

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES
HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2014

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Table of Contents

	Page No.
Directors' Report	3
Condensed consolidated financial statements	
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Cash Flow Statement.....	14
Note 1. Reporting entity	15
Note 2. Significant accounting policies	15
Note 3. Revenue	16
Note 4. Net profit before tax.....	16
Note 5. Individually significant and other items included in net profit for the period.....	17
Note 6. Segment information	18
Note 7. Income tax expense	20
Note 8. Dividends.....	21
Note 9. Earnings per share	22
Note 10. Cash and cash equivalents	22
Note 11. Structured products assets and liabilities.....	23
Note 12. Financial instruments	24
Note 13. Interest-bearing liabilities	26
Note 14. Provisions.....	27
Note 15. Contributed equity	27
Note 16. Goodwill	28
Note 17. Business combinations	28
Note 18. Contingencies	29
Note 19. Events subsequent to balance date.....	30
Directors' Declaration.....	31
Independent auditor's review report to the members of Perpetual Limited	32

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the condensed consolidated financial statements of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the half-year ended 31 December 2014 and the independent auditor's review report thereon.

Directors

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

Peter B Scott, Chairman and Independent Director
BE (Hons), M.Eng.Sc (Age 60)

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

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

Listed company directorships held during the past three financial years:

- Stockland Corporation Limited (from August 2005 to the present)
- Perpetual Equity Investment Company Limited (from August 2014 to present)

Paul V Brasher, Independent Director
BEC (Hons), FCA (Age 64)

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

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

Listed company directorships held during the past three financial years:

- Incitec Pivot Limited (from September 2010 to the present)
- Amcor Limited (January 2014 to the present)

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip. Ed. (Age 61)

Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was CEO and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a Non-Executive Director of CSG Limited, Hills Limited and formerly of Healthscope Limited. He also provided advice to the Federal Government, through a number of organisations, most notably as Chair of Skills Australia. He is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Bullock brings to the board extensive management experience in Australia and Asia in technology, client relationships, marketing, talent development and government.

Listed company directorships held during the past three financial years:

- CSG Limited (from August 2009 to the present)
- Hills Limited (from June 2014 to the present)

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Directors (continued)

Sylvia Falzon, Independent Director
MIR (Hons), B.Bus, GAICD, SF Fin (Age 50)

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

Ms Falzon brings to the board her extensive knowledge and insight in the development of asset management businesses with a particular focus on marketing, sales/distribution, client service and operations including risk and compliance.

Listed company directorships held during the past three financial years:

- SAI Global Limited (from October 2013 to present)
- Regis Healthcare Limited (from September 2014 to present)

Elizabeth M Proust AO, Independent Director
BA (Hons), LLB, FAICD (Age 64)

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

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

Listed company directorships held during the past three financial years:

- Spotless Group Limited (from June 2008 to 16 August 2012)

P Craig Ueland, Independent Director
BA (Hons and Distinction), MBA (Hons), CFA (Age 56)

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

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

**PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES**

DIRECTORS' REPORT (continued)

Directors (continued)

Geoff Lloyd

Chief Executive Officer and Managing Director

Barrister at Law, LLM (Distinction) (UTS), Adv. Mgt Program (Harvard) (Age 46)

Appointed CEO and Managing Director in February 2012. Mr Lloyd was previously Group Executive of Private Wealth at Perpetual. In 2012, Mr Lloyd and his senior leadership team rolled out Perpetual's Transformation 2015 strategy designed to simplify, refocus and grow Perpetual. Growth initiatives put in place as part of this strategy include the successful acquisition of The Trust Company in December 2013 and the launch of a new Global Equity capability in September 2014.

Before commencing at Perpetual, Mr Lloyd held a number of senior roles at BT Financial Group and St George's Wealth Management business including General Manager, Advice and Private Banking and Chief Legal Counsel.

He is Deputy Chair of the Financial Services Council, an Advisory Board member of The Big Issue, and the Patron of the Financial Industry Community Aid Program (FICAP). He is a patron of the Emerge Foundation and also sits on the University of Technology Sydney Law Advisory Board.

Mr Lloyd has a Masters of Law (Distinction) from the University of Technology, Sydney and has completed the Harvard University Advanced Management Program.

