 the AASB 3 “Business Combinations” standard.

The Group intends to provide an updated profile of the expected amortisation of identifiable intangibles that have arisen from recent acquisitions when it releases its FY14 results.

Appendix A: Additional financial information

	1H13					2H13					1H14					
	PI $m	PP $m	CT $m	GSS $m	Total $m	PI $m	PP $m	CT $m	GSS $m	Total $m	PI $m	PP $m	CT $m	TrustCo $m	GSS $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	109.5	60.1	24.9	7.5	2.9	204.9
Operating expenses	(48.4)	(48.4)	(15.8)	(6.6)	(119.2)	(49.3)	(49.9)	(14.0)	(6.7)	(119.9)	(48.2)	(50.4)	(13.6)	(6.2)	(7.0)	(125.4)
EBITDA	45.2	8.1	9.5	(2.6)	60.2	53.0	9.3	10.5	(2.4)	70.4	61.3	9.7	11.3	1.3	(4.1)	79.5
Depreciation & amortisation	(1.0)	(2.6)	(0.7)	(0.1)	(4.4)	(0.8)	(3.3)	(0.6)	-	(4.7)	(0.8)	(3.6)	(0.6)	(0.2)	-	(5.2)
Equity remuneration expense	(4.4)	(1.1)	(0.2)	(0.2)	(5.9)	(4.8)	(1.2)	(0.2)	(0.2)	(6.4)	(4.4)	(1.2)	(0.2)	-	(0.1)	(5.9)
EBIT	39.8	4.4	8.6	(2.9)	49.9	47.4	4.8	9.7	(2.6)	59.3	56.1	4.9	10.5	1.1	(4.2)	68.4
Interest expense	-	-	-	(0.9)	(0.9)	-	-	-	(0.9)	(0.9)	-	-	-	-	(0.8)	(0.8)
UPBT	39.8	4.4	8.6	(3.8)	49.0	47.4	4.8	9.7	(3.5)	58.4	56.1	4.9	10.5	1.1	(5.0)	67.6
Tax					(13.9)					(17.6)						(19.5)
UPAT					35.1					40.8						48.1
Non recurring tax benefit/(expense)					1.9					(1.5)						1.2
Gain/(loss) on disposal/impairment of investments					(0.9)					0.1						1.2
Restructuring costs					(6.0)					(4.7)						(6.9)
TrustCo acquisition transaction costs					-					(1.5)						(4.1)
TrustCo integration & restructuring costs					-					-						(6.2)
Operating income from discontinued operations (PLMS)					0.4					-						-
Gain on disposal of businesses					2.1					0.5						-
Impairment of assets					(0.1)					-						-
Foreign currency translation costs					(5.2)					-						-
Statutory NPAT to Perpetual Limited equity holders					27.3					33.7						33.3

PI – Perpetual Investments PP – Perpetual Private CT – Corporate Trust GSS – Group & Support Services TrustCo – The Trust Company Limited which was acquired in 1H14

Appendix B: Average FUM table

Average FUM	**1H11 $b**	**2H11 $b**	**1H12 $b**	**2H12 $b**	**1H13 $b**	**2H13 $b**	**1H14 $b**
Australian equities	18.9	19.8	16.9	16.4	16.7	19.3	21.1
Global equities	1.1	1.0	0.9	0.9	0.9	0.9	1.2
Quantitative investments	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total Equities	**20.1**	**20.8**	**17.8**	**17.3**	**17.6**	**20.2**	**22.3**
Cash and fixed income	6.2	6.0	5.4	5.1	4.8	4.7	4.2
Other	1.2	1.2	1.1	1.1	1.3	1.3	1.2
Total average FUM	**27.5**	**28.0**	**24.3**	**23.5**	**23.7**	**26.2**	**27.7**

