

Perpetual Limited ABN 86 000 431 827
and its controlled entities

FULL YEAR FINANCIAL STATEMENTS

30 June 2017

Perpetual 

Directors' Report for the year ended 30 June 2017

The Directors present their report together with the consolidated financial report of Perpetual Limited, ('Perpetual' or the 'Company') and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2017 and the auditor's report thereon.

Contents of the Directors' Report	Page No
Directors	2
Company secretaries	4
Directors' meetings	5
Corporate responsibility statement	5
Principal activities	5
Review of operations	6
Dividends	6
State of affairs	7
Events subsequent to reporting date	7
Likely developments	7
Environmental regulation	7
Indemnification of Directors and officers	8
Insurance	8
Chief Executive Officer's and Chief Financial Officer's declaration	8
Remuneration Report	9
Remuneration overview	12
Governance	14
Our people	16
Our remuneration philosophy and structure	18
Aligning company performance and reward	22
Variable Remuneration	26
Data disclosures – Executives	33
Non-executive director remuneration	38
Key Terms	42
Non-audit services provided by the external auditor	44
Rounding off	44
Lead Auditor's independence declaration	45

Directors' Report for the year ended 30 June 2017 (continued)

Directors

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

Tony D'Aloisio AM, Chairman and Independent Director BA LLB (Hons) (Age 68)

Appointed Director and Chairman-elect in December 2016 and Chairman from 31 May 2017. Mr D'Aloisio was formerly Commissioner for the Australian Securities and Investments Commission (ASIC) in 2006 and Chairman in 2007 for a four-year term. He was Chairman of the (International) Joint Forum of the Basel Committee on banking supervision from 2009-2011. Prior to joining ASIC he was Chief Executive Officer and Managing Director at the Australian Securities Exchange from 2004-2006. He is currently Chairman of IRESS Limited, a Board member of PPB Advisory and of Aikenhead Centre for Medical Discovery Ltd and President of the European Capital Markets Cooperative Research Centre. He is Chairman of Perpetual's Nominations Committee.

Mr D'Aloisio has close to 40 years' experience in both executive and non-executive roles in commercial and Government enterprises. He has held numerous senior positions in both local and international bodies, and has extensive knowledge of the financial markets sector.

Listed company directorships held during the past three financial years:

- IRESS Limited (from June 2012 to present)

Philip Bullock AO, Independent Director BA MBA GAICD Dip Ed (Age 64)

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 Chief Executive Officer 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 Hills Limited and formerly of Healthscope Limited and CSG 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 Audit, Risk and Compliance 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 November 2015)
- Hills Limited (from June 2014 to the present)

Sylvia Falzon, Independent Director MIR (Hons) BBus GAICD SF Fin (Age 52)

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 Regis Healthcare Limited, Cabrini Health Ltd and serves as Chairman of the Cabrini Foundation. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Investment Committee and Nominations 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 December 2016 (delisted due to company's acquisition by private equity))
- Regis Healthcare Limited (from September 2014 to present)

Directors' Report for the year ended 30 June 2017 (continued)

Directors (continued)

Nancy Fox, Independent Director BA JD (Law) FAICD (Age 60)

Appointed Director in September 2015. Ms Fox has more than 30 years' experience in financial services, securitisation and risk management gained in Australia, the US and across Asia. A lawyer by training, she was Managing Director for Ambac Assurance Corporation from 2001 to 2011 and previously Managing Director of ABN Amro Australia from 1997 to 2001. She is currently Chairman of Perpetual Equity Investment Company Limited, a Non-executive Director of HCF Life and Lawcover Pty Ltd. and also sits on the Boards of the Taronga Conservation Society Australia and the Australian Theatre for Young People. She is a member of Perpetual's Audit, Risk and Compliance Committee and People and Remuneration Committee.

Ms Fox brings to the Board a deep knowledge of developing and leading successful financial services businesses and extensive experience with securitisation, regulatory frameworks, risk management and governance.

Listed company directorships held during the past three financial years:

- Perpetual Equity Investment Company Limited (from July 2017 to present)

Ian Hammond, Independent Director BA (Hon) FCA FCPA GAICD (Age 59)

Appointed Director in March 2015. Mr Hammond was a partner at PricewaterhouseCoopers for 26 years and during that time held a range of senior management positions including lead partner for several major financial institutions. He has previously been a member of the Australian Accounting Standards Board and represented Australia on the International Accounting Standards Board. Mr Hammond is a Non-executive Director of Citibank Australia and Venues NSW and a Board Member of not-for-profit organisations including Mission Australia and Chris O'Brien Lifehouse. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of Perpetual's Investment Committee and Nominations Committee.

Mr Hammond has deep knowledge of the financial services industry and brings to the Board expertise in financial reporting and risk management.

P Craig Ueland, Independent Director BA (Hons and Distinction) MBA (Hons) CFA (Age 59)

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 chairs the Endowment Investment Committee for The Benevolent Society, is a Board Member 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.

Geoff Lloyd, Chief Executive Officer and Managing Director Barrister at Law LL.M (Distinction) (UTS) Adv Mgt Program (Harvard) (Age 49)

Mr Lloyd joined Perpetual in August 2010 and was appointed CEO and Managing Director in February 2012. 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.

Directors' Report for the year ended 30 June 2017 (continued)

Directors (continued)

Geoff Lloyd, Chief Executive Officer and Managing Director Barrister at Law LL.M (Distinction) (UTS) Adv Mgt Program (Harvard) (Age 49) (continued)

Before being appointed CEO, Mr Lloyd was Group Executive of Private Wealth at Perpetual, where he led the development and implementation of the growth strategy for this business. He took on the additional responsibility of head of retail distribution in September 2011.

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 Group Executive Wealth Management.

Mr Lloyd was appointed Chair of the Financial Services Council (FSC) in July 2016. Prior to this appointment he held a number of positions in the FSC including Co-Deputy Chairman, Deputy Chairman of the FSC's Administration & Risk Board Committee, Deputy Chairman of the FSC's Nominations Board Committee and Co-Chairman of the FSC's Advice Board Committee.

Mr Lloyd is an Advisory Board member of The Big Issue, and the Patron of the Financial Industry Community Aid Program. 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.

DIRECTOR WHO RETIRED DURING THE YEAR

Peter B Scott, Chairman and Independent Director BE (Hons) MEngSc (Age 63)

Appointed Director in July 2005 and Chairman on 26 October 2010. Mr Scott retired as Chairman and a Director of Perpetual Limited and as Chairman of Perpetual's Nominations Committee on 31 May 2017.

Company secretaries

Eleanor Padman BA (Hons) OXON, AGIA, ACIS

Appointed Company Secretary in 31 July 2017. Mrs Padman is head of Perpetual's Legal, Compliance and Company Secretariat teams.

Prior to joining Perpetual, Mrs Padman was General Counsel and Company Secretary of Pinnacle Investment Management Limited. Mrs Padman is a lawyer with over 20 years' commercial experience gained in-house and in private practice, both in the UK and Australia. Mrs Padman has also served on a number of boards in the public, private and not-for-profit arenas.

Glenda Charles Grad Dip Corp Gov ASX Listed Entities GIA (Cert)

Joined Perpetual in August 1994. Ms Charles was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 20 years' experience in company secretarial practice and administration and has worked in the financial services industry for over 30 years.

Directors' Report for the year ended 30 June 2017 (continued)

COMPANY SECRETARY WHO RESIGNED DURING THE YEAR

Joanne Hawkins
BCom LLB Grad Dip CSP FGIA GAICD GAIST

Appointed Company Secretary in June 2003. Ms Hawkins resigned as Company Secretary of Perpetual Limited on 24 February 2017.

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 financial year to 30 June 2017 were:

Director	Board		Audit, Risk and Compliance Committee (ARCC)		Investment Committee		Nominations Committee		People and Remuneration Committee (PARC)	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P B Scott ²	9	9	-	-	-	-	2	2	-	-
T D'Aloisio ^{1,3}	5	5	-	-	-	-	-	-	-	-
P Bullock	10	9	7	7	-	-	-	-	6	6
S Falzon	10	10	-	-	4	4	2	2	6	6
N Fox	10	10	7	7	-	-	-	-	6	6
I Hammond	10	10	7	7	4	4	2	2	-	-
P C Ueland	10	10	7	7	4	4	2	2	-	-
G Lloyd	10	10	-	-	-	-	-	-	-	-

1. Tony D'Aloisio was appointed as a director and chairman-elect of Perpetual Limited on 13 December 2016.

2. Peter Scott retired as a director and chairman of Perpetual Limited on 31 May 2017.

3. Tony D'Aloisio was appointed as chairman of Perpetual Limited on 31 May 2017.

Corporate Responsibility Statement

Perpetual's Corporate Responsibility Statement, which meets the requirements of ASX Listing Rule 4.10.3 is located on the Corporate Governance page of Perpetual's website at www.perpetual.com.au/Corporate-Governance

Principal activities

The principal activities of the consolidated entity during the financial year were funds management, portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, investment administration and custody services.

There were no significant changes in the nature of activities of the consolidated entity during the year.

Directors' Report for the year ended 30 June 2017 (continued)

Review of operations

A review of operations is included in the Operating and Financial Review section of the Annual Report.

For the financial year to 30 June 2017, the consolidated entity reported a net profit after tax of \$137.3 million compared to the net profit after tax for the financial year to 30 June 2016 of \$132.0 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2017 financial year is as follows:

	30 June 2017 \$'000	30 June 2016 \$'000
Net profit after tax attributable to equity holders of Perpetual Limited	137,293	132,005
Significant items after tax		
Recoveries ¹	-	(3,659)
Gain on sale of business	(371)	(153)
Underlying profit after tax attributable to equity holders of Perpetual Limited	136,922	128,193

¹ Relates to TrustCo.

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 audited 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 audited.

Dividends

Dividends paid or provided by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount \$'000	Franked [#] / Unfranked	Date of payment
<i>Declared and paid during the financial year 2017</i>				
Final 2016 ordinary	130	60,547	Franked	28 Sep 2016
Interim 2017 ordinary	130	60,547	Franked	24 Mar 2017
Total		<u>121,094</u>		
<i>Declared after the end of the financial year 2017</i>				
After balance date, the Directors declared the following dividend:				
Final 2017 ordinary	135	62,875	Franked	29 Sep 2017
Total		<u>62,875</u>		

[#] All franked dividends declared or paid during the year were franked at a tax rate of 30 per cent and paid out of retained earnings.

The financial effect of dividends declared after year end are not reflected in the 30 June 2017 financial statements and will be recognised in subsequent financial reports.

Directors' Report for the year ended 30 June 2017 (continued)

State of affairs

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

Events subsequent to reporting date

On 10 July 2017, the cross shareholding claim brought by Perpetual Investment Management Limited (PIML) against Brickworks and Washington H. Soul Pattinson (WHSP) was dismissed by the Federal Court. This was the last in a series of actions taken by PIML as responsible entity on behalf of unitholders.

Judgment included an order for PIML to cover Brickworks and WHSP litigation costs. Since 10 July 2017 these have been negotiated and agreed and the combined total was \$5 million.

PIML's legal costs have been progressively recharged to relevant funds, in accordance with judicial advice from the Supreme Court.

On 10 August 2017, the Perpetual Limited Board decided to align client interests and Perpetual interests by sharing the costs of litigation and absorbing all of the Brickworks and WHSP costs. The litigation costs will be recognised as a one-off non-recurring item in the financial year ending 30 June 2018. The impact on net profit after tax will be \$3.5 million.

A final dividend of 135 cents per share fully franked was declared on 24 August 2017 and is to be paid on 29 September 2017.

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

Likely developments

Information about the business strategies and prospects for future financial years of the consolidated entity are included in the Operating and Financial Review. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity because the information is commercially sensitive.

Environmental regulation

The consolidated entity acts as trustee or custodian for a number of property trusts which have significant developments throughout Australia. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by state planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity or manager of each of these property trusts is responsible for compliance and reporting under the government legislation.

The consolidated entity is not aware of any material non-compliance in relation to these licence requirements during the financial year.

The consolidated entity has determined that it is not required to register to report under the *National Greenhouse and Energy Reporting Act 2007*, which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

Directors' Report for the year ended 30 June 2017 (continued)

Indemnification of Directors and officers

The Company and its controlled entities indemnify the current Directors and officers of the companies against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the consolidated entity, except where the liabilities arise out of conduct involving a lack of good faith. The Company and its controlled entities will meet the full amount of any such liabilities, including costs and expenses.