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

Alternate Director

Gillian Larkins, Alternate Director

BCom, Grad Dip, MBA, CA, GAICD, (Age 43)

Appointed Alternate Director for Geoff Lloyd on 25 January 2013. Ms Larkins joined Perpetual as Group Executive Transformation Office in October 2012 and assumed the role of Chief Financial Officer in January 2013. She has over 20 years of experience in finance, strategy and management roles across a number of industries. Most recently, she was Chief Financial Officer, Managing Director of Westpac Institutional Bank, responsible for Finance and Strategy, and prior to that, Chief Financial Officer Australia & New Zealand of Citigroup. Ms Larkins has also served on the board of Hastings Fund Management as a Non Executive Director from 2009 to 2011. Ms Larkins resigned as an Alternate Director for Mr Lloyd on 27 October 2014.

Company secretaries

Joanne Hawkins

BCom, LLB, Grad Dip CSP FGIA

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

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Company secretaries (continued)

Glenda Charles

Grad. Dip. Corp. Gov. ASX Listed Entities, GIA (Cert)

Joined Perpetual in August 1994. She was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 15 years experience in company secretarial practice and administration and has worked in the financial services industry for over 25 years.

Directors' meetings

The number of Directors' meetings which Directors were eligible to attend (including meetings of board committees) and the number of meetings attended by each Director during the half-year to 31 December 2014 were:

Director	Board		Audit Risk and Compliance Committee		Investment Committee		Nominations Committee		People and Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P B Scott	5	5	-	-	-	-	1	1	-	-
P V Brasher	5	5	3	3	-	-	1	1	3	3
P Bullock	5	5	-	-	2	2	-	-	3	3
S Falzon	5	5	3	3	2	2	-	-	-	-
E M Proust	5	5	3	3	-	-	1	1	3	3
P C Ueland	5	5	3	3	2	2	1	1	-	-
G Lloyd	5	4	-	-	-	-	-	-	-	-

Review of operations

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

For the half-year ended 31 December 2014, Perpetual reported a net profit after tax attributable to equity holders of Perpetual Limited of \$58.6 million compared to the net profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2013 of \$33.3 million.

For the half-year ended 31 December 2014, Perpetual reported an underlying profit after tax attributable to equity holders of Perpetual Limited of \$62.1 million compared to the underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2013 of \$48.1 million.

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

PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

Review of operations (continued)

The reconciliation of net profit after tax attributable to equity holders of Perpetual Limited to underlying profit after tax attributable to equity holders of Perpetual Limited for the half-year ended 31 December 2014 is as follows:

	6 months ended	
	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Net profit after tax attributable to equity holders of Perpetual Limited	58,559	33,301
Significant items after tax:		
Trust Co integration costs	6,896	6,195
Gain on disposal/impairment of investments	(3,230)	(1,205)
Gain on sale of business	(113)	-
Transformation and restructuring costs ¹	-	6,546
Trust Co due diligence and transaction costs	-	4,055
Net tax benefit on non-recurring capital/equity items	-	(1,218)
Loss on sale of assets held for sale	-	403
Underlying profit after tax attributable to equity holders of Perpetual Limited²	62,112	48,077

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

² Comparative includes \$0.4 million of earnings from the discontinued Guardian Trust operation which was sold on 7 April 2014.

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

Dividends

On 26 February 2015, the Directors resolved to pay a fully franked interim dividend of \$1.15 per share (2014: 80 cents per share).

State of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

**PERPETUAL LIMITED
ABN 86 000 431 827
AND ITS CONTROLLED ENTITIES**

DIRECTORS' REPORT (continued)

Events subsequent to reporting date

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

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

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' report for the half-year ended 31 December 2014.

Rounding off

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

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



Peter Scott
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 26th day of February 2015.



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

To: the directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014 there have been:

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

KPMG

KPMG

Martin McGrath
Partner

Sydney

26 February 2015

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2014

	Note	31 Dec 2014	31 Dec 2013
		\$'000	\$'000
Revenue from the provision of services		238,662	200,075
Income from structured products		5,292	6,020
Investment income		4,863	3,432
Total revenue	3	248,817	209,527
Staff related expenses excluding equity remuneration expense		(87,486)	(85,908)
Occupancy expenses		(9,389)	(12,103)
Administrative and general expenses		(52,874)	(49,727)
Distributions and expenses relating to structured products		(4,116)	(4,613)
Financing costs		(1,800)	(796)
Equity remuneration expense		(7,341)	(5,990)
Depreciation and amortisation expense	4	(7,333)	(5,175)
Proceeds from sale of investments		30,380	17,108
Cost of investments disposed of		(25,184)	(14,491)
Impairment of assets		(16)	(91)
Loss on sale of assets held for sale		-	(403)
Gain on sale of business	5	113	-
Net profit before tax		83,771	47,338
Income tax expense	7	(23,893)	(13,597)
Net profit after tax		59,878	33,741
Profit after tax attributable to non-controlling interests		1,319	440
Net profit after tax attributable to equity holders of Perpetual Limited		58,559	33,301

