

Perpetual Limited ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 12 months ended 30 June 2014

Perpetual 

Disclaimer

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for the 12 months ended 30 June 2014.

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

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 but 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.

Notes

Note in this review:

- 1H14 refers to the financial reporting period for the six months ended 31 December 2013
- 2H14 refers to the financial reporting period for the six months ended 30 June 2014
- FY14 refers to the financial reporting period for the 12 months ended 30 June 2014
- With similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 12 months ended 30 June 2014 (FY14). It also includes a review of its financial condition as at 30 June 2014.

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for FY14.

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

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.

Operating and Financial Review

For the 12 months ended 30 June 2014

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1 Review of Group

1.1 Business model

Perpetual Limited (Perpetual or the Group) is an Australian independent wealth manager 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 costs comprise the largest component of expenses.

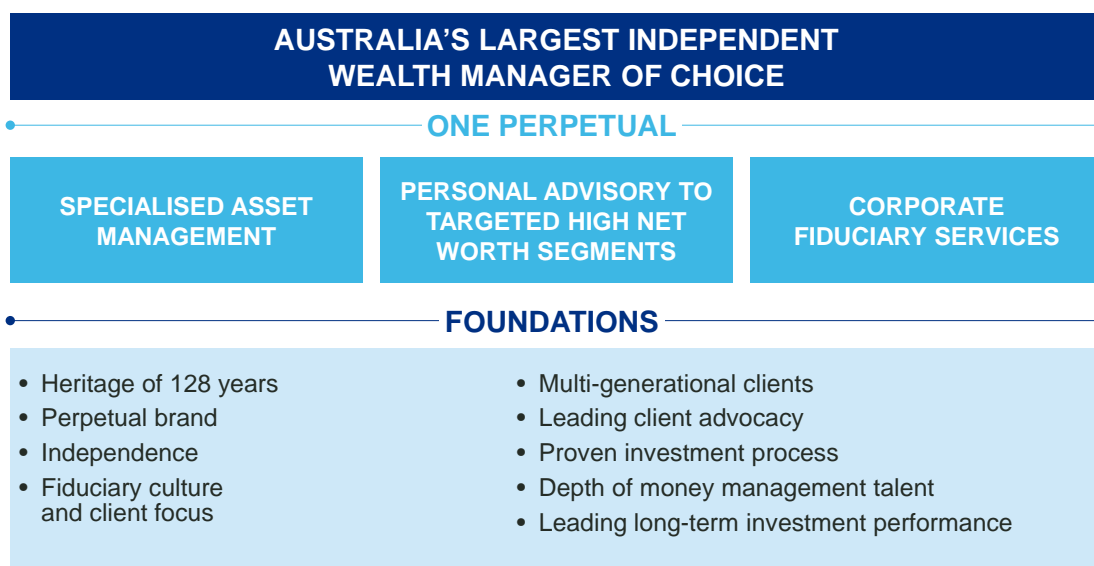
Factors that affect the performance of the business include, amongst others, global and Australian economic performance, global and Australian financial markets, consumer and investor confidence and government policy.

1.2 Strategy

Perpetual's vision is to be Australia's largest independent wealth manager of choice. This is centred on its three businesses: specialised asset management, personal advisory services to targeted high net worth segments and corporate fiduciary services.

Perpetual is underpinned by core foundations, including its 128 year heritage, premium brand and multi-generational client base. This has been strengthened by the acquisition of The Trust Company Limited (TrustCo) which is highly complementary to Perpetual's existing businesses.

The vision, businesses and foundations are illustrated below.



In 2012, the Group announced its Transformation 2015 (T15) strategy to achieve its vision of becoming Australia's largest independent wealth manager of choice. The strategy comprised three phases:

- i) Simplify: to simplify Perpetual's corporate structure significantly
- ii) Refocus: to refocus the Group's operational activities
- iii) Grow: to capture growth opportunities.

The strategy and key elements of each phase are illustrated in the diagram below.
Transformation 2015 Strategy



The first two phases of the T15 strategy were largely complete at the end of FY14, delivering significant productivity improvements.

In FY14 T15 initiatives generated incremental savings of \$15.1 million before tax, resulting in cumulative program savings of \$39.8 million before tax, equivalent to an annualised run rate of \$50 million before tax. The initiatives undertaken are described in Section 1.3.2 and the cost savings are outlined further in Section 1.7.1.

The growth phase of the T15 strategy was accelerated by the acquisition of TrustCo which was completed in December 2013 for a total consideration of \$278 million. The impact of this acquisition is described further in Section 1.7.2.

The growth phase continues to focus across three areas:

1. Building existing business: building on the momentum and strong customer relationships across the Group's core activities.
2. Extending capability and infrastructure into additional products and services: continuing to identify and implement opportunities to extend the Group's capability and infrastructure into additional products and services.
3. Developing and integrating new business: fully integrating the TrustCo business and implementing a new global equities fund, which will be a premium adjacency to Perpetual's highly regarded Investments business.

1.3 Group performance

Perpetual measures its performance across both financial and non-financial metrics. The Group uses scorecards across all layers of the company, with the corporate scorecard cascading to business units and then to individual employees.

The following table summarises Group performance over the last five years. It should be noted that the Group's performance for FY14 shown in this review includes the combined results for Perpetual and seven months of TrustCo. The pro forma financial impact of TrustCo is shown in Section 1.7.2.

1.3.1 Five year performance

FIVE YEAR PERFORMANCE

| FOR THE PERIOD | | FY10 | FY11 | FY12 | FY13 | FY14 |
|--|-------|-------|-------|-------|-------|-------|
| Underlying profit after tax (UPAT) | \$m | 72.8 | 70.2 | 65.4 | 75.9 | 104.1 |
| Net profit after tax (NPAT) | \$m | 90.5 | 62.0 | 26.7 | 61.0 | 81.6 |
| Dividends | cents | 210.0 | 185.0 | 90.0 | 130.0 | 175.0 |
| Diluted earnings per share (EPS) on UPAT | cents | 169.3 | 160.4 | 156.8 | 185.0 | 237.8 |
| Diluted earnings per share (EPS) on NPAT | cents | 210.5 | 140.8 | 64.0 | 148.7 | 186.4 |
| Return on equity (UPAT) | % | 22.4 | 19.4 | 20.6 | 26.1 | 24.2 |
| Return on equity (NPAT) | % | 27.9 | 17.1 | 8.4 | 20.9 | 19.0 |

Perpetual's performance over the past five years is summarised above. A significant turnaround in financial performance was achieved over the past two years reflecting the positive impact from the second year of realised cost savings under the T15 strategy and the improvement in the Australian equity market.

In that two year period, underlying profit after tax (UPAT) increased by 59% from \$65.4 million in FY12 to \$104.1 million in FY14. Net profit after tax (NPAT) grew by over three times in the same period. Dividends per share increased by 94% from 90 cents per share in FY12 to 175 cents per share in FY14 and earnings per share based on UPAT and earnings per share based on NPAT grew by 52% and 191% respectively.

1.3.2 Transformation 2015 scorecard

Perpetual's T15 strategy, announced in 2012, incorporated a detailed program around the three phases of 'Simplify', 'Refocus' and 'Grow'. The key initiatives in the first two phases of the program are captured in the scorecard below. The scorecard provides an overview of achievements to the end of June 2014, and the status of initiatives currently underway.

The T15 strategy has delivered annualised run rate cost savings of \$50 million before tax. The cost savings are outlined in Section 1.7.1.

Transformation 2015 scorecard

| | 1H13 | 2H13 | FY14 | |
|---|--|--|---|----------------------|
| SIMPLIFY | <ul style="list-style-type: none"> ✓ Reduced central cost ✓ Simplified structure ✓ New leadership team ✓ Sold PLMS | <ul style="list-style-type: none"> ✓ Improved PP adviser productivity ✓ Reduced property footprint (stage 1) ✓ Simplified core processes ✓ Sold loan servicing | <ul style="list-style-type: none"> ✓ Reduced property footprint (stage 2) ✓ Simplified investment middle / back office ✓ Reduce corporate entities | |
| REFOCUS | <ul style="list-style-type: none"> ✓ Signed IT outsourcing agreement ✓ Realigned advice model in PP ✓ Aligned PI / PP resources | <ul style="list-style-type: none"> ✓ Outsourced IT (stage 1) ✓ Outsourced PP platform ✓ Refocused PI distribution | <ul style="list-style-type: none"> ✓ Simplified IT applications and outsourcing (stages 2 and 3) ✓ Introduced tiered advice model in PP | |
| Annualised pre-tax at period end | FY13 actual | 1H14 actual | 2H14 actual | FY15 guidance |
| P&L savings | \$37m | \$44m | \$50m | \$50m |
| Cost avoidance | \$4m | \$4m | \$4m | \$4m |
| Program benefits | \$41m | \$48m | \$54m | \$54m |

1.4 Group financial performance

FINANCIAL SUMMARY

| | FY14 | FY13 | FY14 v FY13 |
|---|--------------|--------------|----------------|
| FOR THE PERIOD | \$M | \$M | |
| Operating revenue | 440.6 | 369.7 | 19% |
| Total expenses | (293.8) | (262.3) | (12%) |
| Underlying profit before tax (UPBT) | 146.8 | 107.4 | 37% |
| Underlying profit after tax (UPAT)⁽¹⁾ | 104.1 | 75.9 | 37% |
| Significant items ⁽²⁾ | (22.5) | (14.9) | (51%) |
| Net profit after tax (NPAT)⁽³⁾ | 81.6 | 61.0 | 34% |
| UPBT Margin on revenue (%) | 33 | 29 | 4 |
| Diluted EPS ⁽⁴⁾ on UPAT (cps) | 237.8 | 185.0 | 29% |
| Diluted EPS on NPAT (cps) | 186.4 | 148.7 | 25% |
| Dividends (cps) | 175.0 | 130.0 | 35% |
| Return on Equity ⁽⁵⁾ on UPAT (%) | 24.2 | 26.1 | (2) |

- (1) UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been audited by the Group's external auditors, however the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited.
- (2) The New Zealand Guardian Trust business, which was divested in April 2014, is included in 'Significant items' as a discontinued business. Refer to Section 1.4.3 for more detail.
- (3) Effective tax rate is 29%.
- (4) Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue of 43,783,910 for FY14 (FY13: 41,010,440 shares).
- (5) The return on equity (ROE) quoted in the above table are an annualised rate of return based on actual results for each period. ROE is calculated using the NPAT and UPAT attributable to equity holders of Perpetual Limited for the period, divided by average equity attributable to equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE.

As shown in the table above, Perpetual delivered a strong result in FY14, reflecting disciplined execution of the Group's strategy over the period. In the 12 months to 30 June 2014, Perpetual delivered UPAT of \$104.1 million and NPAT of \$81.6 million, which were 37% and 34% higher than the previous year respectively.

A continued focus on cost management led to further improvements in the Group's operating leverage. During FY14, revenue grew by 19%, compared to operating expenses, which increased by 12%, mainly due to increase in outsource provider fees and variable remuneration.

The key drivers behind the improvement in earnings included the benefits from the realised cost savings under the T15 strategy, an improvement in equity markets and net funds flows, and seven months' profit contribution from the acquisition of TrustCo.

The Perpetual Board determined a FY14 fully franked final dividend of 95 cents per share, bringing total fully franked dividends for the twelve months to 175 cents per share, up 45 cents per share or 35% on FY13. The final dividend is payable on 3 October 2014. Refer to Section 1.5 for details.

The key drivers of revenue and expenses at a Group level are summarised below. Detailed analysis of performance for each of Perpetual's business units is provided in Section 2.

1.4.1 Revenue

Perpetual generated \$440.6 million of total operating revenue in FY14, \$70.9 million or 19% higher than the previous year. Revenue from TrustCo contributed \$36.3 million to this increase.

The main drivers of total revenue are the value of Funds Under Management (FUM) in Perpetual Investments and Funds Under Advice (FUA) in Perpetual Private, which are primarily influenced by the level of the Australian equity market. At the end of FY14, Perpetual Investments' FUM and Perpetual Private's FUA were around 82% and 58% exposed to equity markets respectively.

Equity markets continued to improve over most of FY14, with the S&P/ASX All Ordinaries Price Index (All Ords) increasing by 13% during the period closing at 5,382.0, while the average All Ords in FY14 was also around 13% higher than the average All Ords in FY13. This improvement in markets was reflected in the Group's revenue in FY14.