Insurance

In accordance with the provisions of the *Corporations Act 2001*, the Company has a directors and officers' liability policy which covers all Directors and officers of the consolidated entity. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Chief Executive Officer's and Chief Financial Officer's Declaration

The CEO and Managing Director, and the CFO declared in writing to the Board, in accordance with section 295A of the *Corporations Act 2001*, that the financial records of the Company for the financial year have been properly maintained, and that the Company's financial report for the year ended 30 June 2017 complies with accounting standards and presents a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report

Dear Shareholder

On behalf of your Board, I have pleasure in presenting our Remuneration Report for the year ended 30 June 2017 (FY17). The purpose of this report is to provide key information to our shareholders and other stakeholders about 'how' we remunerate our people and 'why' incentives were paid to our Executives in FY17. The 'why' is explained within the context of our short and long-term measures which are directly linked to our Lead & Grow strategy; focused on the delivery of earnings growth for our shareholders. In addition to remuneration, our report highlights a range of benefits we provide our people as part of our ongoing commitment to making Perpetual a great place to work.

Our remuneration approach

Last year we took the opportunity, ahead of our disclosure obligations, to announce a new Variable Incentive Plan for our Executives. While we accept there is no 'one size fits all' approach to remuneration, your Board, together with the Executive team, set out to create a model that provides greater alignment between our Executives and shareholders, primarily through increased share ownership. In the first year of operation, as we reflect on what we set out to achieve, we believe our new model is delivering the desired outcomes.

The new Variable Incentive Plan is detailed on pages 13 and 26 to 30. In short, our previous short and long-term incentives are now combined into one simplified variable plan with a significant portion of the incentive delivered to the Executive in equity which remains under holding lock for four years. We believe our new model will more closely align our Executives to shareholders, as we continue to build sustainable growth in our share price and dividend stream.

FY17 results

Performance in FY17 has been solid in this lower growth environment, coupled with challenging market conditions. Our Net Profit After Tax (NPAT) result of \$137.3 million represents an increase of 4% on FY16. Pleasingly we saw continued strong results across our People and Client measures. These results were achieved while continuing to invest in our Lead & Grow strategy to underpin our future growth.

Looking beyond the overall profit result, growth across our three businesses was varied with strong year on year profit growth in Perpetual Corporate Trust and Perpetual Private and a challenging twelve months for Perpetual Investments.

Actual performance against the short and long-term measures set at the start of year has resulted in incentives being paid to our Executives (excluding the newly appointed Group Executive in Perpetual Investments) in the range of 79% and 98% of target. This differentiation represents the contribution each Executive has made to the overall Company result, together with their divisional and individual performance.

Our people

In 2017 Perpetual achieved, for the third consecutive year, engagement results in the top quartile of Australian and New Zealand organisations. Employee engagement continues to be an important measure

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

on our balanced scorecard. Why? Research demonstrates that a highly engaged team translates, over time, to increased sales, greater client retention, higher operating margins and better shareholder returns.

Further to this great achievement, in September 2016 Perpetual was awarded 'Best Flexibility Program' as part of the 2016 Australian HR Awards, demonstrating our ongoing commitment to promoting diversity and inclusion at Perpetual. We expect our people to deliver high quality financial services to our clients and in return we are dedicated to creating an employment promise that delivers a vast range of meaningful opportunities and benefits to our people. These benefits are highlighted on page 17.

In closing, we hope the way in which we have presented our Remuneration Report has made it easier for shareholders and other stakeholders to focus on our key performance outcomes and messages. We have done this by separating out the actual remuneration our Executives received, from what we are required to disclose under accounting standards and other regulatory requirements. We are committed to continuing our engagement with shareholders and other stakeholders and welcome your feedback.

A handwritten signature in black ink, appearing to read 'S. Falzon', with a stylized flourish at the end.

Sylvia Falzon

Chairman, People and Remuneration Committee

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

This Report provides Perpetual's shareholders with comprehensive information on the link between the remuneration arrangements of our Executives and Company performance and strategy. The information in this Remuneration Report has been audited against the disclosure requirements of section 308(3C) of the Corporations Act 2001.

Contents

1. Remuneration overview	12
2. Governance	14
3. Our people	16
4. Our remuneration philosophy and structure	18
5. Aligning Company performance and reward	22
6. Variable Remuneration	26
7. Data disclosures – Executives	33
8. Non-executive Director remuneration	38
9. Key terms	42

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

1. Remuneration overview

1.1. Key Management Personnel (KMP)

Below are Perpetual's KMP for FY17:

Name	Position	Term as KMP in FY17
CEO and Managing Director		
Geoff Lloyd	Chief Executive Officer and Managing Director	Full year
Current Group Executives		
Christopher Green	Group Executive, Perpetual Corporate Trust	Full year
David Lane ¹	Group Executive, Perpetual Investments	Commenced 10 April 2017
Gillian Larkins	Chief Financial Officer	Full year
Rebecca Nash	Group Executive, People and Culture	Full year
Kylie Smith ²	Group Executive, Marketing and Communications	Commenced 1 September 2016
Mark Smith	Group Executive, Perpetual Private	Full year
Former Group Executives¹		
David Kiddie	Group Executive, Perpetual Investments	Ceased 9 December 2016
Anna Shelley	Acting Group Executive, Perpetual Investments	17 November 2016 - 14 April 2017
Current Non-executive Directors		
Tony D'Aloisio ³	Chairman	Commenced 13 December 2016
Philip Bullock	Independent Director	Full year
Sylvia Falzon	Independent Director	Full year
Nancy Fox	Independent Director	Full year
Ian Hammond	Independent Director	Full year
Craig Ueland	Independent Director	Full year
Former Non-executive Directors		
Peter Scott ³	Chairman	Ceased 31 May 2017

1. Following the resignation of Mr Kiddie, Ms Shelley filled the role in an acting capacity, thereby assisting with the leadership of the team until the appointment of Mr Lane in April 2017.

2. Ms K Smith joined Perpetual in December 2013 and, in September 2016, was promoted to the newly created role of Group Executive, Marketing and Communications.

3. Mr Scott resigned from the Perpetual board in May 2017 after 12 years service, the last seven as Chairman. He was succeeded by Mr D'Aloisio, who was appointed to the Perpetual board in December 2016 and to the position of Chairman in May 2017, thus ensuring a smooth transition.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

1.2 Executive remuneration changes for FY17

As detailed in our 2016 Remuneration Report, the Board undertook an extensive review of Perpetual's performance and reward environment to ensure strong alignment to our long-term Lead & Grow strategy.

The new Variable Incentive Plan was introduced effective 1 July 2016. The new plan seeks to reward long-term value creation for shareholders while attracting, retaining and motivating our Executives to execute on our Lead & Grow strategy. The Board believes the new plan will:

- better align Executives with shareholders via accelerated ownership of equity (subject to Board approved stretch targets), encouraging long-term decision making
- achieve closer alignment of variable incentives to performance against key business metrics that are more meaningful and contain appropriate levels of stretch
- deliver greater differentiation of reward for over and underachievement against Board approved targets
- reduce complexity and opacity
- strengthen retention of our Executives.

The table below summarises key features of the plan changes.

Feature	From (Prior Plan) ¹	To (New Plan)
Remuneration components	<ul style="list-style-type: none">• Fixed• Cash STI• Deferred STI (Equity)• LTI (Equity)	<ul style="list-style-type: none">• Fixed• Single Variable Incentive (cash and equity)
Incentive cap (% of target)	<ul style="list-style-type: none">• STI = 200%• LTI = 100%	<ul style="list-style-type: none">• Variable Incentive = 175%
Duration to access equity post grant	<ul style="list-style-type: none">• Deferred STI = 2 years• LTI = 3 years ²	<ul style="list-style-type: none">• Variable Incentive = 4 years
Performance hurdles	<ul style="list-style-type: none">• STI = Balanced Scorecard + compliance and behaviours• LTI = EPS and Relative TSR	<ul style="list-style-type: none">• Balanced Scorecard + compliance and behaviours
Performance assessment period	<ul style="list-style-type: none">• STI = 1 year• LTI = 3 years	<ul style="list-style-type: none">• Variable Incentive = 1 year

1. STI refers to short-term incentives. LTI refers to long-term incentives

2. LTI was granted at the start of the performance year, STI at the end.

The variable incentive targets for current Executives have been set to the equivalent level of prior STI targets and LTI awards on a 'fair value' basis. This has resulted in a discount to the prior face value packages as part of the transition to the new plan. Fair value is a valuation approach based on accepted methodologies and is consistent with accounting standards and disclosures in the Remuneration Report. Fair value considers the probability of an LTI award vesting including volatility, time to maturity, dividend yield and share price movement. An independent specialist (PricewaterhouseCoopers) was used to support management's valuation. For further explanation on fair value and face value see Section 6.

We believe there is greater value in a variable pay framework that provides our Executives with clear 'line of sight' and the ability to directly influence Perpetual's performance outcome. The accelerated accumulation of equity accessible over a longer time period focuses the Executives on delivering share price growth and a strong dividend yield. The new Variable Incentive Plan is described in further detail in Section 6.

Directors' Report for the year ended 30 June 2017 (continued)

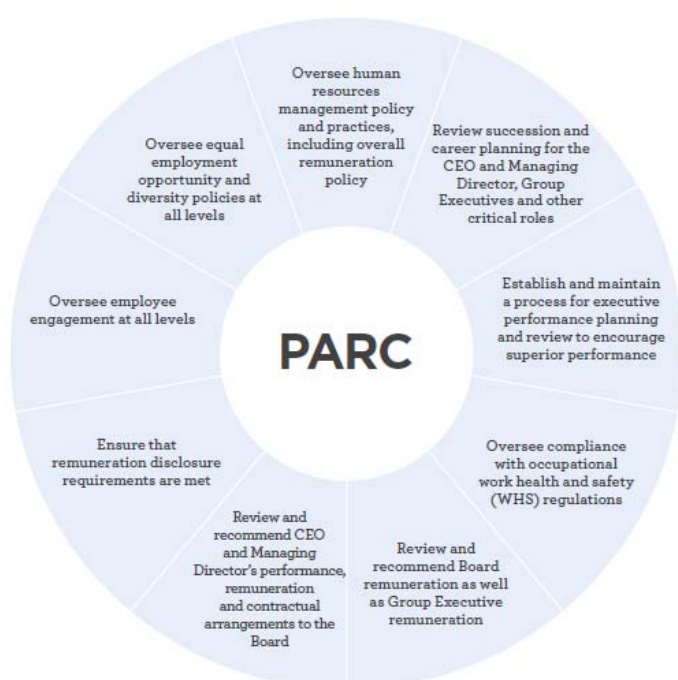
Remuneration Report (continued)

2. Governance

2.1 The People and Remuneration Committee

The People and Remuneration Committee (PARC) evaluates and monitors people and remuneration practices to ensure the performance of Perpetual is optimised with an appropriate level of governance while balancing the interests of shareholders, clients and employees.

The PARC comprises independent Non-executive Directors and operates under delegated authority from the Board. The PARC's terms of reference are available on our website (www.perpetual.com.au) and are summarised as follows:



The terms of reference are intentionally broad, encompassing remuneration as well as the key elements of Perpetual's people strategy. This enables the PARC to focus on ensuring high quality talent management, succession planning and leadership development at all levels of Perpetual.

The PARC met six times during the year, with attendance details set out on page 5 of the Directors' Report. A standing invitation exists to all Directors to attend PARC meetings. At the PARC's invitation, the CEO and Managing Director and Group Executive People and Culture attended meetings, except where matters associated with their own performance evaluation, development and remuneration were considered.

The PARC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration advisers.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

2.2 Use of external advisers

Since 2011, the PARC have used PricewaterhouseCoopers (PwC) to provide specialist advice on Executive remuneration and other Group-wide remuneration matters. During the year PwC provided limited general information to the PARC in respect of Executive and Non-executive Director remuneration practices and trends. This information did not include any specific recommendations in relation to the remuneration or fees paid to KMP.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

3. Our people

At Perpetual we understand that people are our greatest asset. Our people strategy, a key enabler of our Lead & Grow strategy, is focused on attracting the best talent with a promise of providing the opportunity to work with great people on meaningful work. This strategy is underpinned by excellent leadership capability, diversity and inclusion, and leading employee benefits.






3.1 Diversity and Inclusion

At Perpetual we have a robust Diversity and Inclusion strategy that is developed and governed by our Diversity Council (led by Geoff Lloyd our CEO and Chris Green, Group Executive, Perpetual Corporate Trust). We believe building diverse and inclusive teams is the right thing to do and will deliver better outcomes for our people, clients and shareholders.