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 15 to 30.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
for the half-year ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Net profit after tax		59,878	33,741
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit and loss:			
Cash flow hedge reserve			
Effective portion of changes in fair value of cash flow hedges		87	161
Foreign currency reserve			
Foreign exchange translation difference - foreign operations		20	715
Available-for-sale reserve			
Net increase in fair value of available-for-sale financial assets		934	4,675
Impairment of available-for-sale financial assets reclassified to profit or loss		16	91
Loss of previously impaired available-for-sale financial assets reclassified to profit or loss upon disposal		(2,032)	(1,506)
Income tax on items that may be reclassified to profit or loss		(82)	(740)
Other comprehensive income/(expense), net of income tax		(1,057)	3,396
Total comprehensive income		58,821	37,137
Total comprehensive income is attributable to:			
Non-controlling interests		52	1,374
Equity holders of Perpetual Limited		58,769	35,763
Total comprehensive income		58,821	37,137
Earnings per share			
Basic earnings per share - cents per share	9	131.6	84.7
Diluted earnings per share - cents per share	9	126.8	80.1

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 15 to 30.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Financial Position
as at 31 December 2014

	Note	31 Dec 2014 \$'000	30 Jun 2014 ¹ \$'000
Current assets			
Cash and cash equivalents	10	265,787	282,585
Receivables		91,647	85,608
Assets held for sale		-	1,119
Structured products - EMCF assets	11a	278,065	271,825
Structured products - receivable from investors	11b	36,040	37,864
Derivative financial instruments		132	-
Prepayments		10,699	7,881
Total current assets		682,370	686,882
Non-current assets			
Other financial assets		50,248	45,255
Property, plant and equipment		16,415	15,670
Intangible assets and goodwill		329,751	331,526
Deferred tax assets		29,931	33,782
Prepayments		7,292	8,033
Total non-current assets		433,637	434,266
Total assets		1,116,007	1,121,148
Current liabilities			
Payables		42,026	43,015
Liabilities held for sale		-	111
Structured products - EMCF liabilities	11a	274,503	268,345
Structured products - interest-bearing liabilities	11b	35,646	37,117
Structured products - income received in advance		1,328	2,678
Derivative financial instruments		-	191
Current tax liabilities		17,572	14,695
Employee benefits		30,455	49,431
Provisions	14	18,206	18,079
Total current liabilities		419,736	433,662
Non-current liabilities			
Interest-bearing liabilities	13	87,000	87,000
Deferred tax liabilities		19,663	20,743
Employee benefits		4,443	3,613
Provisions	14	17,879	19,728
Total non-current liabilities		128,985	131,084
Total liabilities		548,721	564,746
Net assets		567,286	556,402
Equity			
Contributed equity	15	482,118	460,807
Reserves		19,154	32,263
Retained earnings		66,014	51,701
Total equity attributable to holders of Perpetual Limited		567,286	544,771
Non-controlling interest		-	11,631
Total equity		567,286	556,402

¹Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of Trust Co during the measurement period.

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 15 to 30.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2014

\$000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available-for-sale reserve	General reserve	Foreign currency translation reserve	Equity compensation reserve	Cash flow hedge reserve	Total reserves	Retained earnings	Equity holders of Perpetual	Non-controlling interest	Total
Balance at 1 July 2014	555,296	(94,489)	460,807	5,615	103	-	26,766	(221)	32,263	51,701	544,771	11,631	556,402
Total comprehensive income/(expense)	-	-	-	129	-	20	-	61	210	58,559	58,769	52	58,821
Movement on treasury shares	2,442	18,869	21,311	-	-	-	(21,262)	-	(21,262)	-	49	-	49
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(44,246)	(44,246)	-	(44,246)
Equity remuneration expense	-	-	-	-	-	-	7,943	-	7,943	-	7,943	-	7,943
Issue of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(11,683)	(11,683)
Balance at 31 December 2014	557,738	(75,620)	482,118	5,744	103	20	13,447	(160)	19,154	66,014	567,286	-	567,286