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 June 2014, 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.

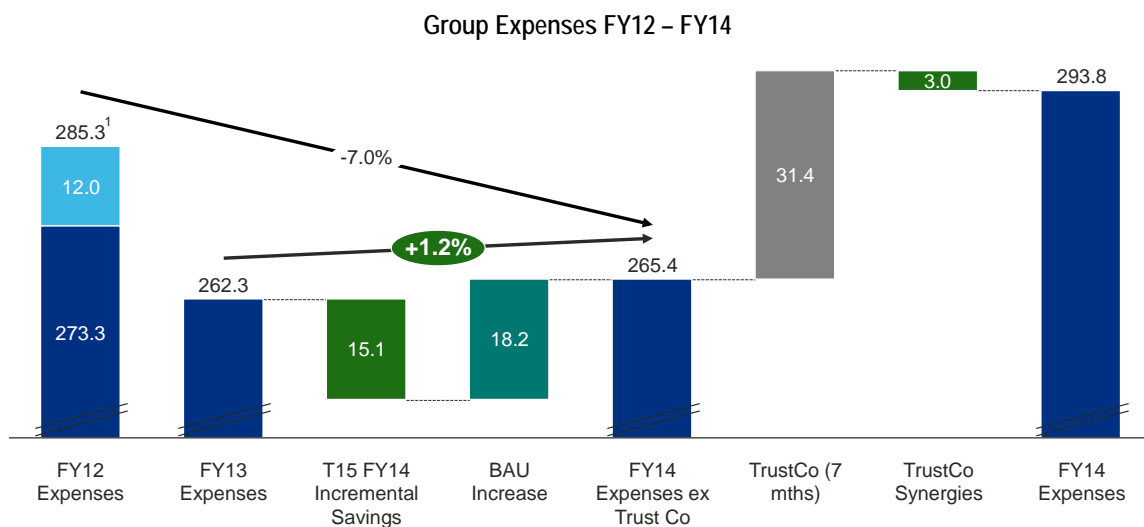
1.4.2 Expenses

Total expenses incurred by Perpetual in FY14 including expenses relating to TrustCo’s continuing operations were \$293.8 million. TrustCo’s continuing operation’s expenses were \$28.4 million net of synergies. Perpetual’s total expenses in FY14 excluding expenses relating to TrustCo’s continuing operations were \$265.4 million, which were \$3.1 million or 1% higher than the previous year.

In FY14, T15 initiatives resulted in further savings of \$15.1 million primarily within staff costs. These savings were offset by \$18.2 million of expenses relating to the following items:

- increased outsourced provider fees of \$8.3 million principally from the full year impact of the outsourced wrap portfolio service in Perpetual Private;
- increased variable remuneration costs of \$5.3 million and equity remuneration costs of \$2.0 million in line with improved performance;
- higher amortisation and depreciation associated with the wrap platform of \$1.7 million; and
- other costs of \$0.9 million including nominal increase in fixed remuneration of \$0.3 million and other general and administrative expenses.

The movement in Group expenses between FY12 and FY14 are illustrated in the chart below.



1. Normalised FY12 expenses

1.4.3 Significant Items

SIGNIFICANT ITEMS

| FOR THE PERIOD | Profit/(Loss) After Tax | | | | | |
|---|-------------------------|---------------|--------------|---------------|--------------|--------------|
| | FY14 \$M | FY13 \$M | 2H14 \$M | 1H14 \$M | 2H13 \$M | 1H13 \$M |
| Significant items: | | | | | | |
| 1. Transformation costs | (14.3) | (10.7) | (7.4) | (6.9) | (4.7) | (6.0) |
| 2. Trust Company integration costs | (10.0) | - | (3.8) | (6.2) | - | - |
| 3. Cost relating to Trust Company transactions | (4.4) | (1.5) | (0.3) | (4.1) | (1.5) | - |
| 4. Impairment of assets | - | (0.1) | - | - | - | (0.1) |
| 5. Foreign currency translation costs | - | (5.2) | - | - | - | (5.2) |
| 6. Gain on disposal of businesses | 1.0 | 2.6 | 1.0 | - | 0.5 | 2.1 |
| 7. Non recurring tax benefits/(expense) items | 1.2 | 0.4 | - | 1.2 | (1.5) | 1.9 |
| 8. Operating income from discontinued operations | 2.0 | 0.4 | 1.6 | 0.4 | - | 0.4 |
| 9. Gain/(loss) on disposal/impairment of investments & associates | 2.0 | (0.8) | 0.8 | 1.2 | 0.1 | (0.9) |
| Total significant items | (22.5) | (14.9) | (8.1) | (14.4) | (7.1) | (7.8) |

Significant items were higher in 1H14 due to transaction costs related to the TrustCo acquisition and a provision for integration restructuring expenses.

The significant items of note in FY14 were as follows:

- **Transformation costs:** In FY14, the Group incurred \$14.3 million in after tax transformation expenses. These expenses principally relate to the Group's continued execution of its Transformation 2015 strategy.
- **TrustCo Integration costs:** Integration costs and restructuring expenses of \$10.0 million in relation to the TrustCo acquisition were incurred during FY14. These expenses comprised restructuring provisions and consulting fees.
- **Costs relating to TrustCo transactions:** During FY14 transaction costs of \$4.4 million were incurred that were associated with the acquisition of TrustCo (completed in December 2013) and the sale of The New Zealand Guardian Trust Company (Guardian Trust) completed in April 2014.
- **Operating income from discontinued operations:** Guardian Trust was divested in April 2014 and accordingly the business became a discontinued operation. The net operating profit after tax from this discontinued business in FY14 was \$2.0 million.
- **Gain on disposal of investments:** In FY14 the Group made a gain of \$2.0 million after tax on investments and associates. Profit on investments relates to the gains on the sale of underlying seed fund investments. These funds are predominantly exposed to equity markets.

1.5 Shareholder returns and dividends

SHAREHOLDER RETURNS

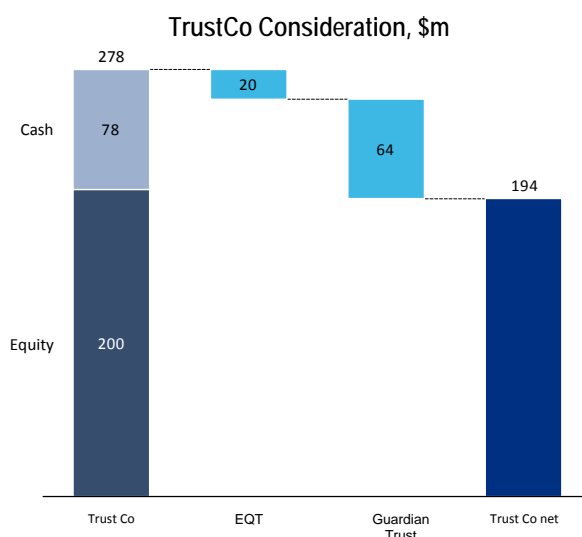
| FOR THE PERIOD | | FY14 | FY13 | FY14 v FY13 | 2H14 | 1H14 ⁽¹⁾ | 2H13 | 1H13 |
|--|-------|-------|-------|----------------|-------|---------------------|------|------|
| Diluted earnings per share (EPS) on UPAT ⁽²⁾ | cents | 237.8 | 185.0 | 29% | 122.8 | 114.7 | 99.0 | 86.1 |
| Diluted EPS on NPAT | cents | 186.4 | 148.7 | 25% | 105.1 | 80.1 | 81.8 | 67.0 |
| Annualised return on average equity (ROE) on UPAT ⁽³⁾ | % | 24.2 | 26.1 | (2) | 21.1 | 22.8 | 26.8 | 24.9 |
| Annualised ROE on NPAT | % | 19.0 | 20.9 | (2) | 18.1 | 18.9 | 22.1 | 19.4 |

DIVIDENDS

| FOR THE PERIOD | | FY14 | FY13 | FY14 v FY13 | 2H14 | 1H14 | 2H13 | 1H13 |
|---|-------|-------|-------|----------------|------|-------|------|------|
| Fully franked dividends paid/payable | \$m | 81.4 | 54.6 | 49% | 44.2 | 37.2 | 33.6 | 21.0 |
| Fully franked dividends per ordinary share | cents | 175.0 | 130.0 | 35% | 95.0 | 80.0 | 80.0 | 50.0 |
| Dividend payout ratio ⁽⁴⁾ | % | 93.9 | 87.4 | 7 | 90.0 | 100.0 | 97.8 | 74.6 |
| Dividends paid/payable as a proportion of NPAT ⁽⁵⁾ | % | 99.8 | 89.5 | 10 | 91.6 | 111.7 | 99.7 | 76.9 |

- ⁽¹⁾ 1H14 earnings per share on UPAT restated to reflect the sale of Guardian Trust on 7 April 2014 and the subsequent reclassification of its earnings as a discontinued operation.
- ⁽²⁾ Diluted EPS is calculated using the weighted average number of ordinary and potential ordinary shares on issue.
- ⁽³⁾ 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 or UPAT attributable to Perpetual Limited to 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.
- ⁽⁴⁾ Dividend payout ratio is calculated using dividend(s) paid or resolved to be paid for the relevant period divided by the diluted earnings per share.
- ⁽⁵⁾ Based on ordinary fully paid shares at the end of each reporting period.

During FY14, Perpetual acquired TrustCo for \$278 million. Perpetual issued 4.5 million shares as equity consideration (equivalent to the value of \$200 million) in relation to this acquisition, which impacted shareholder return metrics. In addition, Perpetual paid \$78 million in cash as part of the total consideration. Following divestment of TrustCo's shareholdings in Equity Trustees Limited (EQT) and Guardian Trust, Perpetual's net outlay for TrustCo was \$194 million.



In FY14, Perpetual's EPS on a UPAT and NPAT basis increased by 29% and 25% respectively, reflecting the improvement in the Group's underlying profitability. However, ROE fell slightly due to an increase in average equity related to the acquisition of TrustCo. In FY14, ROE on a UPAT and NPAT basis decreased from 26.1% to 24.2% and 20.9% to 19.0% respectively.

Perpetual's dividend policy is to pay dividends within a range of 80% to 100% of statutory NPAT on an annualised basis, with a goal to maximise fully franked dividends to shareholders.

A fully franked final dividend for FY14 of 95 cents per share will be payable on 3 October 2014 which represents a dividend payout of 91.6% of 2H14 NPAT. This takes the full year dividends paid and payable to 175 cents per share which represents a dividend payout of 99.8% of FY14 NPAT.

A dividend history table can be found at Appendix E.

The Dividend Reinvestment Plan (DRP) will be operational for the final dividend. No discount will apply and the DRP will be met by existing shares acquired on market.

The 10 day Volume Weighted Average Price (VWAP) pricing period for the final dividend commences on 15 September 2014 and ends on 26 September 2014. A broker will be appointed to acquire existing shares to satisfy the DRP.

The Group's franking credit balance at the end of FY14, prior to the payment of the FY14 final dividend, was \$40.5 million, which will enable it to fully frank \$94.6 million of cash dividends or around 203 cents per share. After payment of the final dividend for FY14, the franking balance is capable of fully franking a further \$50.4 million of cash dividends, or around 108 cents per share.

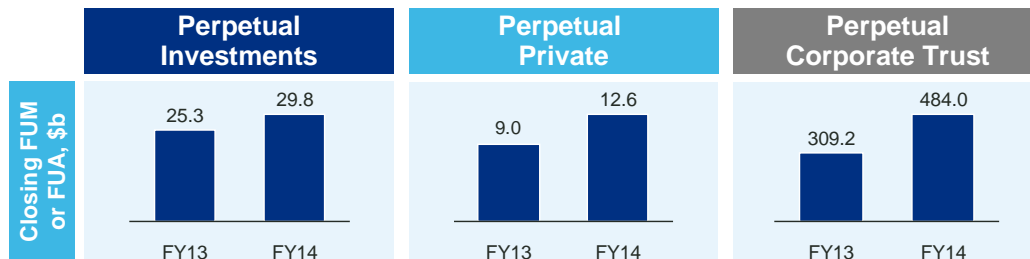
The ability to distribute the franking account balance is effectively constrained by the level of retained earnings in the parent company.