Our Diversity and Inclusion framework is outlined over page.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

 <p>Flexibility</p> <p>We empower employees with a measure of control over where, when, and how they work to deliver optimal business outcomes</p> <p>We believe all roles can be performed flexibly and if not, we ask "why not?"</p> <hr/> <p>In September 2016 Perpetual won the Best Flexibility Program Award (2016 Australian HR Awards)</p> <p>80% of our people tell us they use some sort of flexibility to balance their work and other life interests</p>	 <p>Gender Equality</p> <p>Our strategy focuses on developing, retaining, engaging and sponsoring our female talent so we can achieve greater gender-balanced leadership at Perpetual</p> <hr/> <p>We're working towards a 38% women in leadership target by 2018</p>	 <p>Cultural Diversity</p> <p>We celebrate the cultural backgrounds of all our people</p> <p>We support change through the actions we take to build relationships, respect and opportunity for Aboriginal and Torres Strait Islander peoples</p> <hr/> <p>Our Stretch Reconciliation Action Plan 2016-2019 sets to extend our practices to build cultural awareness and further identify opportunities to partner with Aboriginal and Torres Strait Islander peoples (eg partnerships, procurement, recruitment and retention)</p>
 <p>Inclusion</p> <p>We build an environment that enables our people to contribute in their distinctive way, appreciating the differences in gender, age, cultural background, disability, religion and sexual orientation, education, skills, characters and points of view. It's the different ideas and perspectives of our teams that drives innovation and business growth</p>		

3.2 Employee benefits

At Perpetual we are passionate about providing our employees with a range of employee benefits that are relevant to what we stand for as an organisation and that are meaningful to employees. We continuously strive to improve the wellbeing of our employees through our Wealth, Health and Lifestyle benefits outlined below.

 <p>Wealth</p>	<ul style="list-style-type: none"> \$1,000 share grant Superannuation to 12% by 2020 Superannuation on parental leave Free financial health check Discounted financial advice Employee banking offer 	<ul style="list-style-type: none"> Salary continuance insurance Death & TPD insurance Salary packaging Talent Referral Incentive Plan Investment employee offers
 <p>Health</p>	<ul style="list-style-type: none"> Employee health checks Flu vaccinations BUPA health plans Meditation and yoga sessions 	<ul style="list-style-type: none"> Mental health program Employee assistance programs Healthy workplace snacks
 <p>Lifestyle</p>	<ul style="list-style-type: none"> Contribution leave Purchased leave Flexible working Shopping and lifestyle discounts 	<ul style="list-style-type: none"> Education assistance Paid parental leave Parental return to work bonus Sabbatical leave

Directors' Report for the year ended 30 June 2017 (continued)

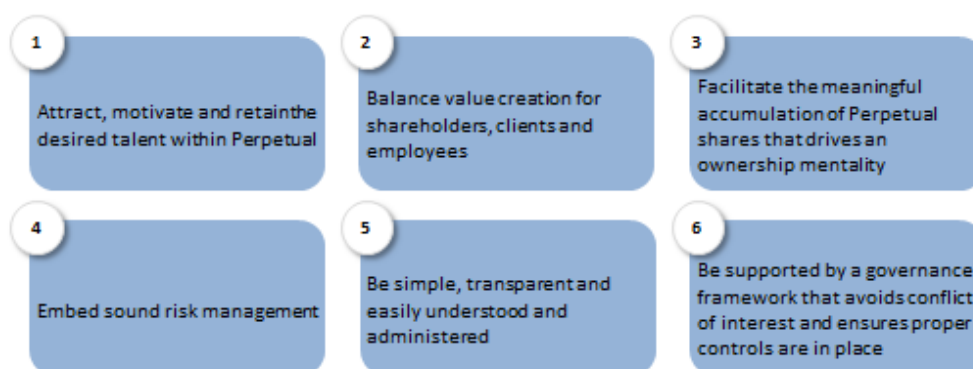
Remuneration Report (continued)

4. Our remuneration philosophy and structure

Perpetual's remuneration philosophy is designed to enable the achievement of our Lead & Grow strategy, whilst ensuring that remuneration outcomes are aligned with our shareholder interests and are market competitive. To that end, we have created a set of guiding principles that direct our remuneration approach.

4.1 Remuneration principles

Our remuneration policy is designed around six guiding principles, which aim to:



4.2 Remuneration policy and practice

Alignment with sound risk management

Perpetual takes risk management seriously. When determining variable remuneration, Perpetual ensures that risk management is a key performance metric. Sound risk management practices include:

- employees will be ineligible for a variable remuneration payment if they exhibit poor risk behaviours
- incorporating risk management performance measures in all employee scorecards
- performing scenario testing on potential outcomes under new incentive plans
- reviewing the alignment between remuneration outcomes and performance achievement for incentive plans on an annual basis
- deferring a significant portion of variable remuneration in Perpetual Share rights and Restricted shares to align remuneration outcomes with longer-term Company performance
- an ability for the Board to adjust incentive payments downwards, if required
- a provision for the Board to 'claw back' variable remuneration Share rights and Restricted shares in certain circumstances, and
- continuous monitoring of remuneration outcomes by the Board, the PARC and management to ensure that results are promoting behaviours that support Perpetual's long-term financial position and the desired culture.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Executive remuneration structures support delivery of the Lead & Grow strategy

The remuneration structure for the Executives is designed to drive our Lead & Grow strategy with outcomes being aligned to Perpetual's shareholders. In FY17, the structure was as follows:

Fixed	Fixed remuneration	Set in consideration of the total target remuneration package and the desired remuneration mix for the role, taking into account the remuneration of market peers, internal relativities and the skill and expertise brought to the role. Calculated on a 'total cost to company' basis, consisting of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax (FBT).	Paid as cash
Variable Incentive (if payable)	Cash	Each participant has a variable incentive target, expressed as a defined \$ target amount. Annual variable incentive outcomes are linked to performance against key business metrics directly linked to our Lead & Grow strategy.	Awarded as equity
	Equity	Equity must be retained for at least four years (first as Share rights, then as Restricted shares). This ensures variable incentive outcomes are linked to the shareholder's experience through reinforcing long-term ownership of Perpetual shares.	

Minimum shareholding guideline

A minimum shareholding guideline applies to Executives. The purpose of this guideline is to strengthen the alignment between Executives' and shareholders' interests related to the long-term performance of Perpetual. Under this guideline, Executives are expected to establish and hold a minimum shareholding to the value of:

- CEO and Managing Director: 1.5 times fixed remuneration
- Group Executives: 0.5 times fixed remuneration

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

The value of each vested Performance right, Share right or Restricted share still held in trust for the Executive is treated as being equal to 50% of that share or Performance right, as this represents the value of the share in the hands of the Executive after allowing for tax. Unvested shares or rights do not count towards the target holding.

A five year transition period, from the date of appointment to a KMP role, gives Executives reasonable time to meet their shareholding guideline. Where the guideline is not met after the required time period, Executives may be restricted from trading vested shares.

Given the new Variable Incentive Plan and the recognition of vested Restricted shares towards the minimum shareholding requirement, Perpetual will monitor its policy to ensure alignment with shareholder interests.

As at 30 June 2017, progress towards the minimum shareholding target for each Executive was as follows:

	Value of eligible shareholdings as at 30 June 2017 ¹ \$	Value of minimum shareholding guideline \$	Target date to meet minimum shareholding guideline	Guideline met ²
CEO and Managing Director				
G Lloyd	2,334,304	1,914,100	6 February 2017	✓
Group Executives				
C Green	628,146	247,739	1 October 2013	✓
D Lane	-	275,000	10 April 2022	
G Larkins	469,867	357,942	3 October 2017	✓
R Nash	245,046	304,880	15 August 2017	
K Smith	-	190,000	1 September 2021	
M Smith	630,269	308,502	19 November 2017	✓

1. Value is calculated through reference to the closing Perpetual share price at 30 June 2017 of \$55.87.

2. Executives have a five year transition period to meet their shareholding minimums. R Nash, K Smith and D Lane have until FY18 or FY22 to meet their shareholding requirements.

Hedging and share trading policy

Consistent with Corporations Act obligations, Perpetual's Share Trading Policy prohibits employees and Directors from entering into hedging arrangements in relation to Perpetual securities. Perpetual employees and Directors cannot trade in financial products issued over Perpetual securities by third parties or trade in any associated products which limit the economic risk of holding Perpetual securities. Share dealing can only take place during agreed trading windows throughout the year and is subject to certain approvals (as set out over page).

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Share dealing approval

Any share dealings, whether these shares are held personally or were acquired as part of remuneration, require prior approval, with the Company Secretary being advised of each trade. The table below shows the approval required:

Person wishing to deal in shares	Approval required from
CEO and Managing Director	Chairman
Director	Chairman
Chairman	Nominated Director
Group Executive	CEO and Managing Director
An employee likely to have price-sensitive information	CEO and Managing Director/Company Secretary

Fixed remuneration increases in FY17

Following a review of market fixed remuneration increase trends; Perpetual's average fixed remuneration increase across the organisation for FY17 was 2.7% for all employees, excluding the CEO. The CEO's fixed remuneration increased by 2% and the average increase across all Executives was 2.3%.

Asset manager remuneration

Asset manager remuneration is developed in consideration of the same principles that apply to all remuneration across Perpetual.

The Company seeks to align asset manager remuneration with longer-term value creation for our clients which in turn is expected to benefit shareholder outcomes. The remuneration arrangements for asset managers managing funds in the growth phase is structured to appropriately recognise and reward the importance of growth in revenue. For asset managers managing mature funds, the focus is more biased to rewarding longer-term investment performance as measured against the relevant benchmark. In addition, Perpetual's Australian Equity Portfolio Managers have their long-term incentive determined through a revenue share arrangement therefore aligning remuneration to shareholder outcomes.

Asset managers receive a significant proportion of their variable remuneration in the form of deferred pay which vests over a range of timeframes to ensure retention remains a key focus. Senior asset managers can elect to receive a percentage of their deferred incentive as a notional investment in the products the team manages, or as Perpetual shares or rights. This arrangement, we believe, further builds alignment with clients and shareholders over the longer term and aims to ensure that investment professionals have a focus on long-term investment performance and building revenue streams.

Directors' Report for the year ended 30 June 2017 (continued)

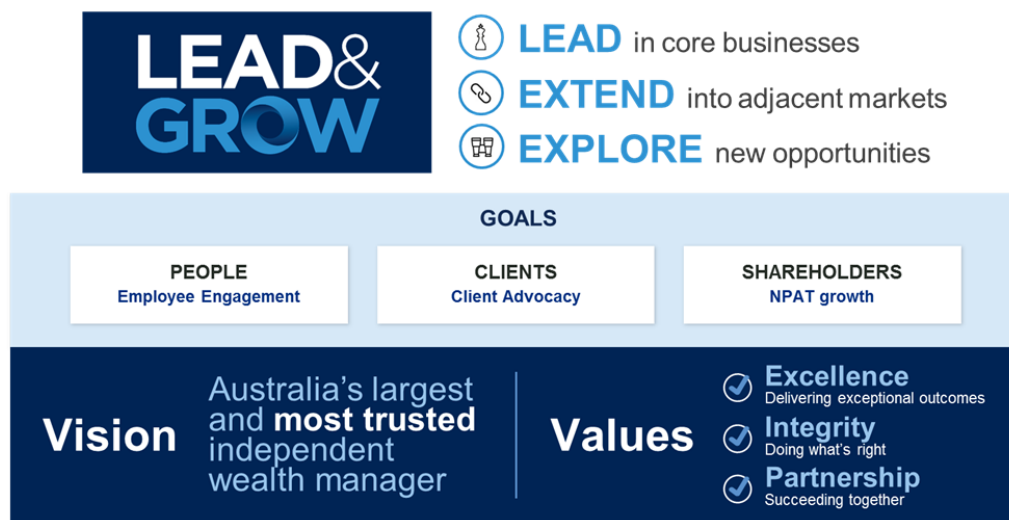
Remuneration Report (continued)

5. Aligning Company performance and reward

5.1 Setting performance expectations

Perpetual's Lead & Grow strategy is based on delivering long-term sustainable value. In our view this is best achieved by having highly engaged people creating superior client outcomes which in turn delivers underlying earnings growth for shareholders. To this end, Lead & Grow is a strategy led by clear measures under People, Client, Financial and Growth drivers. This links our annual scorecard goals with the stated long-term goals of Lead & Grow; balancing short-term shareholder outcomes with the necessary investments for future sustainable growth.

As in prior years, in FY17 we adopted a balanced scorecard to measure and drive our performance. The scorecard was weighted 70% to financial measures and 30% to non-financial measures that will deliver value in the current and future years. We set our balanced scorecard in the context of Lead & Grow commencing with a bottom up build of goals, measures and stretch targets. We test this plan with reference to a number of external market factors and in consideration of year on year progress against our key strategic goals to ensure appropriate stretch is reflected in the targets for each measure.