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

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 15 to 30.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Condensed Consolidated Cash Flow Statement
for the half-year ended 31 December 2014

	Note	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		256,627	214,095
Cash payments in the course of operations		(195,989)	(176,164)
Dividends received		235	409
Interest received		4,951	3,011
Interest paid		(1,800)	(796)
Income taxes paid		(18,293)	(16,198)
Net cash provided by operating activities		45,731	24,357
Cash flows from investing activities			
Payments for property, plant, equipment and software		(6,301)	(2,567)
Payments for investments		(57,033)	(20,216)
Repayments of advances made under the Employee Share Purchase Plan		24	45
Payment for acquisition of business		-	(61,519)
Proceeds from sale of business		1,523	-
Proceeds from the sale of investments		49,350	36,901
Tax paid on sale of investments		-	(151)
Net cash used in investing activities		(12,437)	(47,507)
Cash flows from financing activities			
Proceeds from issue of shares		-	850
Net proceeds from borrowings		-	42,000
Dividends paid	8	(44,246)	(33,585)
Proceeds from sale of units in seed funds paid to non-controlling interests		(5,846)	6
Net cash (used in)/provided by financing activities		(50,092)	9,271
Net decrease in cash and cash equivalents		(16,798)	(13,879)
Cash and cash equivalents at 1 July		282,585	217,119
Cash and cash equivalents at 31 December		265,787	203,240

The Condensed Consolidated Cash Flow Statement is to be read in conjunction with 'Notes to and forming part of the Condensed Consolidated Financial Statements' set out on pages 15 to 30.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements
for the half-year ended 31 December 2014

Note 1. Reporting entity

Perpetual Limited ("the Company") is a company domiciled in Australia. The condensed consolidated half-year financial statements of the Company as at and for the half-year ended 31 December 2014 comprise the Company and its controlled entities (together referred to as the "consolidated entity") and the consolidated entity's interests in associates.

The Company is a for-profit entity and primarily involved in funds management, portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, investment administration and custody services.

The consolidated annual financial statements for the consolidated entity as at and for the year ended 30 June 2014 are available at www.perpetual.com.au.

a. Statement of compliance

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

The condensed consolidated half-year financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements of the consolidated entity for the year ended 30 June 2014.

The condensed consolidated half-year financial statements were authorised for issue by the Board of Directors on 26 February 2015.

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

b. Use of judgements and estimates

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

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies were the same as those that applied to and are described in the consolidated financial statements as at and for the year ended 30 June 2014.

Note 2. Significant accounting policies

The accounting policies applied by the consolidated entity in these half-year financial statements are the same as those applied by the consolidated entity in its annual financial statements as at and for the year ended 30 June 2014.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Note 3. Revenue		
Revenue from the provision of services		
Gross revenue from fees and commissions	238,662	200,075
Other income		
Income from structured products	5,292	6,020
Investment income		
Dividends	52	362
Interest and unit trust distributions	4,811	3,070
Total investment income	4,863	3,432
	248,817	209,527

Note 4. Net profit before tax

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

Depreciation of property, plant and equipment	1,824	1,996
Amortisation of intangible assets:		
- Capitalised software	2,474	2,266
- Other intangible assets	3,035	913
	5,509	3,179
Total depreciation and amortisation expense	7,333	5,175
Rental charges – operating leases	7,013	8,039

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

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

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Trust Co integration costs	(9,552)	(8,850)
Income tax benefit applicable	2,656	2,655
	<u>(6,896)</u>	<u>(6,195)</u>
Gain on disposal of investments	5,196	2,617
Income tax expense applicable	(783)	(891)
Gain on disposal of investments after tax	4,413	1,726
Impairment of available-for-sale-securities	(16)	(91)
Gain attributable to non-controlling interest	(1,167)	(430)
Gain on disposal/impairment of investments	<u>3,230</u>	<u>1,205</u>
Gain on sale of business	113	-
	<u>113</u>	<u>-</u>
Transformation and restructuring costs	-	(9,363)
Income tax benefit applicable	-	2,817
	<u>-</u>	<u>(6,546)</u>
Trust Co due diligence and transaction costs	-	(4,179)
Income tax benefit applicable	-	124
	<u>-</u>	<u>(4,055)</u>
Research and development tax incentives	-	1,262
Tax expense on forfeited treasury shares in equity	-	(44)
Net tax benefit on non-recurring capital/equity items	<u>-</u>	<u>1,218</u>
Loss on sale of assets held for sale	-	(403)
	<u>-</u>	<u>(403)</u>