As at 30 June 2014:

- Perpetual Limited, the Group's parent entity, had retained earnings of \$45.4 million (equivalent to around 97 cents per share); and
- the Group had \$35.0 million of retained earnings in subsidiaries that were available to pay dividends to the parent entity.

1.6 Segment results summary

Perpetual has three business units: Perpetual Investments, Perpetual Private and Perpetual Corporate Trust. The profitability of each business unit is heavily influenced by its key revenue drivers: FUM for Perpetual Investments, and FUA for Perpetual Private and Perpetual Corporate Trust. As illustrated below, in FY14, FUM and FUA increased in all businesses, reflecting market and business growth, as well as the addition of TrustCo.



The key segment results for FY14 are summarised in the table below.

SEGMENT RESULTS SUMMARY

| FOR THE PERIOD | OPERATING REVENUE | | EBITDA ⁽¹⁾ | | PROFIT BEFORE/ AFTER TAX | |
|--|-------------------|-------|-----------------------|-------|-----------------------------|-------------|
| | FY14 | FY13 | FY14 | FY13 | FY14 | FY13 |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| Perpetual Investments | 222.5 | 195.9 | 125.2 | 98.2 | 113.6 | 87.2 |
| Perpetual Private | 143.8 | 115.7 | 32.6 | 17.4 | 21.6 | 9.2 |
| Perpetual Corporate Trust | 67.4 | 49.8 | 29.2 | 20.0 | 25.7 | 18.3 |
| Group Support Services | 6.9 | 8.3 | (10.9) | (5.0) | (14.1) | (7.3) |
| Totals before tax and significant items | 440.6 | 369.7 | 176.1 | 130.6 | 146.8 | 107.4 |
| Income tax expense | | | | | (42.7) | (31.5) |
| Underlying profit after tax (UPAT) before significant items | | | | | 104.1 | 75.9 |
| Significant items after tax: | | | | | | |
| 1. Transformation costs | | | | | (14.3) | (10.7) |
| 2. Trust Company integration costs | | | | | (10.0) | - |
| 3. Cost relating to Trust Company transactions | | | | | (4.4) | (1.5) |
| 4. Impairment of assets | | | | | - | (0.1) |
| 5. Foreign currency translation costs | | | | | - | (5.2) |
| 6. Gain on disposal of businesses | | | | | 1.0 | 2.6 |
| 7. Non recurring tax benefits/(expense) items | | | | | 1.2 | 0.4 |
| 8. Operating income from discontinued operations | | | | | 2.0 | 0.4 |
| 9. Gain/(loss) on disposal/impairment of investments & associates | | | | | 2.0 | (0.8) |
| Statutory net profit after tax (NPAT) attributable to equity holders of Perpetual Limited | | | | | 81.6 | 61.0 |

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

- Perpetual Investments' profit before tax was \$113.6 million, which was \$26.4 million or 30% higher than the previous year, driven by equity market gains and a return to positive net inflows throughout the period;
- Perpetual Private's profit before tax was \$21.6 million, up by \$12.4 million or 135% on the previous year, boosted by the contribution of earnings from the TrustCo acquisition, as well as equity market gains and net flows; and
- Perpetual Corporate Trust's profit before tax was \$25.7 million, which was \$7.4 million or 40% higher than the previous year due to growth in the underlying business, and the contribution of seven months of TrustCo.

The impact of the TrustCo acquisition on the Group and business unit results is detailed in Section 1.7.2.

1.7 Group initiatives

1.7.1 Transformation 2015

As described in Section 1.2, the T15 strategy introduced in 2012 had three phases: Simplify, Refocus and Grow. The first two phases of the strategy were largely complete at the end of FY14 and the continued execution of the strategy will be focused on the growth phase in FY15 and beyond.

A central goal of the T15 strategy was to deliver annualised cost savings of \$50 million before tax in FY15. The implementation of the 'Simplify' and 'Refocus' initiatives in FY14 delivered \$15.1 million incremental savings before tax in FY14. This results in \$39.8 million cumulative savings to the end of FY14 when combined with the \$24.7 million of savings delivered in FY13. The remaining \$10.2 million of savings will be reflected in FY15.


1.7.2 Integration of The Trust Company

Integration program

On 18 December 2013, Perpetual acquired TrustCo, given it had a strong strategic fit with Perpetual's existing business, an attractive expected investment return and accelerated growth options for the Group. The governance framework for integration adopted the key principles that enabled Perpetual's successful delivery of its Transformation 2015 strategy, with a dedicated project team and detailed delivery plans.

The scorecard below summarises the key milestones for the TrustCo integration program and status of each as at the end of FY14.

The Trust Company Integration Scorecard

| OUTCOMES | FY14 | PROTECT | 1H15 | ALIGN | 2H15 ONE COMPANY |
|--|---|---------|--|-------|--|
| SIMPLIFY  | <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Single Executive Team <input checked="" type="checkbox"/> New organisation structure in place <input checked="" type="checkbox"/> All staff notified of impact to their role <input checked="" type="checkbox"/> Divested EQT holding | | <p>On Track: Reduce central cost (HR, Finance, Marketing)</p> <p>On Track: Combine and simplify core processes and policies for Group functions</p> | | <p>On Track: Reduce property footprint</p> <p>On Track: Consolidate and reduce corporate entities and structures</p> |
| REFOCUS  | <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Single client service offering for all new PCT clients <input checked="" type="checkbox"/> Design brand strategy and commence execution <input checked="" type="checkbox"/> Detailed integration planning complete across all Business Units <input checked="" type="checkbox"/> Single product and wrap offering in place for all new PP advice clients | | <p>On Track: Migrate IT infrastructure to outsource provider</p> <p>On Track: Integrated investment / product suite in PP</p> <p>On Track: Single client service offering for all PCT clients in place</p> | | <p>On Track: Consolidate & simplify IT applications</p> <p>On Track: Single platform and client service offering for all clients in PP in place</p> <ul style="list-style-type: none"> <input type="checkbox"/> Integrated Personal Trustee and Philanthropy operations <input type="checkbox"/> Brand strategy complete |
| GROW  | <p>Ongoing: Accelerate PCT growth in Singapore</p> | | <p>On Track: PI FUM increase through The Trust Company integration via PP</p> <p>On Track: PCT outsourced RE service compliance frameworks aligned</p> <p>On Track: PCT Asia product offering finalised</p> | | <ul style="list-style-type: none"> <input type="checkbox"/> Increased revenue in PP due to scale benefits of combined FUA <input type="checkbox"/> PCT FUA increase through expanded service offering |

Note: PCT = Perpetual Corporate Trust, PP = Perpetual Private, PI = Perpetual Investments

Not commenced

As part of the integration program, Perpetual has been disciplined in exiting businesses within TrustCo that were considered non-core to the Group, as follows:

- in April 2014 the New Zealand based Guardian Trust business was divested for NZ\$69.5 million, equivalent to A\$64.3 million; and
- on 1 July 2014, it was announced that The Trust Company (Superannuation) Limited was to be sold for \$2.7 million plus further milestone payments after 12 and 24 months subject to revenue hurdles, with the sale of the business expected to be settled on or before 1 September 2014.

These divestments improve the overall deal metrics of the TrustCo transaction as the synergies related to the two businesses included in Perpetual's pre-acquisition estimates were immaterial.

Financial impact of TrustCo

The financial impact of the TrustCo continuing operations (excluding Guardian Trust) on the Perpetual Group is illustrated in the following pro forma table. The integration of functions commenced in early 2014, from which time the expenses of both businesses were combined. Therefore, the table below is the estimated contribution of seven months' earnings to the Perpetual Group in FY14.

IMPACT OF TRUSTCO PRO FORMA

| FOR THE PERIOD | OPERATING REVENUE | | | EBITDA | | | PROFIT BEFORE/ AFTER TAX | | |
|---|-------------------|------|------|--------|-------|-------|-----------------------------|------------|------------|
| | FY14 | 2H14 | 1H14 | FY14 | 2H14 | 1H14 | FY14 | 2H14 | 1H14 |
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| Perpetual Investments | - | - | - | - | - | - | - | - | - |
| Perpetual Private | 19.7 | 17.4 | 2.3 | 6.6 | 6.2 | 0.4 | 5.8 | 5.4 | 0.4 |
| Perpetual Corporate Trust | 15.7 | 13.4 | 2.3 | 5.7 | 5.2 | 0.5 | 3.8 | 3.4 | 0.4 |
| Group Support Services | 0.9 | 0.8 | 0.1 | (0.9) | (0.7) | (0.2) | (1.7) | (1.4) | (0.3) |
| Totals before tax | 36.3 | 31.6 | 4.7 | 11.4 | 10.7 | 0.7 | 7.9 | 7.4 | 0.5 |
| Income tax expense | | | | | | | (2.3) | (2.2) | (0.1) |
| Underlying profit after tax (UPAT) | | | | | | | 5.6 | 5.2 | 0.4 |

Note: Earnings from the Guardian Trust business in the period of ownership until its divestment on 7 April 2014 have been classified as a significant item under 'operating income from discontinued operations'. As a consequence, Guardian Trust earnings are not included in the table above.

The TrustCo business has been integrated into Perpetual Private and Perpetual Corporate Trust, adding \$19.7 million and \$15.7 million of revenue respectively to those businesses. It is estimated that TrustCo contributed \$5.6 million in UPAT to the Group's result.

When TrustCo was acquired, Perpetual expected to deliver synergy benefits of at least \$15 million per annum before tax. Due to the successful integration program and capture of strategic opportunities, Perpetual now expects to deliver annualised synergy benefits between \$18 - \$20 million per annum before tax. The estimated cost of the integration program remains unchanged at approximately \$30 million.

The indicative profile of synergies and integration costs are illustrated in the table below.

INDICATIVE PRE-TAX IMPACT OF TRUSTCO SYNERGIES AND INTEGRATION COSTS, \$M

| PRE-TAX SYNERGIES | 1H14A | 2H14A | 1H15G | 2H15G | 1H16G | 2H16G |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Indicative P&L impact | - | 3 | 5 | 6 | 8-9 | 9-10 |
| Annualised period end | - | 10 | 13 | 15 | 18-20 | 18-20 |

| PRE-TAX INTEGRATION COSTS | 1H14A | 2H14A | 1H15G | 2H15G | 1H16G | 2H16G |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Indicative P&L impact | (9) | (5) | (11) | (5) | - | - |
| Cumulative period end | (9) | (14) | (25) | (30) | (30) | (30) |

Note: A = Actual, G = Guidance

1.8 Group financial position

1.8.1 Summary consolidated balance sheet

SUMMARY CONSOLIDATED BALANCE SHEET

| AT END OF | 2H14 ⁽¹⁾ \$M | 1H14 ⁽¹⁾ \$M | 2H13 ⁽¹⁾ \$M | 1H13 ⁽¹⁾ \$M |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Assets | | | | |
| Cash and cash equivalents | 282.6 | 203.2 | 217.1 | 180.3 |
| Liquid investments | 45.3 | 45.3 | 35.4 | 38.5 |
| Asset held for sale | 1.1 | - | 0.8 | 2.2 |
| Structured products - PPI loans to clients | 37.9 | 65.7 | 76.7 | 83.0 |
| Goodwill and other intangibles | 300.9 | 357.2 | 107.7 | 108.6 |
| Software | 21.1 | 24.1 | 21.6 | 16.7 |
| Other assets | 149.6 | 168.0 | 121.2 | 118.9 |
| Total assets | 838.5 | 863.5 | 580.5 | 548.2 |
| Liabilities | | | | |
| Corporate loan facility | 87.0 | 97.0 | 45.0 | 45.0 |
| Liabilities held for sale | 0.1 | - | - | - |
| Structured products - PPI finance facilities | 39.8 | 71.3 | 84.1 | 85.9 |
| Other liabilities | 155.2 | 161.0 | 127.7 | 110.1 |
| Total liabilities | 282.1 | 329.3 | 256.8 | 241.0 |
| Net assets | 556.4 | 534.2 | 323.7 | 307.2 |
| Shareholder funds | | | | |
| Contributed equity | 460.8 | 457.3 | 239.8 | 248.5 |
| Reserves | 32.3 | 28.8 | 37.1 | 27.2 |
| Retained earnings | 51.7 | 37.3 | 37.4 | 19.2 |
| Total shareholder funds | 544.8 | 523.4 | 314.3 | 294.9 |
| Non-controlling interest | 11.6 | 10.8 | 9.4 | 12.3 |
| Total equity | 556.4 | 534.2 | 323.7 | 307.2 |

⁽¹⁾ Note: excludes the asset and liability for the EMCF structured product

1.8.2 Balance sheet analysis

Key movements in Perpetual's consolidated Balance Sheet are described below.