5.2 Five year Company performance

One of Perpetual's remuneration guiding principles is that the remuneration structure should balance value creation for our shareholders, clients and employees.

This section demonstrates the strong alignment between Company performance and remuneration outcomes for Executives over the last five years.

The table over page shows the Company's five year performance and corresponding incentive outcomes. The movement in the variable pay of the CEO and Executives, in our view, has been reasonable compared to the actual growth in Company performance and resulting benefits to shareholders, over a five year period.

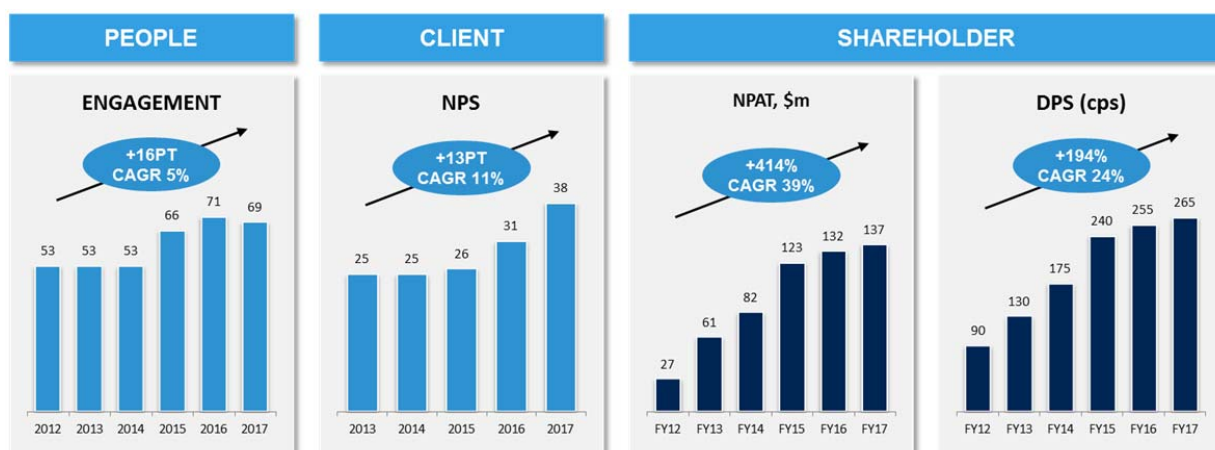
Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Perpetual's five-year performance		Year end				
		30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Net profit after tax reported	\$m	61.0	81.6	122.5	132.0	137.3
Closing share price	\$	35.4	47.4	48.4	41.1	55.9
Basic earnings per share - NPAT ¹	cps	158	196	274	291	300
Total Dividends paid per ordinary share	cps	130	175	240	255	265
CEO - Variable Incentive as % of target ²	%	89	119	103	107	79
Group Executives - Average Variable Incentive as % of target ²	%	83	108	108	105	91

1. In FY16 NPAT was adopted as the primary scorecard measure, based on feedback from key stakeholders.

2. The Variable Incentive Plan was introduced in FY17. Prior to the introduction of this plan, Executives received STI. In those years where STI was awarded, the above reflects STI as a % of target. The average includes all Group Executives and excludes Acting Group Executives.



Geoff Lloyd commenced as CEO in February 2012, and the majority of his Executive team was formed soon thereafter. FY12 is therefore a key baseline when measuring performance of the Perpetual business.

Our strategy recognises that our people are key to our success and Perpetual believes that the improvements we have seen in the engagement levels of our team are the foundation for client centricity and ultimately building long-term shareholder value.

Net Promoter Score (NPS) was adopted as an organisational wide client measure in FY13, and continues to be a critical client measure given our client driven business and our long-term strategy.

Shareholder returns have been strong over the period as we have continued to balance short-term returns with longer term value creation through meaningful annual investments in our business for longer term growth.

5.3 Measuring performance in FY17

Under our new Variable Incentive Plan, it is critical that our balanced scorecard evaluates current and future value creation. This section seeks to explain the performance outcomes for FY17.

NPAT and New Growth

In FY17, 70% of our balanced scorecard was weighted to financial measures. 40% was allocated to an NPAT target which the Company achieved and 30% was allocated to new revenue growth measures across each of our three businesses to build toward future profit. Importantly, a number of investments

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

are included in the expenses in FY17 to build future sustainable underlying revenue streams. Specifically, investments that brought new or additional FY17 and future revenues included:

- our continuing commitment to our Global Equities capability – we continue to invest approximately \$6 million per annum. We now have Funds Under Management (FUM) of approximately \$0.7 billion, producing recurring annual revenues;
- additional investments within our Australian Equities team to build capability and plan for future succession – we have increased the share of revenue for our Equities portfolio managers, repositioned remuneration of investment analysts within the broader Equities team and expanded the team with new senior hires during 2H17;
- building and seeding new funds within Perpetual Investments to create a performance track record and potential new revenue streams;
- hiring new partners and additional accounting employees into our Fordham advisory business within Perpetual Private as a part of our Eastern Seaboard expansion strategy – an investment that we believe delivers future recurring revenue streams and lifts referrals to Perpetual Private's advice business;
- advancing our data services capability in Perpetual Corporate Trust through the launch of ABSPerpetual Business Intelligence during FY17– our additional investment in FY17 builds further annuity income and the opportunity to grow future revenues by adding more data services and solutions for clients; and
- continued investments across the organisation through our digital strategy that will deliver improved outcomes for our clients.

The commitment to investing for the future will protect and grow recurring revenue streams across Perpetual Investments, Perpetual Private and Perpetual Corporate Trust.

Client and People

In FY17, Client and People goals accounted for 30% of the scorecard weighting. Attracting and retaining highly engaged people who deliver quality service and solutions to clients, who are, in turn, promoters of our business, in our view creates long-term value for our shareholders. We delivered market leading client advocacy scores in FY17, coupled with the third year of top quartile employee engagement. Delivering such results requires significant ongoing investment year on year. Both are lead indicators of a strong, sustainable business and we are committed to continuing these excellent results that are integral to our Lead & Grow strategy.

Performance against our key measures in FY17 is summarised below:

Strategic Measure	Weighting	Full Year Performance	
Financial		Outcome	Comments
Delivery of net profit after tax (NPAT) target	40%	Target: \$137 m Actual: \$137.3 m Result: At plan	NPAT for FY17 represents at plan performance and is up 4% on FY16. This is a solid result within the context of a challenging year for PI (our largest business) and the ongoing investments in people, products, system modernisation and digital strategies Perpetual is making through the execution of its Lead & Grow strategy.
New Growth		Outcome	Comments
Perpetual Corporate Trust (PCT) – New	30%	PCT Result: At plan	Each year a number of key revenue measures are agreed, based on their alignment to the Lead & Grow strategy's long-term intention of delivering repeatable growth for shareholders. Internal targets reflect Perpetual's commitment to sustaining a

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Strategic Measure	Weighting	Full Year Performance	
Business Revenue Perpetual Investments (PI) – Annualised Net Revenue (ANR) Perpetual Private (PP) – Non market Related Revenue PP – Net New Flows		PP and PI Result: Below plan	<p>high performance culture.</p> <p>PCT achieved its plan for new business revenue, delivering an uplift on FY16. This was largely attributable to growth in managed fund services on the back of inbound capital flows into property and infrastructure, sustained growth in Australian securitisation markets, as well as product extensions including data services and document custody.</p> <p>PI Annualised Net Revenue (ANR) did not meet targets set for FY17. Funds under management (FUM) and revenue were impacted by prior period distributions (30 June 2016) as well as net outflows, current cycle and challenges for value investing.</p> <p>PP results overall did not meet our stretch scorecard targets. However, PP revenue drivers increased in FY17 compared to FY16, as a result of higher non-market related activity, primarily Fordham (tax and accounting); higher average funds under advice due to equity market increases and positive net flows; as well as higher levels of portfolio and funds management performance on behalf of high net worth clients.</p>
Clients			Comments
Improve client advocacy – external net promoter score (NPS) performance	15%	Target: +34 Actual: +38 Result: Above plan	Perpetual's Client Net Promoter Score has increased by five points year-on-year to exceed superior performance. This result builds on a significant uplift already achieved in FY16 and is based on deep understanding of client feedback and driving action from insight. This excellent result is aligned to our Lead & Grow strategic priorities where Client NPS represents a significant foundation for future growth.
People		Outcome	Comments
Employee engagement	15%	Target: 73% Actual: 69% Result: Slightly below plan	Employee engagement is slightly below our ambitious target, as engagement decreased by two points in FY17. Following an increase of 18 points since 2014, this slight decrease is not deemed significant. Perpetual remains in the top quartile of companies for the third consecutive year (as per Aon Hewitt's Australia/New Zealand client base of ~600 clients), and is six points higher than the Financial Services benchmark.

Performance measures for FY18

In our third year of Lead & Grow it is important that we maintain our focus on our key long-term strategic priorities that will sustainably improve outcomes for our clients, people and shareholders. Therefore the balanced scorecard for FY18 will remain consistent with our FY17 measures.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

6. Variable Remuneration

6.1 The new Variable Incentive Plan for Executives

Features of the Variable Incentive Plan

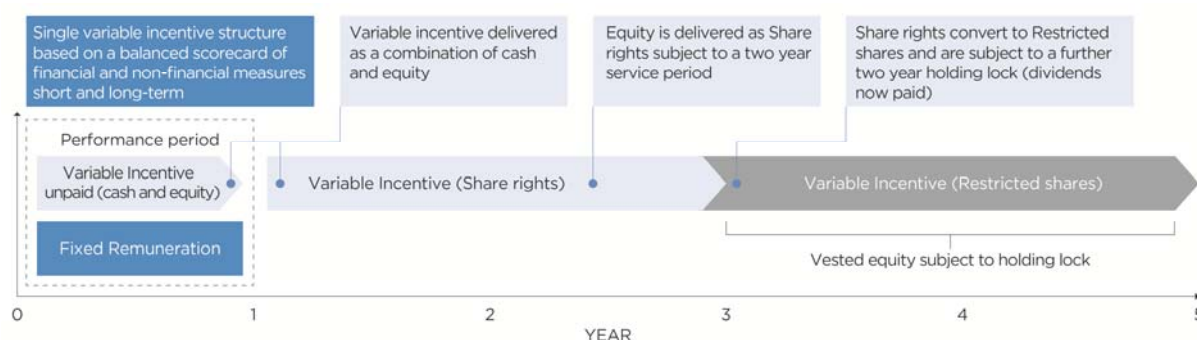
As previously mentioned, in FY17 we introduced a new Variable Incentive Plan. A portion of the variable incentive will be paid in cash shortly after the release of Perpetual's full year results. The balance (being a significant portion) will be delivered as Share rights, which will convert to Restricted shares after two years, subject to ongoing employment conditions. The Restricted shares are subject to a further holding lock for two years, with no risk of forfeiture other than for summary dismissal.

In total, equity is held for four years. Holding equity for a total of four years from the grant date of the Share rights reinforces an ownership mentality in the Executives, aligned to our shareholders' experience. The value to the Executive therefore is not at the grant date, rather at the conclusion of the vesting and restriction periods.

As performance has been fully assessed to calculate the amount paid as a variable incentive, no additional performance hurdles (except for employment conditions) apply to the Share rights or Restricted shares.

Dividends will not be payable on Share rights, however, they will be payable on Restricted shares during the two year holding lock.

Going forward, awards will be granted on a face value basis using a five day Volume Weighted Average Price in September each year following Perpetual's full year results.



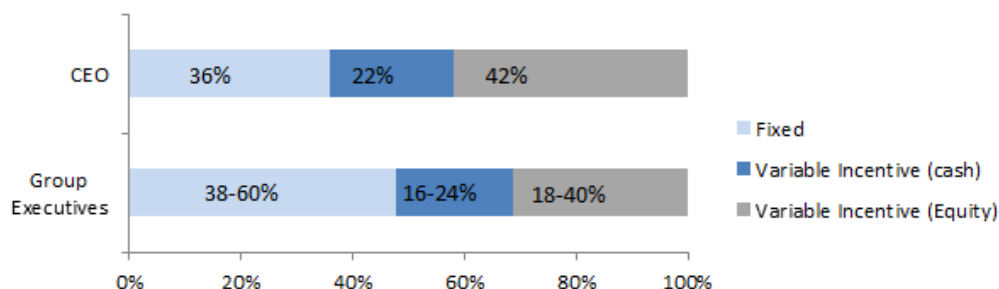
Remuneration mix

Executives will continue to have a significant portion of their remuneration linked to performance and at risk. There continues to be a strong alignment to long-term incentives for Executives, as Perpetual believes in meaningful equity ownership that increases shareholder alignment for this key group.