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 6. Segment information

	Perpetual Investments ¹	Perpetual Private ²	Perpetual Corporate Trust ²	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2014				
External revenues	122,544	82,220	39,304	244,068
Interest revenue	714	217	19	950
Total revenue for reportable segment	123,258	82,437	39,323	245,018
Depreciation and amortisation	(643)	(4,456)	(2,047)	(7,146)
Reportable segment net profit before tax	60,306	18,854	14,322	93,482
Reportable segment assets	364,948	205,736	189,964	760,648
31 December 2013				
External revenues	113,532	62,477	27,224	203,233
Interest revenue	515	23	-	538
Total revenue for reportable segment	114,047	62,500	27,224	203,771
Depreciation and amortisation	(804)	(3,658)	(631)	(5,093)
Reportable segment net profit before tax	56,175	5,285	11,008	72,468
30 June 2014				
Reportable segment assets ³	354,058	212,368	182,639	749,065

¹ Segment information for Perpetual Investments includes the Exact Market Cash Funds, refer to Note 11.

² Revenue and expenses of The Trust Company Limited (Trust Co) have been recognised for the period from 4 December 2013 when Perpetual gained effective control. Revenue, expenses, assets and liabilities of Trust Co have been fully integrated into the Perpetual business as at 31 December 2014. Prior period comparatives have been restated to reflect the integration of Trust Co.

³ Reportable segment assets have been restated to reflect the fair value adjustments to the purchase price allocation of Trust Co during the measurement period.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 6. Segment information (continued)

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Reconciliations of reportable segment revenues, net profit before tax, and total assets		
Revenues		
Total revenue for reportable segments	245,018	203,771
add: Group and Support Services revenue	3,799	5,756
Total revenue from operations	<u>248,817</u>	<u>209,527</u>
Net profit before tax		
Total net profit before tax for reportable segments	93,482	72,468
Financing costs	(1,800)	(796)
Gain on disposal of investments	5,196	2,617
Impairment of available-for-sale securities	(16)	(91)
Transformation and restructuring costs	-	(9,363)
Trust Co integration costs	(9,552)	(8,850)
Trust Co due diligence and transaction costs	-	(4,179)
Loss on sale of assets held for sale	-	(403)
Gain on sale of business	113	-
Group and Support Services expense	(3,652)	(4,065)
Net profit before tax from operations	<u>83,771</u>	<u>47,338</u>
	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Total assets		
Total assets for reportable segments	760,648	749,065
Group and Support Services assets	355,359	372,083
Total assets ¹	<u>1,116,007</u>	<u>1,121,148</u>

¹ Total assets have been restated to reflect the fair value adjustments to the purchase price allocation of Trust Co during the measurement period.

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

Services provided

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

Perpetual Investments	Manufacturer of financial products, management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Perpetual Private	Perpetual Private provides a wide range of investment and non-investment products and services. These include a comprehensive advisory service, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. Perpetual Private also provides many of these services to charities, not-for-profit and other philanthropic organisations.
Perpetual Corporate Trust	The Perpetual Corporate Trust division provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian; Responsible Entity services; trustee services for securitisation, unit trusts, REITS and debt securities; and registrar, or agent, for corporate and financial services clients.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 7. Income tax expense

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
a. Income tax expense		
Current tax expense	20,359	9,399
Deferred tax expense	3,560	5,897
Research and development tax incentives from prior years	-	(1,262)
Over provided in prior year	(26)	(437)
Total	<u>23,893</u>	<u>13,597</u>
Deferred income tax included in income tax expense		
Decrease in deferred tax assets	(3,825)	(4,211)
Decrease/(increase) in deferred tax liabilities	265	(1,686)
Total	<u>(3,560)</u>	<u>(5,897)</u>

The above movements in deferred tax assets and deferred tax liabilities are net of movements recognised directly in profit or loss. They exclude movements recognised in reserves of \$82,000 (31 December 2013: \$740,000).

b. Income tax recognised in other comprehensive income

Cash flow hedges	(26)	(74)
Available-for-sale financial assets	(56)	(666)
Total	<u>(82)</u>	<u>(740)</u>

c. Capital tax (gains)/losses in Australia

	31 Dec 2014 \$'000		30 Jun 2014 \$'000	
	Gross	Tax @ 30%	Gross	Tax @ 30%
i. Realised tax capital losses				
Recognised in deferred tax assets	8,283	2,485	8,371	2,511
Not recognised in deferred tax assets	108,903	32,671	106,515	31,955
Total	<u>117,186</u>	<u>35,156</u>	<u>114,886</u>	<u>34,466</u>

The total realised tax capital losses of \$117,186,000 (30 June 2014: \$114,886,000) is net of realised tax capital gains incurred in the current and/or prior years. The tax benefits of \$35,156,000 (30 June 2014: \$34,466,000) are available to be utilised by the Australian income tax consolidated entity in future years.