Cash

Cash and cash equivalents increased from \$217.1 million at the end of FY13 to \$282.6 million at the end of FY14, an increase of \$65.5 million or 30%. The movement in the cash balance during FY14 was primarily due to the following:

- net cash inflows from operations of \$94.7 million;
- net proceeds of \$60.0 million received for the sale of Guardian Trust (proceeds of \$64.3 million offset by cash held in the entity on disposal of \$4.3 million);
- proceeds from borrowings of \$32.0 million to partially fund the cash consideration component of the TrustCo acquisition;
- offset by cash dividends paid of \$70.8 million; and
- net cash consideration of \$61.5 million paid for the acquisition of Trust Company (cash consideration of \$77.6 million offset by \$16.1 million cash acquired).

Further detail can be found in Section 1.9.2, 'Cash flow'.

Liquid investments

Liquid investments increased to \$45.3 million at the end of FY14 from \$35.4 million at the end of FY13. This was due to appreciation in market valuations, additional investment in seed funds as well as further investment by the consolidated entity in relation to the long term incentive scheme for asset managers.

Structured products – PPI loans to clients and finance facilities

Perpetual Protected Investments (PPI) loans to clients continued to decline in FY14 as clients continued to exit their investments in the product. The PPI balance at the end of FY14 was \$37.9 million, which was \$38.8 million lower than at the end of FY13. The PPI Series 1 product expired on 31 May 2014, with \$27.6 million of the reduction related to this closure.

Goodwill

'Goodwill and other intangibles' has increased by \$193.2 million at the end of FY14. This is due to the acquisition of TrustCo by the consolidated entity on 18 December 2013. The purchase price was \$277.6 million which included \$160.2 million prescribed to goodwill, and \$34.8 million to customer contracts.

Further detail can be found in Section 1.8.3, 'Goodwill and intangibles'.

Other assets & liabilities

'Other assets' and 'Other liabilities' increased to \$149.6 million and \$155.2 million respectively at the end of FY14 from \$121.2 million and \$127.7 million at the end of FY13. This increase is predominantly in relation to the working capital acquired from TrustCo.

Loans

Movements in loans balances are described in Section 1.9.3, 'Debt'.

Contributed Equity

Contributed Equity increased by \$221.0 million since 30 June 2013. This increase is primarily attributable to:

- 4.5 million new shares issued as partial consideration for the acquisition of TrustCo.;
- 674,019 shares vested under Employee Share Plans; and
- 67,302 new shares issued under the Dividend Reinvestment Plan.

Reserves

Total reserves have decreased by \$4.8 million to \$32.3 million as at 30 June 2014. The decrease is comprised of:

- a net \$6.4 million decrease in the Equity Compensation Reserve; offset by
- a \$1.3 million increase in the Available for Sale Reserve; and
- a net \$0.3 million increase in other reserves.

The decrease in the Equity Compensation Reserve has resulted from a \$21.3 million movement on employee shares, mainly due to the vesting of shares, offset by the \$14.8 million equity remuneration expense.

1.8.3 Goodwill and intangibles

GOODWILL

| AT END OF | FY14 \$M | FY13 \$M |
|---|--------------|--------------|
| Goodwill | 257.5 | 97.3 |
| Other intangibles | 43.4 | 10.4 |
| Capitalised software | 18.4 | 20.6 |
| Project work in progress | 2.7 | 1.0 |
| Total intangibles including goodwill | 322.0 | 129.3 |

As noted above, the purchase price for the TrustCo acquisition included \$160.2 million allocated to goodwill, which represented the increase from \$97.3 million of goodwill at the end of FY13 to \$257.5 million at the end of FY14.

The increase in goodwill is primarily attributable to the skills and technical talent of the TrustCo workforce, and the synergies expected to be achieved from integrating TrustCo into the consolidated entity.

Other intangibles increased by \$33 million to \$43.4 million as at 30 June 2014. The increase is mainly due to:

- \$37.9 million of Australian customer contracts acquired as part of TrustCo; offset by
- \$0.5m of Australian customer contracts related to The Trust Company (Superannuation) Limited which was separately classified as held for sale as at 30 June 2014;
- \$2.6 million amortisation charge for the period since the TrustCo acquisition date to 30 June 2014; and
- \$1.8 million amortisation charge on all other intangibles that existed at the prior year end relating to previous acquisitions.

It is important to note that the balances of goodwill, identifiable intangible assets and other assets and liabilities attributable to the acquisition of TrustCo disclosed in the 30 June 2014 financial statements are provisional. The acquisition accounting balances will be finalised by 31 December 2014.

1.9 Capital management

1.9.1 Capital management approach

Perpetual's principles for its capital management are as follows:

- i) Maximising returns to shareholders
- ii) Enabling strategy
- iii) Ensuring compliance with the Group's risk appetite statement and regulatory requirements
- iv) Withstanding shocks to the market.

Perpetual maintains a conservative balance sheet with low gearing levels. As part of its capital management strategy, the Group continually reviews options to ensure that it is optimising its use of capital and maximizing returns to shareholders.

Perpetual continues to operate its DRP. No discount will be applied to the 2014 final dividend and the DRP will be met by existing shares acquired on market.

The Group uses a risk-based capital model based on the Basel II framework to assess its capital requirements. The model requires capital to be set aside for operational, credit and market risk and any known capital commitments.

At the end of FY14, total base capital requirements were \$239 million (\$221 million for regulatory requirements, operational risk, \$13 million for credit risk and \$5 million for market risk), compared to \$278 million of available liquid funds.

During FY14, the Group has continued to focus on a number of initiatives to strengthen its balance sheet, including:

- continuing to improve the overall credit quality of the Group's risk assets and reduce exposure to structured products on the balance sheet;
- maintaining committed debt facilities of \$130 million, drawn to \$87 million as at 30 June 2014; and
- focusing on ensuring strong discretionary expense discipline across each business unit and support group.

1.9.2 Cash flow

CASHFLOW

| | FY14 | FY13 | 2H14 | 1H14 | 2H13 | 1H13 |
|--|--------|--------|--------|--------|--------|--------|
| FOR THE PERIOD | \$M | \$M | \$M | \$M | \$M | \$M |
| Net cash from operating activities | 94.7 | 105.5 | 70.4 | 24.3 | 67.0 | 38.5 |
| Net cash provided by/(used in) investing activities | 7.9 | 0.6 | 55.4 | (47.5) | (6.8) | 7.4 |
| Net cash (used in)/provided by financing activities | (37.1) | (42.1) | (46.4) | 9.3 | (23.4) | (18.7) |
| Net increase/(decrease) in cash and cash equivalents | 65.5 | 64.0 | 79.4 | (13.9) | 36.8 | 27.2 |

In FY14, cash and cash equivalents increased by \$65.5 million compared to an increase of \$64.0 million in FY13. This represented an increase in cash flow of \$1.5 million, principally due to:

Inflows:

- \$6.9 million increase in net operating cashflows;
- \$10.9 million increase due to net proceeds from sale of investments;
- \$51.6 million increase from the sale of business, being \$60.0 million net proceeds received in FY14 for Guardian Trust compared to the \$8.4 million received in FY13 for the sale of PLMS;
- \$7.7 million decrease in payments for property, plant, equipment and software;
- \$32.0 million net increase in borrowings resulting from \$42 million used to partially finance the cash consideration to acquire TrustCo, offset by \$10 million used to repay TrustCo's debt facility in January 2014;
- \$3.1 million increase due to share issues to support Perpetual's DRP when it was unable to purchase on market due to corporate transaction information available to it at the time; and

Outflows:

- \$15.6 million increase in tax payments;
- \$60.9 million increase in acquisition payments, mainly due to net cash consideration on the acquisition of TrustCo; and
- \$33.0 million increase in dividend payments to shareholders.

1.9.3 Debt

DEBT

| AT END OF | | FY14 | FY13 | 2H14 | 1H14 | 2H13 | 1H13 |
|--|-------|--------|--------|--------|--------|--------|--------|
| Corporate debt | \$m | (87.0) | (45.0) | (87.0) | (97.0) | (45.0) | (45.0) |
| Corporate debt to capital ratio (corporate debt/(corporate debt + equity)) ⁽¹⁾ | % | 13.5 | 12.2 | 13.5 | 15.4 | 12.2 | 12.8 |
| Interest coverage calculation for continuing operations (EBIT/interest expense) | times | 44x | 48x | 37x | 60x | 60x | 37x |
| Net tangible assets per share | \$ | 4.84 | 4.10 | 4.84 | 3.19 | 4.10 | 3.82 |

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

Perpetual's key debt metrics shown in the table above are described as follows.

Debt level: At the end of FY14 Perpetual's gross corporate debt was \$87 million. The Group's gearing ratio at the end of the financial year was low at 13.5%, compared to 12.2% at the end of FY13. The gearing ratio remains well within Perpetual's stated risk appetite limit of 30%.

Lenders and debt maturity: Perpetual's corporate debt is currently sourced solely from a long term banking relationship with National Australia Bank. At the end of FY14, the Group had a committed bank corporate debt facility of \$130 million and as at 28 August 2014, \$87 million was drawn. The facility has greater than 12 months to expiry.

Covenants: Financial covenants related to the debt facility include minimum shareholders' funds, leverage, interest cover, capital adequacy ratios and limits on operational debt. At the end of FY14, the Group was in compliance with all its debt covenants.

Hedging: 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.

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

1.10 Regulatory environment

In FY14, the financial services industry continued to be subject to legislative and regulatory reform which affects or could affect the Group's operations. The table below provides an overview of key regulatory reforms and their impact on the Group.

| Regulation | Overview | Impact / Management |
|---|--|--|
| 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. FOFA introduced bans on conflicted remuneration, a ban on shelf space fees and a new 'best interests duty'. | The majority of the FOFA reforms commenced on 1 July 2013 and throughout FY14 Perpetual implemented the remaining reforms including fee disclosure statements and changes to grandfathering for new clients after 1 July 2014. We continue to monitor developments in this area. |
| 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 includes low cost MySuper, Super Stream, new APRA Prudential Standards and APRA Reporting and continues to evolve. | In FY14 key implementation aspects for the Group included the new APRA Prudential Standards, Super Stream, APRA Reporting, launching a MySuper product and obtaining an authorisation to continue to operate the Australian Eligible Rollover Fund. Although the Stronger Super reforms are largely in place, it is likely that ongoing changes from the regulators and implementation issues will impact the Group into FY15. |
| US Foreign Account Tax Compliance Act (FATCA) | FATCA is a US law imposing obligations on foreign financial institutions to identify and report on US citizen holdings. The Australian and US Governments finalised an Intergovernmental Agreement on FATCA compliance. | The Group was impacted by FATCA and throughout FY14 implemented changes required to achieve compliance by 1 July 2014. Some project activities will carry over to FY15. |
| ASIC Policy | ASIC continues to influence the regulatory landscape through changes to various ASIC Regulatory Guides. | In FY14 key ASIC Policy changes impacting the Group included changes to Hedge Fund Disclosure (impacting several Perpetual funds), Custodian Capital requirements (impacting the combined Group) and Platform Operator Requirements (impacting the Perpetual Private administration platform). These changes are largely implemented, with further streamlining of the Group's regulatory capital requirements expected in FY15. |

| Regulation | Overview | Impact / Management |
|------------|--|--|
| Privacy | Following a review of existing privacy laws, reforms were made to the Privacy Act 1998 to strengthen privacy protection. | In FY14 changes to policies and processes across the Group were implemented to achieve compliance with the privacy reforms which commenced on 12 March 2014. |

1.11 Business risks

Perpetual's approach to risk management is based on a Risk Appetite Statement, which outlines the risk boundaries and minimum expectations of the Perpetual Board. The Board's Audit, Risk & Compliance Committee is responsible for overseeing Perpetual's risk management processes. Perpetual has a dedicated Risk Group, which has day to day responsibility for the design, implementation and maintenance of Perpetual's risk management framework, and an independent Internal Audit department.