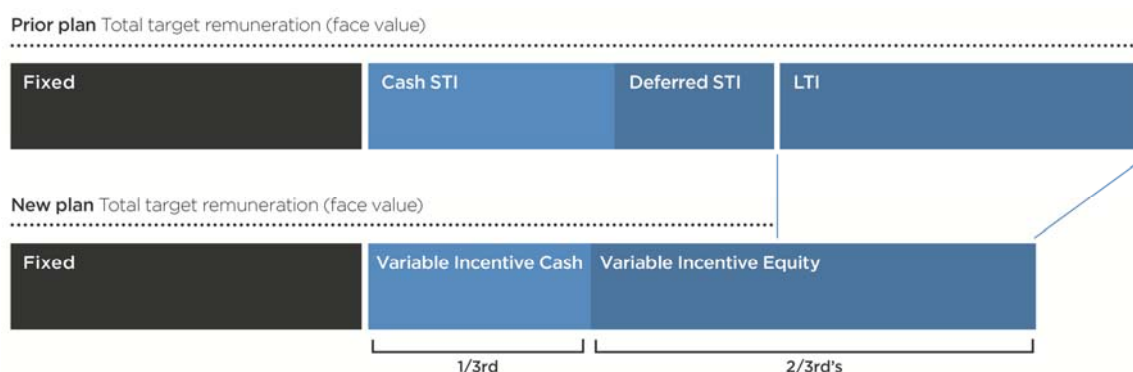
Total remuneration continues to be determined using a range of factors including Perpetual's market peers. The table over page shows the FY17 on-target remuneration mix (using full-time equivalent remuneration) for the Executives under the new plan.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)



Our long-term intention is to position all Executives with a variable incentive mix of 1/3rd cash and 2/3rds equity. The change in the target remuneration elements under the new Plan is illustrated below:



The overall reduction in the face value of the Equity element is the result of the increase in the probability of vesting. This reduction has been partially offset due to no dividends being payable on the share rights during the vesting period and no discount being applied to the grant price under the new plan (Equity grants under the Variable Incentive Plan will now be granted at face value). In consideration of these factors, the new face value target packages were determined by the PARC and approved by the Board as appropriate for FY17 under the new plan.

Determining the Variable Incentive

Individual Variable Incentive awards are determined through an assessment of performance against the Company scorecard, divisional performance against a divisional scorecard and individual performance, which includes an assessment of behavioural expectations for all Executives. Executives must also meet risk and compliance requirements to be eligible to receive a Variable Incentive payment. In FY17, Variable Incentive weightings for Executives under the Variable Incentive Plan were as follows:

	Company performance	Divisional performance	Individual performance
CEO	90%	N/A	10%
Group Executives ^{1,2}	55%	40%	5%

1. As D Lane commenced after 1 April 2017, he will not be eligible for a FY17 Variable Incentive payment.
2. Ms Shelley did not participate in the Executive Variable Incentive Plan, while she was Acting Group Executive, Perpetual Investments.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

This combined focus on Company and divisional/individual performance ensures shared accountability for overall Perpetual performance amongst Executives, balanced with divisional and individual priorities. Importantly, it still provides scope to differentiate the incentive outcomes for Executives in line with their individual performance contribution. In FY18, given our focus on delivering One Perpetual Company outcomes, the weightings for Group Executives will move to 70% Company performance and 30% divisional performance.

The Senior Leadership Team (direct reports to Group Executives) also has a portion (30%) of their Variable Remuneration outcome weighted to overall Company scorecard performance. The remaining 70% is weighted to their individual and divisional performance measures.

Approval process

The CEO and Managing Director make recommendations to the PARC on Variable Incentive allocations for the Group Executives. The PARC makes recommendations on the Variable Incentive allocation for the CEO and Managing Director. Once endorsed, the PARC makes recommendations for both the CEO and Group Executives to the Board for final approval.

Total Variable Incentive outcome received in FY17 for Executives

The table below provides the total Variable Incentive outcome (both cash and equity portions) received by the Executives for the FY17 performance year under the new Variable Incentive Plan. Last year, under the prior plan, only cash and deferred STI were included with LTI shown separately.

Name	Variable Incentive Cash	Variable Incentive Equity ¹	Total Variable Incentive	FY17 Variable Incentive (as % of Target) ²	Percentage Forfeited	Maximum Opportunity @175% of target ³
	\$	\$	\$			
CEO and Managing Director						
G Lloyd	592,500	1,171,745	1,764,245	79%	21%	3,908,137
Current Group Executives						
C Green	282,240	516,819	799,059	98%	2%	1,426,891
D Lane ⁴	-	-	-	-	-	-
G Larkins	217,569	374,149	591,718	95%	5%	1,090,007
R Nash	151,583	231,708	383,291	95%	5%	706,062
K Smith	135,280	101,460	236,740	89%	11%	465,500
M Smith	220,332	438,894	659,226	76%	24%	1,517,954
Former Group Executives						
D Kiddie ⁵	-	-	-	0%	100%	1,897,980
A Shelley ⁶	-	-	-	-	-	-
Total	1,599,504	2,834,774	4,434,278			

1. The Variable Incentive Equity value will be awarded as performance rights for two years until vesting, and will be satisfied by the conversion to Perpetual Limited shares for a further two year restricted period.

2. Represents the total Variable Incentive outcome for FY17 (including the deferred portion) as a percentage of target Variable Incentive.

3. Maximum opportunity Executives may earn under the Variable Incentive Plan.

4. D Lane joined Perpetual on 10 April 2017. D Lane was ineligible for a Variable Incentive payment in FY17, as per Perpetual's Variable Incentive policy whereby employees are to be employed for a minimum three month period in the performance period to be eligible for an incentive payment.

5. D Kiddie ceased employment with Perpetual effective 9 December 2016, and forfeited all variable incentive payments.

6. Following the resignation of D Kiddie, A Shelley stepped into the role in an acting capacity, thereby assisting with the leadership of the team until the appointment of D Lane in April 2017. A Shelley's variable incentive payment is not included in the table above, as A Shelley did not participate in the Executive Variable Incentive Plan.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

A design feature of the Variable Incentive Plan is a calibration scale that converts performance outcomes to reward outcomes each year for Executives. The scale is designed to create greater differentiation of reward. In below target performance years, Executives receive reduced incentives relative to performance and in above target performance years their reward opportunity is increased (capped at 175% reward outcome). In FY17, given the slightly below plan achievement against balanced scorecard goals, the effect of this scale has further reduced reward outcomes for individual Executives by between 1% and 9%, relative to their overall performance outcome.

Termination of employment

Treatment upon termination of employment is as follows:

	Performance Period			Vested equity subject to holding lock	
	-----			----- -----	

*In circumstances where the Board concludes at its absolute discretion that a participant is retiring.

This approach to treatment of incentives on termination of employment in conjunction with the broader plan design strengthens the alignment of interests between Executives and shareholders over the long-term. The extended vesting and restriction periods encourage Executives to make decisions that are in the long-term interests of shareholders, with implications of those decisions extending beyond an Executive's tenure at Perpetual while they continue to have shares retained in the plan.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Claw-back provisions

The Board retains discretion to claw back Variable Incentive equity awarded to Executives prior to the Share rights or shares vesting if the Board becomes aware of any information that, had it been available at the time Variable Incentive awards were determined, would have resulted in a different (or zero) Variable Incentive amount being awarded.

6.2 Long-term incentive plan – closed plan

Between October 2012 and October 2015, Executives received long-term incentive awards (LTI). These awards were granted annually and, if conditions were met, vested over a three year period.

Whilst this LTI plan has now been replaced with the new Variable Incentive Plan, Executives continue to retain unvested LTI under this plan. For this reason the following information on LTI has been included.

Perpetual Limited Long-term Incentive Plan – Performance Rights

LTI's were awarded to Executives in the form of Performance rights. A Performance right is a right to acquire a fully paid Perpetual share at the end of a performance period, subject to tenure and performance hurdles, for no consideration. Executives do not receive dividends on Performance rights until they vest and have been converted into Perpetual shares.

Performance targets

LTI grants made to Executives vest subject to two performance measures:

- 50% of each grant was subject to a relative total shareholder return (TSR) performance target; and
- 50% was subject to an earnings per share (EPS) growth target.

Performance target testing and re-testing guidelines

A three year performance testing period applies to relative TSR and EPS targets and performance is calculated and tested against the respective target on the third anniversary of the grant date. There is no re-testing of grants. Final tests under the LTI plan will occur in October 2017 and October 2018.

Termination of employment

In the event of an Executive ceasing employment with the Company, all unvested shares and Performance rights will be forfeited at the termination date, except if an Executive is made redundant, retires, resigns due to total and permanent disablement or dies. Unvested shares and Performance rights granted more than 12 months prior to termination are retained by the Executive (or the Executive's estate), with vesting subject to the same performance conditions as if they had remained employed by Perpetual.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

This approach strengthens the alignment of interests between Executives and shareholders over the long term, extending beyond each Executive's tenure.

Treatment of LTI on change of control

If Perpetual were to be taken over, or if there were a partial or full change in control, LTI awards may vest in part or in full at the discretion of the Board. Guiding principles have been developed to help the Board determine vesting outcomes that are consistent, fair and reasonable, and balance multiple stakeholder interests.

Alignment of LTI to Company performance

The following table shows the vesting outcomes of all LTI issued to Executives with EPS and relative TSR hurdles over the last five years. During FY17, the 2013 grant partially vested.

Annual LTI Grants over the last 5 years: vesting outcomes					
Hurdle	Grant Date: 1 October 2011 Vesting Date: 1 October 2014	Grant Date: 1 October 2012 Vesting Date: 1 October 2015	Grant Date: 1 October 2013 Vesting Date: 1 October 2016	Grant Date: 1 October 2014 Vesting Date: 1 October 2017	Grant Date: 1 October 2015 Vesting Date: 1 October 2018
EPS	30%	100%	100%	yet to be tested	yet to be tested
rTSR	100%	100%	56%	yet to be tested	yet to be tested

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

6.3 Employee share plans

Perpetual offers all employees the opportunity to participate in share plans. These are described below.

Open Plans	Description
Perpetual Limited Long-term Incentive Plan 374 members	From February 2011, this is the primary plan used for LTI grants to eligible employees, and Executives in the Variable Incentive Plan.
One Perpetual Share Plan (OPSP) 1,001 members	This plan, introduced in FY15, awards eligible employees with annual grants of up to \$1,000 worth of Perpetual shares subject to the Company meeting its profit target.
Plans closed to new issue	Description
Tax Deferred Share Plan (TDSP) 31 members	<p>This plan was used for awards made under the annual sales incentive plans for eligible employees within the Perpetual Private and Perpetual Corporate Trust teams.</p> <p>The plan was previously used by employees, including Executives, to buy shares using a salary-sacrifice arrangement. The plan was closed to any new salary-sacrifice purchases during FY10.</p>
Tax Exempt Share Plan (TESP) 18 members	<p>This plan was superseded by the One Perpetual Share Plan, with the final grant of shares under the TESP being in September 2014.</p> <p>All employees could elect to sacrifice up to \$1,000 of their cash STI payment into shares under the TESP. Acquired shares were not subject to performance targets as they were acquired in lieu of a cash payment by the Company. The plan's trading restrictions continue to apply until the earlier of three years from the date of grant or upon an employee ceasing employment, before the shares can be released. Employees will hold shares under the TESP until the final vesting date in September 2017.</p>

Dilution limits for share plans

Shares awarded under Perpetual's employee share plans may be purchased on market or issued subject to Board discretion and the requirements of the Corporations Act 2001 and the ASX Listing Rules.

As at 30 June 2017, the proportion of unvested shares and Performance rights (excluding unallocated shares as a result of forfeitures) held in Perpetual's employee share plans as a percentage of issued shares was 1.9%. This has remained flat compared to last year.