Appendix C: Bridge for 1H14 Statutory P&L and OFR

	1H14 Stat Accounts	OFR UPAT Adjustments	1H14 OFR Presentation	EMCF 1&2	Net tax benefit on non-recurring capital / equity items	Loss on sale of assets held for sale	Gain on disposal / impairment of investments	Transformation and restructuring costs	Trust Co integration costs	Trust Co due diligence and transaction costs	Total Adjustments
Total revenue from continuing operations	209,527	(4,613)	204,914	(4,613)	-	-	-	-	-	-	**(4,613)**
Staff related expenses excluding equity remuneration expense	(85,908)	9,542	(76,366)	-	-	-	-	2,360	7,182	-	**9,542**
Occupancy expenses	(12,103)	2,615	(9,488)	-	-	-	-	2,615	-	-	**2,615**
Administrative and general expenses	(49,727)	10,548	(39,179)	-	-	403	-	4,299	1,667	4,179	**10,548**
Distributions and expenses relating to structured products	(4,613)	4,613	-	4,613	-	-	-	-	-	-	**4,613**
Financing costs	(796)	-	(796)	-	-	-	-	-	-	-	**-**
Equity remuneration expense	(5,990)	80	(5,910)	-	-	-	-	79	1	-	**80**
Depreciation and amortisation expense	(5,175)	10	(5,165)	-	-	-	-	10	-	-	**10**
Proceeds from sale of investments	17,108	(17,108)	-	-	-	-	(17,108)	-	-	-	**(17,108)**
Cost of investments disposed of	(14,491)	14,491	-	-	-	-	14,491	-	-	-	**14,491**
Impairment of available for sale securities	(91)	91	-	-	-	-	91	-	-	-	**91**
Loss on sale of assets held for sale	(403)	-	(403)	-	-	-	-	-	-	-	**-**
Net profit before tax from continuing operations	**47,338**	**20,269**	**67,607**	-	-	403	(2,526)	9,363	8,850	4,179	**20,269**
Income tax expense	(13,597)	(5,923)	(19,520)	-	(1,218)	-	891	(2,817)	(2,655)	(124)	**(5,923)**
Net profit after tax from continuing operations	33,741	14,346	48,087	-	(1,218)	403	(1,635)	6,546	6,195	4,055	**14,346**
Net profit after tax from discontinued operation	-	-	-	-	-	-	-	-	-	-	**-**
Net profit after tax consolidated entity	**33,741**	**14,346**	**48,087**	-	(1,218)	403	(1,635)	6,546	6,195	4,055	**14,346**
(Profit)/Loss after tax attributable to non-controlling interests	(440)	430	(10)	-	-	-	430	-	-	-	**430**
Net profit after tax attributable to equity holders of Perpetual Limited	**33,301**	**14,776**	**48,077**	**-**	**(1,218)**	**403**	**(1,205)**	**6,546**	**6,195**	**4,055**	**14,776**

Net tax benefit on non-recurring capital / equity items	1,218
Loss on sale of assets held for sale	(403)
Gain on disposal / impairment of investments	1,205
Transformation and restructuring costs	(6,546)
Trust Co integration costs	(6,195)
Trust Co due diligence and transaction costs	(4,055)
Net profit after tax attributable to equity holders of Perpetual Limited	**33,301**

	Perpetual	Trust Co.	Consolidated entity
Total revenue from continuing operations	197,370	7,544	204,914
Staff related expenses excluding equity remuneration expense	(72,447)	(3,919)	(76,366)
Occupancy expenses	(8,915)	(573)	(9,488)
Administrative and general expenses	(37,435)	(1,744)	(39,179)
Financing costs	(796)	-	(796)
Equity remuneration expense	(5,910)	-	(5,910)
Depreciation and amortisation expense	(4,918)	(247)	(5,165)
Loss on sale of assets held for sale	(403)	-	(403)
Underlying profit before tax from continuing operations	**66,546**	**1,061**	**67,607**
Income tax expense	(19,201)	(319)	(19,520)
Underlying profit after tax from continuing operations	**47,345**	**742**	**48,087**
(Profit)/Loss after tax attributable to non-controlling interests	(10)	-	(10)
Underlying profit after tax attributable to equity holders of Perpetual Limited from continuing operations	**47,335**	**742**	**48,077**