The realised tax capital losses not recognised in deferred tax assets of \$108,903,000 (tax benefits of \$32,671,000) includes \$88,798,000 (tax benefits of \$26,639,000) realised capital losses arising from the voluntary liquidation of PI Investment Management Limited, the controlled entity incorporated in Ireland. The foreign tax losses from PI Investment Management Limited were converted to realised capital losses in Australia upon the completion of the voluntary liquidation on 5 May 2014.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 7. Income tax expense (continued)

c. Capital tax (gains)/losses in Australia (continued)

	31 Dec 2014		30 Jun 2014	
	\$'000		\$'000	
	Tax		Tax	
	Gross	@ 30%	Gross	@ 30%
ii. Unrealised capital tax losses recognised in deferred tax assets				
Recognised in profit and loss	-	-	13	4
Recognised in other comprehensive income	230	69	317	95
Total	<u>230</u>	<u>69</u>	<u>330</u>	<u>99</u>
iii. Unrealised capital tax (gains) recognised in deferred tax liabilities				
Recognised in profit and loss	(3)	(1)	(3)	(1)
Recognised in other comprehensive income	(8,207)	(2,462)	(8,020)	(2,406)
Total	<u>(8,210)</u>	<u>(2,463)</u>	<u>(8,023)</u>	<u>(2,407)</u>

Note 8. Dividends

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

a. Dividends paid

	Cents per share	Total Amount \$'000	Franked / Unfranked	Date of Payment
31 December 2014				
Final 2014 - Ordinary dividend	95	<u>44,246</u>	Franked	3 October 2014
		<u>44,246</u>		
31 December 2013				
Final 2013 - Ordinary dividend	80	<u>33,585</u>	Franked	4 October 2013
		<u>33,585</u>		

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

b. Subsequent events

The Directors resolved on 26 February 2015 to pay an interim ordinary dividend of \$1.15 per share franked at 30% (2014: 80 cents per share franked at 30%). The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2014 and will be recognised in subsequent financial periods. The dividend is payable on 27 March 2015 with a record date of 5 March 2015.

c. Dividend franking account

	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
30% (2013: 30%) franking credits available after the payment of income tax provided for in the financial statements	<u>41,357</u>	<u>29,295</u>

The above available amounts are based on the balance of the dividend franking account at 31 December 2014 adjusted for franking credits that will arise from the payment of the current tax liabilities.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 9. Earnings per share

	31 Dec 2014	31 Dec 2013
	Cents per share	
Earnings per share		
Basic earnings per share	131.6	84.7
Diluted earnings per share	126.8	80.1

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

	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	58,559	33,301

	31 Dec 2014	31 Dec 2013
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	44,498,462	39,319,235
Effect of dilutive securities:		
Weighted average number of dilutive potential ordinary shares (including those subject to performance rights)	1,701,594	2,275,669
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	46,200,056	41,594,904

Note 10. Cash and cash equivalents

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

	31 Dec 2014	30 Jun 2014
	\$'000	
Bank balances	220,773	246,901
Deposits at call	4,334	6,508
Short-term deposits	40,680	29,176
	265,787	282,585

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 10. Cash and cash equivalents (continued)

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

In accordance with the consolidated entity's Capital Management Policy, the consolidated entity mainly holds cash and cash equivalents to support its regulatory capital requirements of \$174.3 million as at 31 December 2014 (\$221.3 million as at 30 June 2014).

Note 11. Structured products assets and liabilities

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
a. Exact Market Cash Funds		
Current assets		
Exact Market Cash Fund 1	172,245	165,749
Exact Market Cash Fund 2	105,820	106,076
	<u>278,065</u>	<u>271,825</u>
Current liabilities		
Exact Market Cash Fund 1	169,220	162,933
Exact Market Cash Fund 2	105,283	105,412
	<u>274,503</u>	<u>268,345</u>

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

The Exact Market Cash Fund 1 (EMCF 1) was established during the financial year ended 30 June 2005 with the purpose of providing an exact return that matched the UBS Bank Bill rate (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of \$3 million (30 June 2014: \$3 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity and credit risks.