The risk management framework is underpinned by the three lines of defence model. This model sees the first line, being management, accountable for the day to day identification and management of risks. The Risk Group represents the second line and is responsible for overseeing first line activities. Internal Audit provide independent assurance representing the third line.

The following table outlines the key business risks faced by Perpetual and the primary mitigants in place to manage those risks.

| Risk | Risk Description / Impact | Risk Management |
|---------------------------|--|--|
| Market | Exposure to, or reliance on, revenue streams linked to equity markets resulting in potentially volatile returns | <ul style="list-style-type: none"> Diversification of revenue sources Disciplined and active management of the cost base |
| Integration / Acquisition | Impact of not realising intended benefits or incurring unforeseen costs from acquisitions and subsequent business integration | <ul style="list-style-type: none"> Established due diligence and approval processes Strong planning, governance and project management processes |
| Investment | The risk of loss resulting from ineffective investment strategies, management or structures resulting in sustained under performance relative to peers and benchmarks | <ul style="list-style-type: none"> Well defined and disciplined investment processes and philosophy for selection. Established investment governance structure in place Independent mandate monitoring and reporting |
| People | Exposure to changes in personnel, particularly in key investment management roles | <ul style="list-style-type: none"> Succession planning and talent identification programs, reporting to the People & Remuneration Committee Alignment of remuneration with long term investment performance. Remuneration Benchmarking Engagement monitoring |
| Strategic | Adverse strategic decisions, ineffective implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect market position | <ul style="list-style-type: none"> Considered strategic and business planning processes Strategic measures cascaded through performance management Application of risk appetite statement in strategic decision making |
| Operational | The risk of loss resulting from inadequate or failed internal processes, people and system or from external events | <ul style="list-style-type: none"> Clearly defined policies, procedures, roles and responsibilities Controls Testing in the form of Control Self Assessment Independent Assurance |
| Financial | Risk of inappropriate use of funds, financial performance not managed to expectations or financial results inappropriately accounted for or disclosed | <ul style="list-style-type: none"> Budget planning process Reconciliation and review processes Regular income and expense reviews |

| Risk | Risk Description / Impact | Risk Management |
|----------------------|--|--|
| Compliance and legal | The risk that Perpetual breaches its compliance and legal obligations leading to reputation damage, litigation, fines, breach of contract or regulatory intervention and sanctions. | <ul style="list-style-type: none"> Independent Legal and Compliance team, and training across teams Compliance obligations are documented and monitored Independent issues assessment |
| Outsourcing | The risk that services performed by external service providers are not managed in line with the servicing contract or the operational standards required resulting in potential negative impacts to shareholders and / or customers. | <ul style="list-style-type: none"> Partnered with well regarded and proven strategic partners Outsourced relationships are managed at a senior level Outsourcing and vendor management framework, with legal contracts Service level standards monitored |

1.12 Outlook

The outlook for Perpetual in the 2015 financial year and beyond is positive as the Group pursues its vision to become Australia's largest independent wealth manager of choice. The Transformation 2015 strategy has delivered significant benefits to date and is expected to deliver further benefits in its final year of implementation as the initiatives are fully embedded as part of the group's ongoing business as usual operating model.

The fundamentals for Perpetual are strong in the medium and long term as it is leveraged to the mandated growth in Australia's superannuation system and has a track record of growing and protecting the wealth of its clients' investments and retirement savings. The Group believes that its investment record, specialist advice and fiduciary heritage mean that it will continue to increase share within the growing market of investments and retirement savings.

In the next one to two years, the market will be impacted by the outcomes of the FOFA legislation and Financial System Inquiry currently underway.

The objectives of FOFA are to improve the trust and confidence of Australian retail investors in the financial services sector and ensure the availability, accessibility and affordability of high quality financial advice. On 20 June 2014, the government announced the final package of changes to FOFA. Some of the government's amendments are yet to be passed by the parliament. The impact of FOFA will have to work its way through the financial services industry on many fronts and may in summary, result in margin compression, further consolidation and higher client service demands. Perpetual continues to believe that it is well placed for these challenges.

The Financial System Inquiry Interim Report was published in July 2014. Its objective was to examine and make recommendations on how the financial system could be positioned to best meet Australia's evolving needs and best support Australia's economic growth. To meet this objective, the Inquiry considered that the financial system must satisfy three principles: efficiently allocate resources and risks, be stable and reliable, and be fair and accessible. The Inquiry identified a number of priority areas and is open to consultation with final submissions due in August 2014. The final report is expected in December 2014. While the consultation is ongoing Perpetual continues to examine the issues carefully and engage in consultation as appropriate. Perpetual believes it is well placed to meet the challenges facing the financial system.

In relation to the outlook for Perpetual's financial performance, several factors should be taken into account, as follows:

- Global equities:** Perpetual has launched a global equities fund, which capitalises on its successful equities investment process and philosophy. This fund has been incubated over the past three and a half years, with very strong performance. The Global Share Fund will commence with internally sourced funds and is targeted to reach \$1 billion within three years. In time the fund is expected to capture a significant share of the assets allocated to global equities in the Australian market.

The existing Global Share Fund is a separate product and will continue to operate under existing arrangements.

Perpetual anticipates group expenses to increase by around \$5 million before tax in relation to this initiative in FY15.

- **TrustCo FUM:** The acquisition of TrustCo in December 2013 brought \$1.3 billion of FUM to Perpetual. Of this, \$0.3 billion was from Guardian Trust, which was sold in April 2014. In the period between December 2013 and the end of June 2014, \$1 billion of FUM from TrustCo was initially recorded as Perpetual Investments FUM, although associated revenue was recorded within the Perpetual Private business as the FUM was principally sourced from internal private clients. Following confirmation of TrustCo integration plans part of this FUM and revenue will now be reallocated between business units in FY15.

From the end of July 2014, approximately \$670 million of TrustCo FUM will be allocated under mandate to Perpetual Investments at around 30 basis points, with associated revenue to be recorded by that business unit. The remaining FUM, primarily cash investments, and associated revenue will be managed and recorded in Perpetual Private.

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

1.13 Events subsequent to balance date

On 1 July 2014, it was announced that The Trust Company (Superannuation) Limited was to be sold for \$2.7 million plus further milestone payments after 12 and 24 months subject to revenue hurdles. The sale of the business expected to be settled on or before 1 September 2014. The revenue and earnings of the business were immaterial to Perpetual and, therefore, will have no material impact on the Group's FY15 financial performance.

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

2 Review of Businesses

The results and drivers of financial performance in FY14 for the three Perpetual business units are described in detail in the following sections. In addition, a description of revenues and expenses at the Group Support level is also provided.

2.1 Perpetual Investments

2.1.1 Business overview

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 savings. The business covers a range of asset classes, including Australian and global equities, fixed income and multi-sector strategies, and it services a diverse range of client types, from large institutional investors through to smaller retail investors.

2.1.2 Financial performance

PERPETUAL INVESTMENTS FINANCIAL RESULTS

| FOR THE PERIOD | FY14 \$M | FY13 \$M | FY14 v FY13 | 2H14 \$M | 1H14 \$M | 2H13 \$M | 1H13 \$M |
|---|--------------|-------------|----------------|-------------|-------------|-------------|-------------|
| Revenue | 222.5 | 195.9 | 14% | 113.0 | 109.5 | 102.3 | 93.6 |
| Operating expenses | (97.3) | (97.7) | - | (49.2) | (48.1) | (49.3) | (48.4) |
| EBITDA | 125.2 | 98.2 | 27% | 63.8 | 61.4 | 53.0 | 45.2 |
| Depreciation and amortisation | (1.5) | (1.8) | 17% | (0.7) | (0.8) | (0.8) | (1.0) |
| Equity remuneration expense | (10.1) | (9.2) | (10%) | (5.7) | (4.4) | (4.8) | (4.4) |
| Profit before tax | 113.6 | 87.2 | 30% | 57.4 | 56.2 | 47.4 | 39.8 |
| Average FUM revenue margin (revenues/average FUM) | 76bps | 77bps | (1)bps | 75bps | 78bps | 77bps | 77bps |
| Average FUM excluding TrustCo | \$28.7b | \$24.9b | 15% | \$29.5b | \$27.7b | \$26.2b | \$23.7b |

Perpetual Investments delivered a strong result in FY14, with a return to positive net flows and fees and margins maintained for both existing and new clients.

Profit before tax for the Perpetual Investments division in FY14 was \$113.6 million, \$26.4 million or 30% higher than FY13. Strong revenue drivers, as described below, and a continued focus on expenses have enabled the business to improve its profit margin on revenues from 45% in FY13 to 51% in FY14.

2.1.3 Drivers of performance

Revenue

Perpetual Investments generated revenue of \$222.5 million in FY14, representing a \$26.6 million or 14% increase on FY13. The key drivers of revenue in FY14 included:

- a return to positive net inflows for the first time in seven years, reflecting continued investment outperformance, the strength of the asset management team and a reinvigorated sales and distribution strategy; and
- equity market gains, with the All Ordinaries Price Index increasing by 13% during the period.

In July 2013 the Multi Manager team transferred from Perpetual Investments to Perpetual Private. In FY13 Perpetual Investments generated \$2 million in Multi Manager related revenue. This revenue was reflected in Perpetual Private in FY14.

The positive net flows and equity market growth resulted in average FUM of \$28.7 billion in FY14, 15% higher than average FUM of \$24.9 billion in FY13.

Average FUM revenue margins were slightly lower in FY14 at 76 basis points (bps). 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.

Revenues and margins across the mix of asset classes within Perpetual Investments, as well as performance fees, are provided in the tables below.

REVENUE BY ASSET CLASS

| | FY14 | FY13 | FY14 v | 2H14 | 1H14 | 2H13 | 1H13 |
|-------------------------|--------------|--------------|------------|--------------|--------------|--------------|-------------|
| FOR THE PERIOD | \$M | \$M | FY13 | \$M | \$M | \$M | \$M |
| By asset class: | | | | | | | |
| > Equities | 190.0 | 155.8 | 22% | 96.5 | 93.5 | 82.7 | 73.1 |
| > Cash & fixed income | 21.6 | 27.7 | (22%) | 11.2 | 10.4 | 13.6 | 14.1 |
| > Other FUM related | 7.7 | 8.5 | (9%) | 3.9 | 3.8 | 4.2 | 4.3 |
| > Other non-FUM related | 3.2 | 3.9 | (18%) | 1.4 | 1.8 | 1.8 | 2.1 |
| Revenues | 222.5 | 195.9 | 14% | 113.0 | 109.5 | 102.3 | 93.6 |

PERFORMANCE FEES

| | FY14 | FY13 | FY14 v | 2H14 | 1H14 | 2H13 | 1H13 |
|-------------------------------|------------|------------|--------------|------------|------------|------------|------------|
| FOR THE PERIOD | \$M | \$M | FY13 | \$M | \$M | \$M | \$M |
| By asset class: | | | | | | | |
| > Equities | 2.9 | 1.1 | 164% | 1.1 | 1.8 | 0.3 | 0.8 |
| > Cash & fixed income | 2.9 | 7.6 | (62%) | 1.5 | 1.4 | 3.8 | 3.8 |
| Total performance fees | 5.8 | 8.7 | (33%) | 2.6 | 3.2 | 4.1 | 4.6 |

REVENUE MARGIN

| | FY14 | FY13 | FY14 v | 2H14 | 1H14 | 2H13 | 1H13 |
|-------------------------------|-----------|-----------|------------|-----------|-----------|-----------|-----------|
| FOR THE PERIOD | BPS | BPS | FY13 | BPS | BPS | BPS | BPS |
| By asset class: | | | | | | | |
| > Equities | 83 | 82 | 1 | 81 | 84 | 82 | 83 |
| > Cash & fixed income | 47 | 59 | (12) | 46 | 50 | 58 | 59 |
| > Other FUM related | 67 | 65 | 2 | 71 | 63 | 65 | 66 |
| Average revenue margin | 76 | 77 | (1) | 75 | 78 | 77 | 77 |

The drivers of revenue margins by asset class are described below:

- **Equities:** Revenues represent fees earned on Australian and Global equities products. This revenue was \$190.0 million in FY14, an increase of 22% on FY13. The average margin in FY14 was 83bps, a 1bp increase on FY13, mainly due to higher performance fees received in 1H14.
- **Cash & fixed income:** Revenues are derived from fixed income, cash and mortgage products. The \$6.1 million fall in revenue to \$21.6 million in FY14 was principally driven by a reduction in performance fees. This reduction was due to outflows from the Exact Market Cash Fund in June and July 2013 and further returns of capital to investors in the closed mortgage funds of \$0.3 billion. Average cash and fixed interest FUM revenue margin was 47bps in FY14, or 41bps excluding performance fees.
- **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. FY14 revenue of \$7.7 million was \$0.8 million lower than FY13, adjusting for the \$2.0 million of Multi Manager related revenue transferred to Perpetual Private during the year, and partially offset by higher revenue from external funds on the WealthFocus platform.
- **Other non-FUM related:** Revenue includes the net interest margin on the structured products loan book and interest earned on operational bank accounts across the business. The revenue decrease in FY14 was mainly due to lower fees earned from the PPI structured products, which have been in run off since 2009.