The above table details the 1H14 profit & loss contribution from the TrustCo segment together with the contribution from the Group's other continuing operations

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
FY14	Interim	4 Apr 2014	80 cents	100%	30%	Not determined at time of publication
FY13	Final	4 Oct 2013	80 cents	100%	30%	$38.6605
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: Recent 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

23 July 2013	TRU – EY Synergies Assessment
26 July 2013	PPT – Funds Under Management at 30 June 2013
1 August 2013	PPT – Notes ACCC Statement of Issues 1 August 2013
1 August 2013	AXX – ACCC calls for comment on Perpetual / TrustCo
14 August 2013	TRU – TRU and EQT agree a process of further inquiry
29 August 2013	PPT – FY13 Results Market Briefing
29 August 2013	PPT – ASX Announcement FY13 Full Year Results
29 August 2013	PPT – Operating and Financial Review to 30 June 2013
29 August 2013	PPT – Full Year Statutory Accounts
29 August 2013	PPT – Appendix 4E
3 September 2013	IOOF – Submits proposal to acquire TrustCo
4 September 2013	TRU – Notification to Perpetual
6 September 2013	S&P DJ Indices – Announces September Quarterly Rebalance
9 September 2013	PPT – TrustCo acquisition – amended SIA
9 September 2013	PPT – Acquisition of TrustCo update analyst presentation
9 September 2013	PPT – Acquisition of TrustCo update
17 September 2013	PPT – Becoming a substantial holder for EQT
19 September 2013	PPT – ACCC announcement
19 September 2013	ACCC – ACCC to not oppose Perpetual / TrustCo
23 September 2013	PPT – Appendix 3B
24 September 2013	PPT – Perpetual welcomes key regulatory approvals
25 September 2013	PPT – 2013 Annual Report
25 September 2013	PPT – Notice of Annual General Meeting/Proxy Form
27 September 2013	PPT – Dividend Reinvestment Plan Allocation Price
27 September 2013	PPT – Perpetual received final regulatory approval
4 October 2013	PPT – Appendix 3B
4 October 2013	PPT – Shareholder Review

14 October 2013	PPT – Funds Under Management at 30 September 2013
16 October 2013	PPT – Welcomes lodgements of Scheme Booklet by TRU
16 October 2013	TRU – Perpetual Scheme Booklet
16 October 2013	TRU – Release of Perpetual Scheme Booklet
31 October 2013	PPT – Results of meeting Perpetual 2013 AGM
31 October 2013	PPT – AGM media release
31 October 2013	PPT – Chairman's address and Q&A to Shareholders
13 November 2013	EQT – TRU offer increased and unconditional
20 November 2013	PPT – Proposal for TRU superior to EQT offer
21 November 2013	PPT – Perpetual to pay broker handling fees for proxy forms
28 November 2013	PPT – Welcomes the TrustCo's Shareholder approval
2 December 2013	PPT – Appendix 3B
3 December 2013	PPT – Welcomes court approval of TRU acquisition
10 December 2013	PPT – Appendix 3B
16 December 2013	TRU – Scheme Cash consideration elections
18 December 2013	PPT – Acquisition of The TrustCo takes effect
18 December 2013	PPT – Appendix 3B
23 December 2013	EQT – Ceasing to be a substantial holder
22 January 2014	PPT – Funds Under Management at 31 December 2013

Glossary

ABS	Asset backed securities
AICD	Australian Institute of Company Directors
ACCC	Australian Competition and Consumer Commission
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
TrustCo	The Trust Company Limited
UPAT	Underlying profit after tax