The underlying investments of the fund are valued on a hold to maturity basis for unit pricing purposes, which is consistent with the way in which Perpetual manages the portfolio.

The Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund, and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of \$1.5 million (30 June 2014: \$2.5 million) to be called upon in the event that Perpetual does not meet its obligations.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 11. Structured products assets and liabilities (continued)

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000

b. Perpetual Protected Investments

The Perpetual Protected Investments structured product (the PPI product) was established in the financial year ended 30 June 2007 for the purpose of providing investors the ability to select investments from a menu of managed funds while providing capital protection at maturity via a constant proportion portfolio insurance structure. The seven-year investment allows investors to borrow up to 100 per cent of their original invested amount (and their first year's interest if the interest is pre-paid), subject to a minimum loan of \$50,000.

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

Current assets

Structured products - receivable from investors	39,437	41,297
Less: loan establishment fees	(4)	(10)
	39,433	41,287
Less: provision for credit losses	(3,393)	(3,423)
	36,040	37,864

Movements in the provision for credit losses are as follows:

Balance as at beginning of period/year	3,423	3,298
Provision for credit losses recognised during the period/year	20	501
Provision utilised during the period/year	(50)	(376)
Balance as at end of period/year	3,393	3,423

Structured products - interest-bearing liabilities at reporting date consists of the following:

Current liabilities

Structured products - interest-bearing liabilities	35,646	37,117
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Note 12. Financial instruments

Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 31 December 2014. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 12. Financial instruments (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2014				
Financial assets				
Available-for-sale listed equity securities	2,124	-	-	2,124
Available-for-sale unlisted unit trusts	-	47,738	-	47,738
Structured products - EMCF assets ¹	-	278,065	-	278,065
Swap contracts	-	5	-	5
Derivative financial instruments	-	127	-	127
	2,124	325,935	-	328,059

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

At 30 June 2014

Financial assets

Available-for-sale listed equity securities	32,457	-	-	32,457
Available-for-sale unlisted unit trusts	-	12,419	-	12,419
Structured products - EMCF assets ¹	-	271,825	-	271,825
	32,457	284,244	-	316,701

Financial liabilities

Swap contracts	-	34	-	34
Derivative financial instruments - forward exchange contracts and index futures	-	(1)	-	(1)
Derivative financial instruments	-	158	-	158
	-	191	-	191

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

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

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 12. Financial instruments (continued)

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

Carrying amount versus fair value

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

	31 Dec 2014		30 Jun 2014	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Current				
Structured products – EMCF liabilities	274,503	278,065	268,345	271,825
Structured products – loans receivable	36,040	35,761	37,864	37,478
Structured products – interest bearing liabilities	35,646	35,645	37,117	37,114

Note 13. Interest-bearing liabilities

	Total facilities \$'000	Utilised \$'000	Unutilised \$'000	Interest rate	Repayment date
31 December 2014					
Floating rate bank facility	130,000	87,000	43,000	3.74% - 3.87%	31-Oct-16
Total	130,000	87,000	43,000		
30 June 2014					
Floating rate bank facility	130,000	87,000	43,000	4.11% - 4.16%	31-Oct-15
Total	130,000	87,000	43,000		

The utilised component of the above facility is unsecured. The next review date for this facility is 31 October 2016. The \$43 million (30 June 2014: \$43 million) unutilised bank facility may be drawn at any time at the discretion of the consolidated entity.

Perpetual is in compliance with the facility's debt covenants at 31 December 2014. Should the Company not satisfy any of these covenants, the outstanding balance of the loan may become due and payable.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 14. Provisions

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current		
Insurance and legal provision	15,274	15,923
Operational process review provision	427	733
Lease expense provision	2,505	1,423
	<u>18,206</u>	<u>18,079</u>
Non-current		
Insurance and legal provision	800	800
Lease expense provision	17,079	18,928
	<u>17,879</u>	<u>19,728</u>