The Board will ensure the management of shares under employee incentive plans is in alignment with shareholder interests, and subject to the relevant regulatory requirements. Refer to page 20 for detail on the share dealing approval process.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

7. Data disclosures – Executives

Remuneration of Executives – Statutory Reporting

Name	Short-term benefits				Post-employment benefits		Equity-based benefits ⁵			Termination payments	Total
	Cash salary ¹	Variable Incentive Cash ²	Non-monetary benefits ³	Other ⁴	Superannuation	Other long-term benefits ⁶	Variable Incentive Equity ⁷	Shares	Performance rights		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CEO and Managing Director											
G Lloyd											
2017	1,136,820	592,500	106,953	29,023	27,938	23,320	488,026	-	740,742	-	3,145,322
2016	1,095,630	792,217	101,452	20,930	26,585	22,430	506,011	-	805,971	-	3,371,226
Current Group Executives											
G Green											
2017	467,389	282,240	-	1,509	21,508	11,975	205,692	-	274,307	-	1,264,620
2016	455,756	296,072	-	(9,868)	20,155	19,906	199,942	-	283,890	-	1,265,853
D Lane											
2017	114,448	-	3,529	9,883	5,420	102	-	221,007	-	-	354,389
G Larkins											
2017	684,298	217,569	-	31,080	27,938	7,063	171,634	-	193,772	-	1,333,355
2016	663,874	263,373	-	12,956	26,585	5,100	175,771	-	202,795	-	1,350,454
R Nash											
2017	578,689	151,583	-	18,797	27,938	6,121	104,939	-	99,863	-	987,930
2016	564,212	185,090	-	13,201	26,585	4,331	114,220	-	104,130	-	1,011,769
K Smith											
2017	286,779	135,280	11,820	18,449	16,346	2,043	40,001	14,000	49,259	-	573,977
M Smith											
2017	592,328	220,332	-	18,801	21,508	5,979	186,305	-	334,078	-	1,379,331
2016	574,779	261,206	-	(1,914)	20,155	4,298	180,470	-	383,269	-	1,422,263
Former Group Executives											
M Gordon											
2017	-	-	-	-	-	-	-	-	-	-	-
2016	273,598	-	-	26,500	22,547	(3,296)	(184,908)	(42,669)	(184,829)	600,000	506,943
D Kiddie ⁸											
2017	325,041	(159,836)	-	(500,000)	10,668	(235)	(35,519)	(57,583)	-	-	(417,465)
2016	242,723	159,836	-	572,173	10,162	235	35,519	57,583	-	-	1,078,231
A Shelley											
2017	196,761	-	-	670	9,011	896	-	-	115,813	-	323,150
Total 2017	4,382,553	1,439,668	122,302	(371,788)	168,275	57,262	1,161,077	177,423	1,807,835	-	8,944,607
Total 2016	3,870,572	1,957,795	101,452	633,978	152,774	53,004	1,027,025	14,914	1,595,226	600,000	10,006,740

1. Cash salary is the ordinary cash salary received in the year including payment for annual, long service, sick or other types of paid leave taken.

2. Variable Incentive Cash payments consist of cash payments to be made in September 2017 from the KMP Variable Incentive Plan. As Acting General Executive, Perpetual Investments, A Shelley did not participate in the KMP Variable Incentive Plan. A Shelley's payment is cash payment made in September 2016 from the Group STI plan.

3. Non-monetary benefits represents those amounts salary sacrificed from fixed remuneration to pay for benefits such as leased motor vehicles, car parking, and purchased leave.

4. Other short-term benefits relate to:

- salary continuance and death and total and permanent disability insurance provided as part of the remuneration package;
- the value of accrued annual leave for FY17 less leave taken which is depicted as cash salary; and
- for D Kiddie, in 2016 it also included a sign-on bonus payable six months after date of commencement, relocation expenses for flights, short-term accommodation and financial advice. As Mr Kiddie ceased employment with Perpetual, he forfeited his sign-on bonus, and this amount is reversed in 2017.

5. Share-based remuneration has been valued using the binomial method which takes into account the performance hurdles relevant to each issue of equity instruments. The value of each equity instrument has been provided by PricewaterhouseCoopers. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including earnings per share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as Total Shareholder Return hurdles, the number of shares expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements (except if service conditions are not met). The accounting treatment of non-market and market conditions are in accordance with accounting standards.

6. The value of accrued long service leave for FY17 less leave taken which is depicted as cash salary.

7. Variable Incentive Equity includes costs incurred in FY17 for the deferred portion of previous STI awards and the current Variable Incentive plan.

8. D Kiddie ceased employment with Perpetual 9 December 2016. As a result of his cessation of employment D Kiddie forfeited his cash STI payment and sign-on bonus. In addition, his shares and rights lapsed. These amounts were therefore reversed in

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Remuneration of Executives – Actual remuneration received

The table below represents the actual remuneration received by the Executives during FY17. We believe by including this table, it makes it easier for shareholders and other stakeholders to understand the actual remuneration Executives received during the year. This table differs to the statutory remuneration table on page 33 that has been prepared in accordance with the Corporations Act and Australian Accounting Standards. The difference between the two tables is predominantly due to the accounting treatment of the share based payments.

Given this table is focused on actual remuneration received in FY17; it does not include any outcomes from the new Variable Incentive Plan. The first awards under this new plan can be found in FY17 Variable Incentive outcomes – table page 28.

Name	Total fixed remuneration ¹	STI cash ²	Equity vested during year ³	Dividends paid on unvested shares during year ⁴	Sign-on and relocation benefits ⁵	Payments made on termination ⁵	Total
	\$	\$	\$	\$	\$	\$	\$
CEO and Managing Director							
G Lloyd	1,271,711	792,217	1,438,646	70,294	-	-	3,572,868
Current Group Executives							
C Green	488,897	296,072	530,915	28,361	-	-	1,344,244
D Lane	123,397	-	-	-	-	-	123,397
G Larkins	712,236	263,373	396,916	25,325	-	-	1,397,850
R Nash	606,627	185,090	229,227	15,846	-	-	1,036,790
K Smith	314,945	146,779	246,905	4,972	-	-	713,601
M Smith	613,836	261,206	684,774	26,223	-	-	1,586,039
Former Group Executives							
D Kiddie	335,709	159,836	-	11,469	-	-	507,014
A Shelley	205,772	29,990	56,077	60	-	-	291,899
Totals	4,673,130	2,134,563	3,583,459	182,549	-	-	10,573,701

1. Fixed remuneration consists of cash salary, superannuation packaged employee benefits and associated fringe benefits tax.

2. Represents the cash portion of STI outcome for FY16 paid in September 2016.

3. Represents the value of equity grants awarded in previous years which vested during the year. For all Executives this represents the vesting of the 2013 LTI grant made on 1 October 2013. These shares were valued at \$46.70, this being the closing market value of Perpetual shares on the vesting date of 30 September 2016. In addition for G Lloyd, C Green, G Larkins, R Nash and M Smith this represents the value at vesting of the deferred STI shares granted 1 October 2014. These shares were valued at \$47.50 this being the closing market value of Perpetual shares on vesting date of 4 October 2016.

4. Dividends paid during FY17 on deferred STI shares, and sign-on bonus shares for Executives. Mr Kiddie subsequently forfeited his sign-on bonus shares when he ceased employment with Perpetual.

5. There were no sign-on relocation benefits payable to Mr Lane. Similarly there were no termination payments made to Mr Kiddie.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Remuneration components as a proportion of total remuneration

The remuneration components below are determined based on the Remuneration of the Executives (statutory reporting) table on page 33.

Name	Fixed remuneration %	Performance linked benefits		Total %
		Variable Incentive Cash%	Variable Incentive Equity%	
CEO and Managing Director				
G Lloyd	41%	19%	40%	100%
Current Group Executives				
C Green	39%	23%	38%	100%
D Lane	100%	0%	0%	100%
G Larkins	55%	17%	28%	100%
R Nash	63%	16%	21%	100%
K Smith	57%	24%	19%	100%
M Smith	45%	16%	38%	100%

This table includes fixed remuneration, variable incentives - cash and equity. As D Lane was new to Perpetual he was not eligible for a Variable Incentive Payment. One-off payments such as D Lane's sign-on bonus are excluded.

Value of unvested remuneration that may vest in future years

Estimates of the maximum future cost of equity-based remuneration granted by Perpetual¹ should all targets be met in the future.

	30 June 2018 Maximum \$	30 June 2019 Maximum \$	30 June 2020 Maximum \$
CEO and Managing Director			
G Lloyd	990,449	543,145	45,945
Current Group Executives			
C Green	387,449	227,909	20,265
D Lane	338,597	62,597	7,800
G Larkins	292,161	167,305	14,671
R Nash	173,807	103,040	9,085
K Smith	84,763	48,086	3,978
M Smith	394,514	207,045	17,209

1. The minimum value of the grants is \$nil if the performance targets are not met. The values above are determined in accordance with accounting standards. The fair value of granted shares is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and amortised over the performance and/or service period.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Unvested share and Performance rights holdings of the Executives

The table below summarises the share and Performance rights holdings and movements by number granted to the Executives by Perpetual, for the year ended 30 June 2017. For details of the fair valuation methodology, refer to section 4-1 of the notes to, and forming part of, the financial statements.

Name	Instrument	Grant date	Issue price	Vesting date	Held at 1 July 2016	Movement during the year			Held at 30 June 2017	Fair value per instrument at grant (\$) TSR Hurdle	Fair value per instrument at grant (\$) non-TSR hurdle
						Granted	Forfeited	Vested			
			\$		Number of instruments	Number of instruments			Number of instruments	\$	\$
CEO and Managing Director											
G Lloyd	Shares	4 September 2014	49.51	30 September 2016	10,611	-	-	10,611	-	N/A	49.51
	Shares	1 September 2015	42.37	30 September 2017	10,963	-	-	-	10,963	N/A	42.37
	Shares	1 September 2016	49.05	30 September 2018	-	10,767	-	-	10,767	N/A	49.05
	Performance rights	1 October 2013	34.57	1 October 2016	25,455	-	5,600	19,855	-	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	29,815	-	-	-	29,815	21.82	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	35,319	-	-	-	35,319	19.50	33.07
Aggregate Value ¹					\$	528,145	\$	266,000	\$	1,438,646	
Current Group Executives											
C Green	Shares	4 September 2014	49.51	30 September 2016	3,910	-	-	3,910	-	N/A	49.51
	Shares	1 September 2015	42.37	30 September 2017	4,929	-	-	-	4,929	N/A	42.37
	Shares	1 September 2016	49.05	30 September 2018	-	4,024	-	-	4,024	N/A	49.05
	Performance rights	1 October 2013	34.57	1 October 2016	9,401	-	2,068	7,333	-	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	11,184	-	-	-	11,184	21.82	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	12,851	-	-	-	12,851	19.50	33.07
Aggregate Value					\$	197,381	\$	98,230	\$	530,915	
D Lane	Shares	10 April 2017	52.27	10 October 2017	-	7,366	-	-	7,366	N/A	52.27
	Shares	10 April 2017	52.27	30 September 2018	-	3,539	-	-	3,539	N/A	52.27
	Shares	10 April 2017	52.27	30 September 2019	-	1,148	-	-	1,148	N/A	52.27
Aggregate Value					\$	630,000	\$	-	\$	-	
G Larkins	Shares	4 September 2014	49.51	30 September 2016	3,199	-	-	3,199	-	N/A	49.51
	Shares	1 September 2015	42.37	30 September 2017	4,562	-	-	-	4,562	N/A	42.37
	Shares	1 September 2016	49.05	30 September 2018	-	3,579	-	-	3,579	N/A	49.05
	Performance rights	1 October 2013	34.57	1 October 2016	6,882	-	1,471	5,211	-	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	7,894	-	-	-	7,894	21.82	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	9,071	-	-	-	9,071	19.50	33.07
Aggregate Value					\$	175,550	\$	69,873	\$	396,916	
R Nash	Shares	4 September 2014	49.51	30 September 2016	2,385	-	-	2,385	-	N/A	49.51
	Shares	1 September 2015	42.37	30 September 2017	2,387	-	-	-	2,387	N/A	42.37
	Shares	1 September 2016	49.05	30 September 2018	-	2,515	-	-	2,515	N/A	49.05
	Performance rights	1 October 2013	34.57	1 October 2016	3,181	-	700	2,481	-	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	3,948	-	-	-	3,948	21.82	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	4,989	-	-	-	4,989	19.50	33.07
Aggregate Value					\$	123,361	\$	33,250	\$	229,227	
K Smith	Shares	1 October 2013	39.63	1 October 2016	3,028	-	-	3,028	-	N/A	39.63
	Shares	1 September 2015	42.37	30 September 2017	1,122	-	-	-	1,122	N/A	42.37
	Shares	1 September 2016	49.05	30 September 2018	-	790	-	-	790	N/A	49.05
	Performance rights	1 October 2013	34.57	1 October 2016	2,170	-	-	2,170	-	N/A	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	774	-	-	-	774	N/A	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	2,872	-	-	-	2,872	N/A	33.07
Aggregate Value					\$	38,774	\$	-	\$	246,905	
M Smith	Shares	4 September 2014	49.51	30 September 2016	3,189	-	-	3,189	-	N/A	49.51
	Shares	1 September 2015	42.37	30 September 2017	4,941	-	-	-	4,941	N/A	42.37
	Shares	1 September 2016	49.05	30 September 2018	-	3,550	-	-	3,550	N/A	49.05
	Performance rights	1 October 2013	34.57	1 October 2016	14,463	-	3,182	11,281	-	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	13,158	-	-	-	13,158	21.82	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	15,119	-	-	-	15,119	19.50	33.07
Aggregate Value					\$	174,138	\$	151,145	\$	684,774	
Former Group Executives											
D Kiddie	Shares	22 February 2016	39.67	30 September 2017	5,041	-	5,041	-	-	N/A	39.67
	Shares	22 February 2016	39.67	30 September 2018	3,781	-	3,781	-	-	N/A	39.67
Aggregate Value					\$	-	\$	416,222	\$	-	
A Shelley ²	Shares	1 September 2015	42.37	1 September 2018	9	-	-	-	9	N/A	42.37
	Performance rights	1 October 2013	34.57	1 October 2016	1,181	-	-	1,181	-	N/A	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	1,074	-	-	-	1,074	N/A	38.00
	Performance rights	1 October 2015	33.07	1 October 2018	1,234	-	-	-	1,234	N/A	33.07
	Performance rights	1 October 2016	39.40	1 October 2018	-	1,036	-	-	1,036	N/A	39.40
	Performance rights	1 October 2016	39.40	1 October 2019	-	1,036	-	-	1,036	N/A	39.40
Aggregate Value					\$	81,642	\$	-	\$	56,077	

1. Granted aggregate value is calculated by multiplying the number of shares by the issue price. Vested and forfeited aggregate value is calculated by multiplying the number of shares by the Perpetual closing share price on the vesting date.