Expenses

In FY14 total expenses for Perpetual Investments, comprising operating expenses, depreciation, amortisation and equity remuneration, were \$108.9 million, relatively flat compared to total expenses of \$108.7 million in FY13. The expense drivers in FY14 were:

- lower group overhead allocations (primarily related to T15 cost management initiatives); and
- higher remuneration and incentives in line with improved performance.

2.1.4 Funds under management

FUM and flows

FUM SUMMARY

| AT END OF | FY14 \$B | Net flows \$B | Other ⁽¹⁾ \$B | FY13 \$B |
|---|-------------|------------------|-----------------------------|-------------|
| Institutional | 10.0 | 1.1 | 1.1 | 7.8 |
| Intermediary (master fund and wrap) | 13.3 | 0.3 | 0.7 | 12.3 |
| Retail | 5.5 | (0.3) | 0.6 | 5.2 |
| All distribution channels excl TrustCo | 28.8 | 1.1 | 2.4 | 25.3 |
| TrustCo | 1.0 | - | 1.0 | - |
| All distribution channels | 29.8 | 1.1 | 3.4 | 25.3 |
| Australian equities | 21.7 | 0.6 | 2.4 | 18.7 |
| Global equities | 1.2 | (0.1) | 0.2 | 1.1 |
| Equities | 22.9 | 0.5 | 2.6 | 19.8 |
| Cash & fixed income | 4.9 | 0.7 | - | 4.2 |
| Other | 1.0 | (0.1) | (0.2) | 1.3 |
| All asset classes excl TrustCo | 28.8 | 1.1 | 2.4 | 25.3 |
| TrustCo | 1.0 | - | 1.0 | - |
| All asset classes | 29.8 | 1.1 | 3.4 | 25.3 |

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

NET FLOWS

| FOR THE PERIOD | FY14 \$B | FY13 \$B | 2H14 \$B | 1H14 \$B | 2H13 \$B | 1H13 \$B |
|---|-------------|--------------|-------------|-------------|--------------|--------------|
| Institutional | 1.1 | (0.2) | 0.6 | 0.5 | 0.2 | (0.4) |
| Intermediary (master fund and wrap) | 0.3 | (0.9) | 0.1 | 0.2 | (0.5) | (0.4) |
| Retail | (0.3) | (0.7) | (0.2) | (0.1) | (0.3) | (0.4) |
| All distribution channels excl TrustCo | 1.1 | (1.8) | 0.5 | 0.6 | (0.6) | (1.2) |
| TrustCo | - | - | - | - | - | - |
| All distribution channels | 1.1 | (1.8) | 0.5 | 0.6 | (0.6) | (1.2) |
| Australian equities | 0.6 | (0.7) | 0.2 | 0.4 | 0.1 | (0.8) |
| Global equities | (0.1) | - | (0.1) | - | - | - |
| Equities | 0.5 | (0.7) | 0.1 | 0.4 | 0.1 | (0.8) |
| Cash & fixed income | 0.7 | (1.0) | 0.5 | 0.2 | (0.6) | (0.4) |
| Other | (0.1) | (0.1) | (0.1) | - | (0.1) | - |
| All asset classes excl TrustCo | 1.1 | (1.8) | 0.5 | 0.6 | (0.6) | (1.2) |
| TrustCo | - | - | - | - | - | - |
| All asset classes | 1.1 | (1.8) | 0.5 | 0.6 | (0.6) | (1.2) |

Perpetual's FUM as at 30 June 2014 was \$29.8 billion, including \$1.0 billion of FUM from TrustCo, with net inflows of \$1.1 billion for the year. In FY14, Perpetual achieved four consecutive quarters of net inflows, a significant achievement after a period of outflows.

Points of note in relation to the FUM and flows data for FY14 include the following:

- The acquisition of TrustCo in December 2013 brought \$1.3 billion of FUM to Perpetual. Of this, \$0.3 billion was from Guardian Trust, which was sold in April 2014. In the period between December 2013 and the end of June 2014, all FUM from TrustCo was recorded as Perpetual Investments FUM initially, although associated revenue was recorded within the Perpetual Private business. From the start of the 2015 financial year, part of this FUM and revenue will be reallocated between business units.
- As at 30 June 2014, Perpetual Investments distributed \$1.3 billion to clients, net of automatic re-investments, compared to \$0.3 billion in June 2013. This distribution reflected strong performance, as well as a return to a net positive capital gain position across the majority of Perpetual's funds. Based on past experience it would be expected that clients would reinvest a portion of this distribution back into Perpetual's suite of products in the early part of FY15.
- Net flows improved significantly from the institutional and intermediary channels in both the Australian equity and cash and fixed interest asset classes, demonstrating the strength of Perpetual's distribution model and asset management capabilities.

Investment performance

Excess/(under) investment performance p.a. - gross as at end June 2014 ⁽¹⁾

| Period | Australian Share Fund | Industrial Share Fund | Smaller Companies Fund | Concentrated Equity Fund | Share Plus Fund | Ethical Share Fund | Diversified Income Fund | Perpetual Active Fixed Interest Fund |
|----------|-----------------------|-----------------------|------------------------|--------------------------|-----------------|--------------------|-------------------------|--------------------------------------|
| 1 year | 2.0% | 2.7% | 13.9% | 3.2% | 6.8% | 2.5% | 3.7% | 1.4% |
| 3 years | 3.9% | 1.2% | 14.5% | 5.7% | 10.1% | 10.6% | 3.4% | 1.7% |
| 5 years | 4.1% | 0.6% | 14.6% | 4.3% | 8.4% | 11.1% | 4.8% | 1.8% |
| 7 years | 3.9% | 2.4% | 10.6% | 5.3% | 7.3% | 6.4% | 0.9% | 1.0% |
| 10 years | 2.9% | 1.6% | 7.4% | 3.4% | 4.8% | 5.7% | - | - |

⁽¹⁾ The table provides no allowance for management expenses, redemption fees, or taxation.

Perpetual Investments continued to deliver investment outperformance across its portfolio in FY14. As illustrated above, Perpetual Investment's main funds outperformed over the short, medium and long term horizons. The majority of the Group's core funds were again represented in the first or second quartile of performance rankings over a five year period¹.

The strategic focus on sales and distribution has continued to expand the distribution of Perpetual's funds. Since June 2012, distribution of Perpetual Investments products have benefited from being included in 15 additional platforms, 14 additional financial adviser approved product lists (APLs) and 17 additional models, as well as achieving new ratings and rating upgrades. The business also received a number of industry awards during the FY14, including:

- winner of the 2014 Morningstar Australian Fund Manager of the Year, for the second consecutive year;
- winner of the Australian Large-cap manager of the year and Overall Fund Manager of the Year at the 2013 Zenith / Professional Planner Awards; and
- winner of the Responsible Investments category in the 2014 Money Management/Lonsec Fund Manager of the Year awards for the Perpetual Ethical SRI Fund, for the second consecutive year.

¹ Mercer wholesale surveys, quartile rankings, June 2014

2.2 Perpetual Private

2.2.1 Business overview

Perpetual Private provides financial solutions for high net worth individuals in target segments of 'business owners', 'established wealthy' and 'professionals'. With \$12.6 billion of FUA at the end of FY14, it aims to be the leading provider of wealth advice for financially successful individuals, families, businesses and not-for-profit organisations. A key part of Perpetual Private is its philanthropic business. Perpetual is one of Australia's largest managers of philanthropic funds, with \$2.1 billion in FUA for charitable trusts and endowment funds as at the end of FY14.

The Group has a strategy in place to reinvest in Perpetual Private and build a leading private wealth business, focused on the high net worth market. Over the past two years, Perpetual has invested in the core portfolio administration platform and fiduciary activities, and is continuing to invest in improving service to the high net worth market.

The Perpetual Private strategy has built a solid and scalable foundation for growth. The TrustCo acquisition was an important accelerator for Perpetual Private's strategy and has provided valuable scale to the business.

2.2.2 Financial performance

PERPETUAL PRIVATE FINANCIAL RESULTS

| | FY14 | FY13 | FY14 v | 2H14 | 1H14 | 2H13 | 1H13 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| FOR THE PERIOD | \$M | \$M | FY13 | \$M | \$M | \$M | \$M |
| Market related revenue | 95.6 | 71.2 | 34% | 54.1 | 41.5 | 36.7 | 34.5 |
| Non-market related revenue | 48.2 | 44.5 | 8% | 27.2 | 21.0 | 22.5 | 22.0 |
| Total revenues | 143.8 | 115.7 | 24% | 81.3 | 62.5 | 59.2 | 56.5 |
| Operating expenses | (111.2) | (98.3) | (13%) | (58.9) | (52.3) | (49.9) | (48.4) |
| EBITDA | 32.6 | 17.4 | 87% | 22.4 | 10.2 | 9.3 | 8.1 |
| Depreciation and amortisation | (8.1) | (5.9) | (37%) | (4.4) | (3.7) | (3.3) | (2.6) |
| Equity remuneration expense | (2.9) | (2.3) | (26%) | (1.7) | (1.2) | (1.2) | (1.1) |
| Profit before tax | 21.6 | 9.2 | 135% | 16.3 | 5.3 | 4.8 | 4.4 |
| Closing funds under advice (FUA) | \$12.6b | \$9.0b | 40% | \$12.6b | \$12.6b | \$9.0b | \$8.8b |
| Average funds under advice (FUA) | \$11.2b | \$8.8b | 27% | \$12.6b | \$9.7b | \$9.1b | \$8.5b |
| Market related revenue margin | 86bps | 81bps | 5bps | 86bps | 85bps | 81bps | 81bps |

Perpetual Private generated a strong result for FY14, with profit before tax for FY14 of \$21.6 million, an increase of \$12.4 million or 135% on FY13.

The inclusion of seven months of the TrustCo business contributed \$5.8 million of profit before tax to Perpetual Private's result.

These results also reflect the impact of the strategy implemented over the past two years and a solid performance by the core business.

The other drivers of profit for Perpetual Private were increased FUA as a result of equity market growth and positive net flows, higher Multi Manager revenue, and expense savings from the T15 strategy. The profit margin on revenues increased from 8.0% in FY13 to 15.0% in FY14.

2.2.3 Drivers of performance

Revenue

Perpetual Private generated \$143.8 million of total revenue in FY14, up \$28.1 million or 24% on FY13. The main drivers of revenue for Perpetual Private in FY14 were as follows:

- TrustCo contributed \$19.7 million of revenue to Perpetual Private over seven months;
- FUA increased by \$3.6 billion during the 12 months to 30 June 2014, reflecting the addition of TrustCo, as well as positive net flows, and improvements in equity markets over the year; and

- Multi manager investment revenue contributed \$3.5 million, including \$2.0 million in performance fees, following the transfer of the Multi Manager team from Perpetual Investments to Perpetual Private in July 2013.

Despite pressure on margins across the market, Perpetual Private's market related revenue margin increased by 5bps in FY14 to 86bps. This improvement in average margin was predominantly due to the inclusion of TrustCo FUM related revenue and the multi manager investment revenue in FY14.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Private in FY14 were \$122.2 million, up \$15.7 million or 15% on the previous year. The business achieved cost savings related to the Transformation 2015 strategy and, as a consequence, expenses grew at a slower rate than revenue, resulting in an improvement in the division's cost-to-income ratio (total expenses over total revenue). Perpetual Private's cost-to-income ratio for FY14 was 85%, compared to 92% in FY13. This ratio is expected to continue improving as Perpetual Private leverages the benefits of its investment in infrastructure over the past two years and the TrustCo business is fully integrated.