Note 15. Contributed equity

Share capital

46,574,426 (30 June 2014: 46,574,426) ordinary shares, fully paid

	Number of Shares	\$'000	Number of Shares	\$'000
Movement in share capital				
Balance at beginning of the period/year	44,046,969	460,807	38,778,390	239,801
Shares issued:				
- Issue of ordinary shares	-	-	4,593,748	203,040
- Movement on treasury shares	769,608	21,311	674,831	17,966
Balance at end of the period/year	<u>44,816,577</u>	<u>482,118</u>	<u>44,046,969</u>	<u>460,807</u>
Ordinary shares fully paid (excluding unvested shares from share plans)	44,816,577	482,118	44,046,969	460,807
Unvested shares from share plans	1,757,849	75,620	2,527,457	94,489
Ordinary shares fully paid	<u>46,574,426</u>	<u>557,738</u>	<u>46,574,426</u>	<u>555,296</u>

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

Shares issued under the executive employee share plans were issued at market value.

Terms and conditions

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

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 16. Goodwill

	31 Dec 2014 \$'000	30 Jun 2014 ¹ \$'000
Reconciliation of carrying amount		
Balance at beginning of period/year	267,031	97,308
Acquisition through business combination	-	160,175
Fair value adjustment to identifiable net assets from finalisation of Purchase Price Allocation	-	9,548
	267,031	267,031

¹ Comparatives have been restated to include adjustments made during the measurement period.

Note 17. Business combinations

The Trust Company Limited

On 18 December 2013 the Company settled the acquisition of 100% of the issued share capital of The Trust Company Limited (Trust Co).

The acquisition of Trust Co was part of the consolidated entity's strategy to provide complementary business to Perpetual Corporate Trust and economies of scale to Perpetual Private.

The effective date of control was 4 December 2013 when the Supreme Court approval of the Scheme of Arrangement was lodged with the Australian Securities and Investment Commission.

The following summarises the major classes of consideration transferred at the acquisition date:

Consideration transferred

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

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

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

At 30 June 2014, the acquisition accounting balances were provisional in accordance with *AASB 3 Business Combinations*. The Company has now completed its purchase price allocation as follows:

Goodwill	\$'000
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	277,588
Less provisional value of identifiable net assets	(117,413)
Add fair value adjustment to identifiable net assets from finalisation of Purchase Price Allocation	9,548
Goodwill - restated	169,723

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 17. Business combinations (continued)

In finalising the Purchase Price Allocation the fair value adjustment predominantly relates to provisions and related deferred tax assets. In addition, matters previously shown as contingent liabilities have been reassessed and recognised in provisions where appropriate.

	\$'000
Goodwill is allocated to the following cash generating units:	
Perpetual Corporate Trust	110,320
Perpetual Private	59,403
	169,723

Goodwill is attributable mainly to the skills and technical talent of the acquiree's work force, and the synergies expected to be achieved from integrating Trust Co into the consolidated entity. Goodwill recognised is not deductible for income tax purposes.

Note 18. Contingencies

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

	31 Dec 2014	30 Jun 2014
	\$'000	\$'000
Contingent liabilities		
Undertaking supporting the AFS licence requirements for subsidiaries ¹	-	25,000
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of Australian Prudential Regulation Authority in relation to the provision of superannuation services	-	5,000
Bank guarantee in favour of the Australian Securities and Investment Commission in relation to the provision of responsible entity services and custodial services	10,000	10,000
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,602	1,602
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	2,621	2,621
	15,223	45,223

¹ The total \$25.0m as at 30 June 2014 relates to The Trust Company Limited (Trust Co) supporting the ASIC AFSL financial requirements of its subsidiaries as required under their Australian Financial Services Licenses. On 1 July 2014 Class Order 13/761 - Financial requirements for custodial or depository services providers came into effect. The Trust Company Subsidiaries that had their AFSL NTA and SLF met by these Eligible Undertakings (EU) were no longer able to rely on the EU to meet the minimum requirements. To comply with CO 13/761, equity injections were made in June 2014 and ASIC have now cancelled these EU's.

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES
Notes to and forming part of the condensed consolidated financial statements (continued)
for the half-year ended 31 December 2014

Note 18. Contingencies (continued)

In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against entities in the consolidated entity. The consolidated entity does not consider that the outcomes of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

Note 19. Events subsequent to balance date

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

PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

Directors' Declaration

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

1. the condensed consolidated financial statements and notes set out on pages 10 to 30 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that Perpetual Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Peter Scott
Chairman



Geoff Lloyd
Managing Director

Dated at Sydney this 26th day of February 2015.



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Perpetual Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Perpetual Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Martin McGrath
Partner

Sydney

26 February 2015