2. A Shelley did not receive any LTI for her KMP role. However shares and Performance rights for A Shelley have been pro-rated to reflect the time she was acting as a KMP during the year.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Termination terms for Executives

The contractual arrangements of each Executive reflect Perpetual's policy at the time the contract was entered into. Mr Green's notice period is less than those of other Executives, as Mr Green was promoted to the position of Group Executive in October 2008. Perpetual's current policy is to provide six months termination notice in Executive contracts.

Term	Who	Conditions
Duration of contract	All Executives	Ongoing until notice is given by either party
Notice to be provided by the Executive to terminate the employment agreement	CEO and Managing Director	12 months
	Group Executives (excluding Chris Green)	6 months
	Chris Green	3 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	CEO and Managing Director	12 months
	Group Executives (excluding Chris Green)	6 months
	Chris Green	3 months
Notice to be provided by Perpetual to terminate the employment agreement for poor performance	CEO and Managing Director	6 months
	Group Executives	3 months
Post employment restraint	CEO and Managing Director and Group Executives	12 months from the date on which notice of termination was given

The agreements also allow Perpetual to make a payment in lieu of notice, subject to Board approval.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

8. Non-executive Director remuneration

8.1 Remuneration policy and data

Perpetual's Remuneration Policy for Non-executive Directors aims to ensure that we attract and retain suitably skilled, experienced and committed individuals to serve on your Board.

Non-executive Directors do not receive performance-related remuneration and are not entitled to receive performance shares or options over Perpetual shares as part of their remuneration arrangements.

Fee framework

Non-executive Directors receive a base fee. Except for the Chairman, they also receive fees for participating in Board Committees (other than the Nominations Committee), either as Chairman or as a member of a committee.

Non-executive Directors' fees	FY16 \$	FY17 \$
Chairman	300,000	300,000
Directors	150,000	150,000
Audit Risk and Compliance Committee Chairman	35,000	35,000
Audit Risk and Compliance Committee Member	17,000	17,000
People and Remuneration Committee Chairman ¹	30,000	35,000
People and Remuneration Committee Member ¹	15,000	17,000
Investment Committee Chairman	17,500	17,500
Investment Committee Member	10,000	10,000
Nominations Committee Member	Nil	Nil

1. In FY17, the fees for the Chairman and Members of the People and Remuneration Committee were increased to the equivalent fee level with those of the Audit, Risk and Compliance Committee.

The fees above are inclusive of superannuation contributions, capped at the maximum prescribed under Superannuation Guarantee legislation. Non-executive Directors may receive employer superannuation contributions in one of Perpetual's employee superannuation funds or in a complying fund of their choice. Non-executive Directors may also salary-sacrifice superannuation contributions out of their base fee if they so wish.

Total remuneration available to Non-executive Directors of \$2,250,000 was approved by shareholders at the 2006 Annual General Meeting, and has remained unchanged since this date. Total fees paid to Non-executive Directors in FY17 were \$1,313,065. More details are provided in the table on page 40.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Retirement policy

Non-executive Directors who have held office for three years since their last appointment must retire and seek re-election at the Annual General Meeting.

In order to revitalise the Board, Perpetual's Non-executive Directors agree not to seek re-election after three terms of three years. However, the Board may invite a Non-executive Director to continue in office beyond nine years if there is a compelling reason and as determined by the Board, if in the best interests of shareholders.

No retirement benefits are paid to Non-executive Directors.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

Remuneration of the Non-executive Directors (statutory reporting)

Details of Non-executive Director remuneration are set out in the table below.

Name	Short-term benefits	Post employment benefits	Total ¹
	Perpetual Board fees	Superannuation	
	\$	\$	\$
Current Non-executive Directors			
T D'Aloisio ²			
2017	87,274	8,291	95,564
P Bullock			
2017	168,037	15,963	184,000
2016	164,665	15,643	180,308
S Falzon			
2017	178,082	16,918	195,000
2016	170,303	16,179	186,482
N Fox ³			
2017	168,037	15,963	184,000
2016	126,043	11,974	138,017
I Hammond			
2017	178,082	16,918	195,000
2016	169,322	25,085	194,407
C Ueland			
2017	168,493	16,007	184,500
2016	149,500	35,000	184,500
Former Non-executive Director			
P B Scott			
2017	255,950	19,050	275,000
2016	280,692	19,308	300,000
Total 2017⁴	1,203,955	109,110	1,313,065
Total 2016	1,060,525	123,189	1,183,714

1. Non-executive Directors do not receive any non-cash benefits as part of their remuneration.

2. T D'Aloisio was appointed to the Perpetual board on 13 December 2016, and to the position of Chairman on 31 May 2017.

3. N Fox was appointed to the Perpetual board on 28 September 2015.

4. The total Non-executive Director fee increase from 2016 to 2017 was primarily due to a conscious decision to overlap the service of departing Chairman P Scott with new Director T D'Aloisio and ensure continuation of knowledge within the Perpetual Board.

Alignment with shareholder interests

The constitution requires Non-executive Directors to acquire a minimum of 500 Perpetual shares on appointment and hold a total of at least 1,000 shares when they have held office for three years. However, Non-Executive Directors are encouraged to hold ordinary Perpetual shares equivalent in value to 100% of their annual base fee within a reasonable period of their appointment.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

The Non-executive Directors' Share Purchase Plan (now closed) allowed Non-executive Directors to sacrifice up to 50% of their Director's fees to acquire shares in Perpetual. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Following changes to tax rules, this plan was closed on 1 July 2009.

Shares are held in the plan until the earlier of ten years or retirement from the Board.

Non-executive Directors do not receive share options. Directors' holdings held directly or indirectly (for example, through a superannuation fund) are shown below.

Perpetual Directors are required to comply with Perpetual's Hedging and Share Trading policies.

Non-executive Director shareholdings held directly or indirectly

Name	Balance at the start of the year ¹	Other changes during the year	Balance at the end of the year ²	1,000 Shareholding requirement met
	Number of shares			
T D'Aloisio	-	7,426	7,426	✓
P Bullock	3,250	175	3,425	✓
S Falzon	2,405	130	2,535	✓
N Fox	2,000	1,300	3,300	✓
I Hammond	3,750	-	3,750	✓
P Scott	6,883	371	7,254	✓
C Ueland	3,000	-	3,000	✓

1 Balance is at the start of the year, or for T D'Aloisio, the date of appointment as Director, being 13 December 2016.

2 Balance is at the end of the year, or for P Scott, who retired in the year, the date of retirement of 31 May 2017.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

9. Key terms

Balanced scorecard	The performance measures of Financial, Client, Growth and People as agreed by the Board to assess Company performance for the purposes of determining the amount of variable remuneration payable (if any). More details are on pages 24-25.
EPS	Earnings per share, this being net profit after tax divided by the average number of issued shares during the year. Previous long-term incentive grants, that Executives still hold, and are yet to vest, had two performance measures, one of which was EPS.
Equity	Equity includes both Share rights and Restricted shares. Under the Variable Incentive Plan, Equity is delivered as Share rights. After a two year vesting period, Share rights are converted to Restricted shares, and are subject to a further two year holding lock.
Executives	The CEO and Managing Director and the Group Executives.
Group Executives	Direct reports of the CEO and Managing Director who are disclosed in this report.
KMP	Key Management Personnel. Those people who have the authority and responsibility for planning, directing and controlling the Company's activities, either directly or indirectly. Key Management Personnel disclosed in this Report are the CEO and Managing Director, Group Executives and Non-executive Directors of Perpetual.
LTI	Long-term incentive. Up to October 2015, Executives received LTI through the Perpetual Limited Long-term Incentive Plan. Executives continue to hold unvested LTI. In FY17, LTI was replaced with the new Variable Incentive Plan.
Market peers	For the purposes of benchmarking remuneration practices and levels, Perpetual's market peers refers to listed companies in the diversified financial services industry (excluding major banks and other financial services companies in the Standard & Poor's (S&P)/ASX 20).
NPAT	Net profit after tax. NPAT is the net profit after tax in accordance with the Australian Accounting Standards.
Orient Capital	Independent adviser to Perpetual which provides assessment of Relative Total Shareholder Return performance based on Perpetual's comparative peer group.
Performance rights	Performance rights were granted to Executives up to October 2015 under the previous Perpetual Long Term Incentive Plan.
Restricted shares	Once Share rights are held for a two year vesting period, and if the vesting conditions are met, Share rights are converted to Restricted shares on a one share for one Share right basis. Restricted shares are then held for a further two years.
Share rights	Share rights are issued around September each year, following the performance period. Share rights have a two year vesting period, at which point, if the vesting conditions are met, they are converted to Restricted shares on a one share for one Share right basis.
STI	Short-term incentive. An incentive paid to employees for meeting annual targets aimed at delivering our longer-term strategic plan. Under the STI Plan employees may be paid a discretionary incentive (less applicable taxes and superannuation) based on their individual performance as well as business performance. Following the introduction of the Variable Incentive Plan in FY17, Group Executives no longer participate in the Group STI plan.
rTSR	Total shareholder return is defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date.

Directors' Report for the year ended 30 June 2017 (continued)

Remuneration Report (continued)

	Relative Total Shareholder Return (rTSR) compares Perpetual's TSR relative to the TSR of a comparator group of companies in the S&P ASX100 (excluding listed property trusts). Previous long-term incentive grants, that Executives still hold, and are yet to vest, have two performance hurdles, one of which is rTSR.
Variable Incentive	Variable Incentive includes both cash and equity components under the Variable Incentive Plan.
Variable Incentive Plan	The new Variable Incentive Plan for Executives introduced from 1 July 2016.
Variable Remuneration	Refers to Variable Incentive payments awarded to Executives under the Variable Incentive Plan, and to short-term incentives awarded to employees under the Group Short-Term Incentive Plan.

Directors' Report for the year ended 30 June 2017 (continued)

Non-audit services provided by the External Auditor

Fees for non-audit services paid to KPMG in the current year were \$170,100 (2016: \$35,000).

The Board has a review process in relation to any non-audit services provided by the external auditor. The Board considered the non-audit services provided by the auditor and is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor, and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Lead Auditor's independence declaration for the 30 June 2017 financial year is included at the end of this report.

Rounding off

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and, in accordance with that Instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors:



Tony D'Aloisio
Chairman



Geoff Lloyd
Chief Executive Officer and Managing Director

Sydney 24 August 2017



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 audit of Perpetual Limited for the financial year ended 30 June 2017 there have been:

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

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'M McGrath'.