The increase of \$15.7 million total expenses between FY14 and FY13 was primarily attributable to:

- \$13.9 million (net of synergies) of incremental costs associated with the TrustCo acquisition;
- \$3.6 million resulting from the full year net impact of the outsourced wrap portfolio service;
- \$2.5 million due to employment cost increases;
- \$2.2 million increase in variable and equity remuneration associated with improved performance; and
- \$2.0 million due to the transfer of the Multi Manager team from Perpetual Investments.

The increases above are partially offset by \$8.1 million of savings associated with Transformation 2015 initiatives, including both Perpetual Private initiatives and reduced Group costs allocations.

2.2.4 Funds under advice

FUNDS UNDER ADVICE

| AT END OF | FY14 \$B | Net flows \$B | Other ⁽¹⁾ \$B | FY13 \$B |
|---------------------------------------|-------------|------------------|-----------------------------|-------------|
| Financial advisory: | | | | |
| > superannuation | 4.4 | (0.1) | 0.7 | 3.8 |
| > non-superannuation | 3.3 | 0.1 | 1.1 | 2.1 |
| | 7.7 | - | 1.8 | 5.9 |
| Fiduciary services: ⁽²⁾ | | | | |
| > philanthropic | 2.1 | 0.1 | 0.8 | 1.2 |
| > trusts and estates | 2.8 | 0.1 | 0.8 | 1.9 |
| | 4.9 | 0.2 | 1.6 | 3.1 |
| Total funds under advice (FUA) | 12.6 | 0.2 | 3.4 | 9.0 |

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

⁽²⁾ \$0.1B fiduciary services outflows for both FY13 and FY14 have been reclassified from 'Net Flows' to 'Other'. These amounts relate to trust income distributions and have been reclassified to align with the flows methodology adopted in Perpetual Investments.

Perpetual Private's FUA at the end of FY14 was \$12.6 billion, an increase of \$3.6 billion or 40% on FY13. TrustCo represented around \$2.9 billion of this increase, included in 'Other' in the table above. Average FY14 FUA was \$11.2 billion, 27% higher than in FY13 reflecting the addition of TrustCo FUA, as well as inflows and equity market performance in FY14.

Perpetual Private delivered positive net flows of \$0.2 billion in FY14, compared to nil net flows in FY13. This was the first year of positive net flows since 2008.

2.3 Perpetual Corporate Trust

2.3.1 Business overview

Perpetual Corporate Trust is a leading provider of corporate trustee services. The business comprises the following:

- Trust services – provision of trustee, custody and standby servicing to the debt capital and securitisation markets, provision of specialised trust management and accounting services to the debt capital markets, and provision of data warehouse and investor reporting to the Australian securitisation market;
- Fund services – provision of outsourced responsible entity, trustee and custody services in a variety of assets classes including property, infrastructure, private equity, emerging markets and hedge funds.

The TrustCo acquisition has diversified and strengthened the Perpetual Corporate Trust business. The combination with TrustCo has created a more balanced business with two market leading offerings in Trust Services and Fund Services. Integration of the TrustCo business into Perpetual's Corporate Trust division has been implemented smoothly and key client relationships maintained.

2.3.2 Financial performance

PERPETUAL CORPORATE TRUST FINANCIAL RESULTS

| FOR THE PERIOD | FY14 \$M | FY13 \$M | FY14 v FY13 | 2H14 \$M | 1H14 \$M | 2H13 \$M | 1H13 \$M |
|--------------------------------------|-------------|-------------|----------------|-------------|-------------|-------------|-------------|
| Trust services revenue | 41.1 | 38.1 | 8% | 21.4 | 19.7 | 19.1 | 19.0 |
| Fund services revenue ⁽¹⁾ | 26.3 | 11.1 | 137% | 18.8 | 7.5 | 5.5 | 5.6 |
| Total fiduciary services revenues | 67.4 | 49.2 | 37% | 40.2 | 27.2 | 24.6 | 24.6 |
| Investment in associates (MARQ) | - | (0.7) | - | - | - | (0.4) | (0.3) |
| Sold businesses: | | | | | | | |
| Loan servicing revenues | - | 1.3 | - | - | - | 0.3 | 1.0 |
| Total revenues | 67.4 | 49.8 | 35% | 40.2 | 27.2 | 24.5 | 25.3 |
| Operating expenses | (38.2) | (29.8) | (28%) | (22.8) | (15.4) | (14.0) | (15.8) |
| EBITDA | 29.2 | 20.0 | 46% | 17.4 | 11.8 | 10.5 | 9.5 |
| Depreciation and amortisation | (2.7) | (1.3) | (108%) | (2.1) | (0.6) | (0.6) | (0.7) |
| Equity remuneration expense | (0.8) | (0.4) | (100%) | (0.6) | (0.2) | (0.2) | (0.2) |
| Profit before tax | 25.7 | 18.3 | 40% | 14.7 | 11.0 | 9.7 | 8.6 |
| Funds under administration | | | | | | | |
| - Trust services | \$306.9b | \$259.4b | 18% | \$306.9b | \$294.2b | \$259.4b | \$248.5b |
| - Fund services | \$177.1b | \$49.8b | 256% | \$177.1b | \$171.6b | \$49.8b | \$51.2b |

⁽¹⁾ The Trust Company (Superannuation) Limited contributed \$2.5 million revenue in FY14. This business was sold on 1 July 2014.

Perpetual Corporate Trust's FY14 profit before tax was \$25.7 million, an increase of \$7.4 million or 40% from FY13. This reflected growth in the existing securitisation business and the addition of seven months of the TrustCo business. The business improved its profit margin to 38% in FY14, compared to 37% in FY13.

The key factors driving the improvement in profit were as follows:

- growth in Trust Services revenue as a result of improved securitisation markets;
- the positive impact of the TrustCo acquisition, which delivered incremental revenue of \$15.7 million and profit before tax of \$3.8 million;
- a full 12 months of cost benefits associated with the divestment of non-core loan servicing business in February 2013; and
- additional savings from the Transformation 2015 strategy of \$1.5 million.

2.3.3 Drivers of performance

Revenue

Perpetual Corporate Trust generated total revenues of \$67.4 million in FY14, which represented an increase of \$17.6 million or 35% from \$49.8 million in FY13. The TrustCo business added \$15.7 million of revenue to Perpetual Corporate Trust. The revenue from TrustCo is primarily within Fund Services.

FY14 Trust Services revenue for the provision of securitisation and ancillary services increased to \$41.1 million, an increase of \$3.0 million or 8% on FY13. The primary driver was the improvement in the Australian securitisation market with higher issuances across the RMBS non-bank and asset backed securities market, which are higher margin asset classes, together with increased volumes driving additional fees.

The desire for increased transparency of loan level data by the RBA has provided an opportunity for Perpetual Corporate Trust to launch a data services solution to securitisation clients (ABS Perpetual). This contributed an additional \$0.7 million of revenue to Perpetual Corporate Trust in FY14.

Expenses

Perpetual Corporate Trust incurred total expenses of \$41.7 million in FY14, comprising operating expenses, depreciation, amortisation and equity remuneration expenses. Total expenses were \$10.2 million or 32% higher than in FY13. The acquisition of Trust Co resulted in an increase in total expenses of \$11.9 million.

In FY14, cost management initiatives from the Transformation 2015 strategy reduced total expenses by \$1.5 million compared with FY13.

Perpetual Corporate Trust improved operating leverage, with revenue growing faster than operating costs, with disciplined cost management. The division's cost to income ratio has consequently improved from 63% in FY13 to 62% in FY14.

2.3.4 Funds under administration

FUNDS UNDER ADMINISTRATION

| AT END OF | 2H14 \$B | 1H14 \$B | 2H13 \$B | 1H13 \$B |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Trust Services ⁽¹⁾ | | | | |
| CMBS and ABS | 30.0 | 29.4 | 28.4 | 27.1 |
| RMBS - non bank | 41.5 | 38.9 | 36.5 | 40.3 |
| RMBS - bank | 51.1 | 52.9 | 51.9 | 51.7 |
| RMBS - repos | 130.7 | 128.4 | 102.1 | 95.5 |
| Covered bonds | 53.6 | 44.6 | 40.5 | 33.9 |
| Total FUA – Trust Services | 306.9 | 294.2 | 259.4 | 248.5 |
| Fund Services | 177.1 | 171.6 | 49.8 | 51.2 |
| Total FUA | 484.0 | 465.8 | 309.2 | 299.7 |

⁽¹⁾ Includes warehouse and liquidity finance facilities.

Trust Services

At the end of FY14 FUA in Perpetual Corporate Trust's 'Trust Services' business was \$306.9 billion, an increase of \$47.5 billion, or 18% compared to FUA of \$259.4 billion at the end of FY13. FUA increased across the majority of asset classes, with the most significant growth seen in 'RMBS – repos' and 'Covered Bonds', up 28% and 32% respectively on their balances at the end of FY13. This had the effect of reducing average revenue margins, as these asset classes generate relatively lower fees.

A positive trend has seen the continued growth in 'RMBS – non bank', which was \$5.0 billion or 14% higher at the end of FY14 compared to FY13. This has been supported by growth in the non-bank sector, which is a higher margin asset class.

Run-off rates across existing RMBS increased during FY14 compared to FY13, reflecting the continued de-leveraging of households.

Fund Services

Perpetual Corporate Trust's 'Fund Services' FUA at the end of FY14 was \$177.1 billion, an increase of \$127.3 billion, or 256% compared to FUA of \$49.8 billion at the end of FY13. On acquisition, TrustCo contributed \$121 billion, with additional client growth of \$6 billion across the business.

2.4 Group Support Services

2.4.1 Overview

Costs that have been retained by Group Support Services reflect costs that management deems to be associated with corporate functions rather than reportable business segment activity. These include costs associated with the Board of Directors and 50% of the costs associated with the Group Executives of each of the Group Support Services Business Units (CEO, Corporate Services and People & Culture). Costs and revenues associated with the capital structure of the Group, including interest income, financing costs and ASX listing fees are also retained within Group Support Services.

2.4.2 Financial performance

GROUP SUPPORT SERVICES FINANCIAL RESULTS

| | FY14 | FY13 | FY14 v | 2H14 | 1H14 | 2H13 | 1H13 |
|-------------------------------|---------------|--------------|---------------|--------------|--------------|--------------|--------------|
| FOR THE PERIOD | \$M | \$M | FY13 | \$M | \$M | \$M | \$M |
| Revenue | 6.9 | 8.3 | (17%) | 4.0 | 2.9 | 4.3 | 4.0 |
| Operating expenses | (17.8) | (13.3) | (34%) | (10.4) | (7.4) | (6.7) | (6.6) |
| EBITDA | (10.9) | (5.0) | (118%) | (6.4) | (4.5) | (2.4) | (2.6) |
| Depreciation and amortisation | (0.1) | (0.1) | - | (0.1) | - | - | (0.1) |
| Equity remuneration expense | (0.5) | (0.4) | (25%) | (0.4) | (0.1) | (0.2) | (0.2) |
| Interest Expense | (2.6) | (1.8) | (44%) | (1.8) | (0.8) | (0.9) | (0.9) |
| Profit before tax | (14.1) | (7.3) | (93%) | (8.7) | (5.4) | (3.5) | (3.8) |

FY14 revenue from the Group's cash and principal investments of \$6.9 million represented a decrease of \$1.4 million on FY13 due to lower interest income from lower interest rates.

Operating expenses in FY14 of \$17.8 million were \$4.5 million higher than in FY13, with the key variances between FY14 and FY13 primarily due to:

- \$5.2 million increase in the costs of unoccupied premises that resulted from reduced headcount (surplus office space due to Transformation 2015 strategy initiatives was successfully sub-let or surrendered during 2014); and
- \$1.7 million increase in retained expenses due to the acquisition of TrustCo.

These increased expenses were partially offset by a \$2 million decrease in professional fees due to one-off costs in FY13 in relation to general corporate advice.

The interest expense of \$2.6 million in FY14 was \$0.8 million higher than in FY13 due to financing costs associated with an increase in the debt facility following the acquisition of TrustCo.

3 Appendices

3.1 Appendix A: Segment results

| PERIOD ENDING | FY14 | | | | | 2H14 | | | | | 1H14 | | | | |
|-------------------------------|-----------------------|-------------------|---------------------------|------------------------|--------------|-----------------------|-------------------|---------------------------|------------------------|-------------|-----------------------|-------------------|---------------------------|------------------------|-------------|
| | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total |
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| Operating revenue | 222.5 | 143.8 | 67.4 | 6.9 | 440.6 | 113.0 | 81.3 | 40.2 | 4.0 | 238.5 | 109.5 | 62.5 | 27.2 | 2.9 | 202.1 |
| Operating expenses | (97.3) | (111.2) | (38.2) | (17.8) | (264.5) | (49.2) | (58.9) | (22.8) | (10.4) | (141.3) | (48.1) | (52.3) | (15.4) | (7.4) | (123.2) |
| EBITDA | 125.2 | 32.6 | 29.2 | (10.9) | 176.1 | 63.8 | 22.4 | 17.4 | (6.4) | 97.2 | 61.4 | 10.2 | 11.8 | (4.5) | 78.9 |
| Depreciation and amortisation | (1.5) | (8.1) | (2.7) | (0.1) | (12.4) | (0.7) | (4.4) | (2.1) | (0.1) | (7.3) | (0.8) | (3.7) | (0.6) | - | (5.1) |
| Equity remuneration | (10.1) | (2.9) | (0.8) | (0.5) | (14.3) | (5.7) | (1.7) | (0.6) | (0.4) | (8.4) | (4.4) | (1.2) | (0.2) | (0.1) | (5.9) |
| EBIT | 113.6 | 21.6 | 25.7 | (11.5) | 149.4 | 57.4 | 16.3 | 14.7 | (6.9) | 81.5 | 56.2 | 5.3 | 11.0 | (4.6) | 67.9 |
| Interest expense | - | - | - | (2.6) | (2.6) | - | - | - | (1.8) | (1.8) | - | - | - | (0.8) | (0.8) |
| UPBT | 113.6 | 21.6 | 25.7 | (14.1) | 146.8 | 57.4 | 16.3 | 14.7 | (8.7) | 79.7 | 56.2 | 5.3 | 11.0 | (5.4) | 67.1 |

| PERIOD ENDING | FY13 | | | | | 2H13 | | | | | 1H13 | | | | |
|-------------------------------|-----------------------|-------------------|---------------------------|------------------------|--------------|-----------------------|-------------------|---------------------------|------------------------|-------------|-----------------------|-------------------|---------------------------|------------------------|-------------|
| | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total |
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| Operating revenue | 195.9 | 115.7 | 49.8 | 8.3 | 369.7 | 102.3 | 59.2 | 24.5 | 4.3 | 190.3 | 93.6 | 56.5 | 25.3 | 4.0 | 179.4 |
| Operating expenses | (97.7) | (98.3) | (29.8) | (13.3) | (239.1) | (49.3) | (49.9) | (14.0) | (6.7) | (119.9) | (48.4) | (48.4) | (15.8) | (6.6) | (119.2) |
| EBITDA | 98.2 | 17.4 | 20.0 | (5.0) | 130.6 | 53.0 | 9.3 | 10.5 | (2.4) | 70.4 | 45.2 | 8.1 | 9.5 | (2.6) | 60.2 |
| Depreciation and amortisation | (1.8) | (5.9) | (1.3) | (0.1) | (9.1) | (0.8) | (3.3) | (0.6) | - | (4.7) | (1.0) | (2.6) | (0.7) | (0.1) | (4.4) |
| Equity remuneration | (9.2) | (2.3) | (0.4) | (0.4) | (12.3) | (4.8) | (1.2) | (0.2) | (0.2) | (6.4) | (4.4) | (1.1) | (0.2) | (0.2) | (5.8) |
| EBIT | 87.2 | 9.2 | 18.3 | (5.5) | 109.2 | 47.4 | 4.8 | 9.7 | (2.6) | 59.3 | 39.8 | 4.4 | 8.6 | (2.9) | 49.9 |
| Interest expense | - | - | - | (1.8) | (1.8) | - | - | - | (0.9) | (0.9) | - | - | - | (0.9) | (0.9) |
| UPBT | 87.2 | 9.2 | 18.3 | (7.3) | 107.4 | 47.4 | 4.8 | 9.7 | (3.5) | 58.4 | 39.8 | 4.4 | 8.6 | (3.8) | 49.0 |

3.2 Appendix B: Bridge for FY14 Statutory accounts and OFR

| | FY14 Stat Accounts | OFR UPAT Adjustments | FY14 OFR Presentation | EMCF | Operating income from discontinued operations | Non recurring tax benefit items | Gain on disposal of businesses | Gain on disposal/impair- ment of investments | Transformation Costs | Trust Company integration costs | Cost relating to Trust Company transactions | Total Adjustments |
|---|--------------------------|-------------------------|-----------------------------|---------|--|---------------------------------------|--------------------------------------|---|-------------------------|---------------------------------------|---|----------------------|
| Total revenue from continuing operations | 450,070 | (9,447) | 440,623 | (9,450) | | | | 3 | | | | (9,447) |
| Staff related expenses excluding equity remuneration expense | (176,387) | 12,765 | (163,622) | | | | | | 4,377 | 8,388 | | 12,765 |
| Occupancy expenses | (21,667) | 2,867 | (18,800) | | | | | | 2,735 | 131 | 1 | 2,867 |
| Administrative and general expenses | (104,848) | 22,782 | (82,066) | | | | | | 12,506 | 5,640 | 4,636 | 22,782 |
| Distributions and expenses relating to structured products | (9,450) | 9,450 | - | 9,450 | | | | | | | | 9,450 |
| Financing costs | (2,631) | - | (2,631) | | | | | | | | | - |
| Equity remuneration expense | (14,647) | 382 | (14,265) | | | | | | 276 | 106 | | 382 |
| Depreciation and amortisation expense | (12,471) | 44 | (12,427) | | | | | | 30 | 14 | | 44 |
| Proceeds from sale of investments | 34,971 | (34,971) | - | | | | | (34,971) | | | | (34,971) |
| Cost of investments disposed of | (29,451) | 29,451 | - | | | | | 29,451 | | | | 29,451 |
| Impairment of assets | (308) | 308 | - | | | | | 308 | | | | 308 |
| (Loss)/gain on sale of business | (403) | 403 | - | | | | | | 403 | | | 403 |
| Net profit before tax from continuing operations | 112,778 | 34,034 | 146,812 | - | - | - | - | (5,209) | 20,327 | 14,279 | 4,637 | 34,034 |
| Income tax expense | (33,455) | (9,242) | (42,697) | | | (1,218) | | 2,420 | (5,977) | (4,259) | (208) | (9,242) |
| Net profit after tax from continuing operations | 79,323 | 24,792 | 104,115 | - | | (1,218) | | (2,789) | 14,350 | 10,020 | 4,429 | 24,792 |
| Net profit after tax from discontinued operations | 3,036 | (3,036) | - | | (2,016) | | (1,020) | | | | | (3,036) |
| Net Profit After Tax consolidated entity | 82,359 | 21,756 | 104,115 | - | (2,016) | (1,218) | (1,020) | (2,789) | 14,350 | 10,020 | 4,429 | 21,756 |
| Profit after tax attributable to non-controlling interests | (741) | 741 | - | | | | | 741 | | | | 741 |
| Net Profit After Tax attributable to equity holders of Perpetual Limited | 81,618 | 22,497 | 104,115 | - | (2,016) | (1,218) | (1,020) | (2,048) | 14,350 | 10,020 | 4,429 | 22,497 |
| Transformation Costs | | | (14,350) | | | | | | | | | (14,350) |
| Trust Company integration costs | | | (10,020) | | | | | | | | | (10,020) |
| Cost relating to Trust Company transactions | | | (4,429) | | | | | | | | | (4,429) |
| Gain on disposal of businesses | | | 1,020 | | | | | | | | | 1,020 |
| Non recurring tax benefit items | | | 1,218 | | | | | | | | | 1,218 |
| Operating income from discontinued operations | | | 2,016 | | | | | | | | | 2,016 |
| Gain on disposal/impairment of investments | | | 2,048 | | | | | | | | | 2,048 |
| Net profit after tax attributable to equity holders | | | 81,618 | | | | | | | | | 81,618 |

3.3 Appendix C: Average funds under management

AVERAGE FUM BY ASSET CLASS

| FOR THE PERIOD | FY14 \$B | FY13 \$B | FY14 v FY13 % | 2H14 \$B | 1H14 \$B | 2H13 \$B | 1H13 \$B |
|--------------------------|-------------|-------------|------------------|-------------|-------------|-------------|-------------|
| Australian equities | 21.8 | 18.0 | 21% | 22.5 | 21.1 | 19.3 | 16.7 |
| Global equities | 1.2 | 0.9 | 33% | 1.2 | 1.2 | 0.9 | 0.9 |
| Total equities | 23.0 | 18.9 | 22% | 23.7 | 22.3 | 20.2 | 17.6 |
| Cash & Fixed income | 4.5 | 4.7 | (4%) | 4.9 | 4.2 | 4.7 | 4.8 |
| Other | 1.2 | 1.3 | (8%) | 1.0 | 1.2 | 1.3 | 1.3 |
| Total average FUM | 28.7 | 24.9 | 15% | 29.6 | 27.7 | 26.2 | 23.7 |

3.4 Appendix D: Full time equivalent employees (FTE's)

TOTAL FTE EMPLOYEES

| AT END OF | 2H14 | 1H14 | 2H13 ⁽¹⁾ | 1H13 ⁽¹⁾ |
|--|------------|--------------|---------------------|---------------------|
| Perpetual Investments | 204 | 237 | 234 | 226 |
| Perpetual Private | 402 | 418 | 353 | 405 |
| Perpetual Corporate Trust | 180 | 178 | 111 | 138 |
| Group Support Services | 186 | 214 | 140 | 277 |
| Total continuing operations including TrustCo | 972 | 1,047 | 838 | 1,046 |
| Discontinued operations (New Zealand Guardian Trust) | - | 184 | - | - |
| Total operations | 972 | 1,231 | 838 | 1,046 |
| Permanent | 939 | 1,157 | 810 | 998 |
| Contractors | 33 | 74 | 28 | 48 |
| Total operations | 972 | 1,231 | 838 | 1,046 |

⁽¹⁾ In FY14 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.

3.5 Appendix E: 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 | Final | 3 Oct 2014 | 95 cents | 100% | 30% | Not determined at time of publication |
| FY14 | Interim | 4 Apr 2014 | 80 cents | 100% | 30% | \$50.32 |
| FY13 | Final | 4 Oct 2013 | 80 cents | 100% | 30% | \$38.66 |
| FY13 | Interim | 5 Apr 2013 | 50 cents | 100% | 30% | \$40.71 |
| FY12 | Final | 5 Oct 2012 | 40 cents | 100% | 30% | \$27.00 |
| FY12 | Interim | 29 Mar 2012 | 50 cents | 100% | 30% | \$24.34 |
| FY11 | Final | 27 Sep 2011 | 90 cents | 100% | 30% | \$22.40 |
| FY11 | Interim | 30 Mar 2011 | 95 cents | 100% | 30% | \$28.44 |
| FY10 | Final | 28 Sep 2010 | 105 cents | 100% | 30% | \$29.60 |
| FY10 | Interim | 1 Apr 2010 | 105 cents | 100% | 30% | \$35.21 |
| FY09 | Final | 30 Sep 2009 | 60 cents | 100% | 30% | \$37.78 |
| 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 |

3.6 Glossary

| | |
|---------|---|
| ABS | Asset backed securities |
| AICD | Australian Institute of Company Directors |
| APRA | Australian Prudential Regulation Authority |
| ASX | Australian Securities Exchange |
| b | Billion |
| bps | Basis point (0.01 of 1%) |
| CMBS | Commercial mortgage backed securities |
| cps | Cents per share |
| DPS | Dividend(s) per share |
| DRP | Dividend Reinvestment Plan |
| EBIT | Earnings before interest and tax |
| EBITDA | Earnings before interest, 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 |
| FOFA | The Future of Financial Advice |
| FTE | Full Time Equivalent Employees |
| 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 |
| MARQ | Marq Services Management Pty Ltd |
| 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 |
| T15 | Transformation 2015 |
| TrustCo | The Trust Company Limited |
| UPAT | Underlying profit after tax |
| UPBT | Underlying profit before tax |