Martin McGrath
Partner
Sydney
24 August 2017

Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2017

Table of contents

Primary statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income	48
Consolidated Statement of Financial Position	49
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	51

Section 1

Group performance	52
--------------------------------	-----------

1-1 Operating segments	52
1-2 Revenue	55
1-3 Expenses	55
1-4 Income taxes	56
1-5 Earnings per share	59
1-6 Dividends	60
1-7 Net cash from operating activities	61

Section 2

Operating assets and liabilities	62
---	-----------

2-1 Receivables	62
2-2 Other financial assets	62
2-3 Property, plant and equipment	63
2-4 Intangibles	64
2-5 Provisions	66
2-6 Employee benefits	68

Section 3

Capital management and financing	69
---	-----------

3-1 Cash and cash equivalents	69
3-2 Borrowings	69
3-3 Contributed equity	70
3-4 Reserves	71
3-5 Commitments and contingencies	71

Section 4

Risk management	73
------------------------------	-----------

4-1 Financial risk management	73
-------------------------------------	----

Section 5

Other disclosures	83
--------------------------------	-----------

5-1 Structured products assets and liabilities	83
5-2 Parent entity disclosures	86
5-3 Controlled entities	88
5-4 Deed of cross guarantee	91
5-5 Unconsolidated structured entities	93
5-6 Share-based payments	94
5-7 Key management personnel and related parties	99
5-8 Auditor's remuneration	100
5-9 Subsequent events	101

Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2017

Table of contents (continued)

Section 6

Basis of preparation..... 102

6-1 Reporting entity 102

6-2 Basis of preparation 102

6-3 Other significant accounting policies 104

6-4 New standards and interpretations not yet adopted 106

Directors' declaration..... 108

Independent auditor's report to the members of Perpetual Limited 109

Additional information

Securities exchange and investor information 116

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2017**

	Section	2017 \$'000	2016 \$'000
Revenue	1-2	520,881	507,729
Expenses	1-3	(328,705)	(321,608)
Financing costs		(2,834)	(2,809)
Net profit before tax		189,342	183,312
Income tax expense	1-4	(52,049)	(51,307)
Net profit after tax		137,293	132,005
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(125)	54
Available-for-sale financial assets - net change in fair value		6,427	(5,414)
Available-for-sale financial assets - reclassified to profit or loss		(6,327)	(1,933)
Income tax on items that may be reclassified to profit or loss	1-4	(30)	2,204
Other comprehensive income, net of income tax		(55)	(5,089)
Total comprehensive income		137,238	126,916
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		137,238	126,916
Earnings per share			
Basic earnings per share – cents per share	1-5	300.0	290.8
Diluted earnings per share – cents per share	1-5	293.9	284.3

The 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 financial statements' set out on pages 52 to 107.

Consolidated Statement of Financial Position as at 30 June 2017

	Section	2017 \$'000	2016 \$'000
Assets			
Cash and cash equivalents	3-1	323,487	278,230
Receivables	2-1	96,308	88,156
Structured products – EMCF assets	5-1	277,670	299,694
Prepayments		19,203	12,129
Total current assets		716,668	678,209
Other financial assets	2-2	63,081	75,493
Property, plant and equipment	2-3	23,650	24,832
Intangibles	2-4	331,237	339,324
Deferred tax assets	1-4	33,325	30,384
Prepayments		3,584	5,067
Total non-current assets		454,877	475,100
Total assets		1,171,545	1,153,309
Liabilities			
Payables		51,850	38,523
Structured products – EMCF liabilities	5-1	276,954	299,971
Current tax liabilities	1-4	22,645	21,863
Employee benefits	2-6	49,099	49,871
Provisions	2-5	1,849	1,570
Total current liabilities		402,397	411,798
Payables		1,840	3,568
Borrowings	3-2	87,000	87,000
Deferred tax liabilities	1-4	14,148	20,125
Employee benefits	2-6	12,409	6,860
Provisions	2-5	19,370	18,439
Total non-current liabilities		134,767	135,992
Total liabilities		537,164	547,790
Net assets		634,381	605,519
Equity			
Contributed equity	3-3	501,766	493,465
Reserves	3-4	20,207	17,165
Retained earnings		112,408	94,889
Total equity attributable to equity holders of Perpetual Limited		634,381	605,519
Non-controlling interest		-	-
Total equity		634,381	605,519

The Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 52 to 107.

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
\$'000							
Balance at 1 July 2016	552,755	(59,290)	13,637	3,528	94,889	605,519	605,519
Total comprehensive income/(expense)	-	-	-	(55)	137,293	137,238	137,238
Movement on treasury shares	(2,350)	10,651	(9,621)	-	1,320	-	-
Equity remuneration expense	-	-	12,718	-	-	12,718	12,718
Dividends paid to shareholders	-	-	-	-	(121,094)	(121,094)	(121,094)
Balance at 30 June 2017	550,405	(48,639)	16,734	3,473	112,408	634,381	634,381
	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
\$'000							
Balance at 1 July 2015	551,926	(70,038)	14,865	8,617	78,324	583,694	583,694
Total comprehensive income/(expense)	-	-	-	(5,089)	132,005	126,916	126,916
Movement on treasury shares	829	10,748	(12,573)	-	996	-	-
Equity remuneration expense	-	-	11,345	-	-	11,345	11,345
Dividends paid to shareholders	-	-	-	-	(116,436)	(116,436)	(116,436)
Balance at 30 June 2016	552,755	(59,290)	13,637	3,528	94,889	605,519	605,519

The Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 52 to 107.

Consolidated Statement of Cash Flows for the year ended 30 June 2017

	Section	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		546,309	547,060
Cash payments in the course of operations		(330,681)	(346,022)
Dividends received		87	99
Interest received		5,655	6,408
Interest paid		(2,856)	(2,809)
Income taxes paid		(60,132)	(54,951)
Net cash from operating activities	1-7	<u>158,382</u>	<u>149,785</u>
Cash flows from investing activities			
Payments for property, plant, equipment and software		(12,467)	(17,272)
Payments for investments		(19,860)	(37,208)
Payment for acquisition of business		(1,000)	(5,767)
Proceeds from sale of businesses		371	153
Proceeds from the sale of investments		40,925	15,619
Net cash from/(used in) investing activities		<u>7,969</u>	<u>(44,475)</u>
Cash flows from financing activities			
Dividends paid		(121,094)	(116,436)
Net cash used in financing activities		<u>(121,094)</u>	<u>(116,436)</u>
Net increase/(decrease) in cash and cash equivalents		45,257	(11,126)
Cash and cash equivalents at 1 July		278,230	289,356
Cash and cash equivalents at 30 June	3-1	<u>323,487</u>	<u>278,230</u>

The Consolidated Statement of Cash Flows is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 52 to 107.

Notes to and forming part of the financial statements for the year ended 30 June 2017

Section 1 **Group performance**

This section focuses on the results and performance of Perpetual as a consolidated entity. On the following pages you will find disclosures explaining Perpetual's results for the year, segmental information, taxation, earnings per share and dividend information.

Where an accounting policy is specific to a single note, the policy is described in the section to which it relates.

1-1 Operating segments

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components and for which discrete financial information is available. All operating segments' operating results are regularly reviewed by the consolidated entity's CEO to make decisions about resources to be allocated to the segment and assess their performance.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, income tax expenses, assets and liabilities.

The following summary describes the operations in each of the reportable segments:

i. Services provided

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

Perpetual Investments	Provides investment management services 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, tax and accounting services provided by Fordham, 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	Perpetual Corporate Trust 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, data warehouse and investor reporting and registrar, or agent for corporate and financial services clients.

ii. Geographical information

The consolidated entity operates in Australia and Singapore. The majority of the consolidated entity's revenue and assets relate to operations in Australia. The Singapore operation is not material.

iii. Major customer

The consolidated entity does not rely on any major customer.

Notes to and forming part of the financial statements for the year ended 30 June 2017

1-1 Operating segments (continued)

	Perpetual Investments ¹ \$'000	Perpetual Private \$'000	Perpetual Corporate Trust \$'000	Total \$'000
30 June 2017				
External revenues	232,704	178,372	92,646	503,722
Interest revenue	418	105	55	578
Total revenue for reportable segment	233,122	178,477	92,701	504,300
Depreciation and amortisation	(2,602)	(10,079)	(6,210)	(18,891)
Reportable segment net profit before tax	116,517	40,489	36,674	193,680
Reportable segment assets	325,529	208,698	187,162	721,389
Reportable segment liabilities	(312,781)	(26,459)	(5,416)	(344,656)
Capital expenditure	77	3,325	903	4,305
30 June 2016				
External revenues	233,666	167,487	87,265	488,418
Interest revenue	634	154	35	823
Total revenue for reportable segment	234,300	167,641	87,300	489,241
Depreciation and amortisation	(1,938)	(9,656)	(5,094)	(16,688)
Reportable segment net profit before tax	118,093	34,157	34,112	186,362
Reportable segment assets	341,093	212,319	185,529	738,941
Reportable segment liabilities	(328,853)	(25,158)	(4,700)	(358,711)
Capital expenditure	436	1,282	1,692	3,410

¹Segment information for Perpetual Investments includes the Exact Market Cash Funds, refer to section 5-1(i).

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
1-1 Operating segments (continued)		
Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities		
Revenues		
Total revenue for reportable segments	504,300	489,241
Add: Group and Support Services revenue	9,871	9,331
Net gain on sale of investments	6,339	2,124
Total revenue from continuing operations	520,510	500,696
Net profit before tax		
Total net profit before tax for reportable segments	193,680	186,362
Financing costs	(2,834)	(2,809)
Recoveries	-	5,227
Impairment of assets	(12)	(191)
Gain on sale of business	371	153
Net gain on sale of investments	6,339	2,124
Group and Support Services expense	(8,202)	(7,554)
Net profit before tax	189,342	183,312
Total assets		
Total assets for reportable segments	721,389	738,941
Group and Support Services assets	450,156	414,368
Total assets	1,171,545	1,153,309
Total liabilities		
Total liabilities for reportable segments	344,656	358,711
Group and Support Services liabilities	192,508	189,079
Total liabilities	537,164	547,790

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
1-2 Revenue		
Revenue from the provision of services	495,870	477,392
Income from structured products	7,859	11,055
Dividends	97	95
Interest and unit trust distribution	10,345	10,030
Net gain on sale of investments	6,339	2,124
Revenue from continuing operations	520,510	500,696
Recoveries	-	6,880
Gain on sale of business	371	153
	<u>520,881</u>	<u>507,729</u>

Accounting policies

Revenue is recognised at fair value of consideration received or receivable net of goods and services tax.

Revenue from the provision of services

Revenue is earned from provision of services to customers outside the consolidated entity. Revenue is recognised when services are provided.

Income from structured products

Income represents fees earned on managing the Exact Market Cash Funds.

Dividends

Dividend income is recognised in profit or loss on the date the consolidated entity's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date.

Interest and unit trust distributions

Interest income is recognised as it accrues taking into account the effective yield of the financial asset.

Unit trust distributions are recognised in profit or loss as they are received.

Net gain on sale of investments

Net gain on sale of investments represents proceeds less costs on sale of available-for-sale assets.

Recoveries

Represents recoveries from insurers.

	2017 \$'000	2016 \$'000
1-3 Expenses		
Staff related expenses excluding equity remuneration expense	182,554	174,427
Occupancy expenses	18,418	17,152
Administrative and general expenses	91,373	95,706
Distributions and expenses relating to structured products	5,111	6,496
Equity remuneration expense	12,027	10,703
Depreciation and amortisation expense	19,210	16,933
Impairment of assets	12	191
	<u>328,705</u>	<u>321,608</u>

Accounting policies

Expenses are recognised at the fair value of the consideration paid or payable for services received.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
1-4 Income taxes		
Current year tax expense		
Current year tax expense	62,058	55,392
Adjustment for prior years	(702)	(450)
Research and development tax incentives from prior years	(359)	(1,061)
<i>Total current tax expense impacting income taxes payable</i>	<u>60,997</u>	<u>53,881</u>
Deferred tax expense		
Temporary differences	(8,948)	(2,574)
Total income tax expenses	<u>52,049</u>	<u>51,307</u>
Profit before tax for the year	189,342	183,312
Prima facie income tax expense calculated at 30% (2016: 30%) on profit for the year	56,803	54,994
– Accounting gains on disposal of investments and businesses	(1,957)	(689)
– Accounting impairment on assets	(52)	57
– Recognition of previously unrecognised capital and revenue losses	(905)	(317)
– Prior year adjustments	(1,061)	(1,511)
– Other non-assessable income and tax credits	(1,218)	(1,570)
– Other non-deductible expenses	439	343
Total	<u>52,049</u>	<u>51,307</u>
Income taxes payable at the beginning of the year	21,863	27,491
Income taxes payable for the financial year	60,997	53,881
Less: reclassification to deferred tax liabilities	-	(4,594)
Less: tax paid during the year	(60,132)	(54,951)
Less/Add: other adjustments	(83)	36
<i>Income taxes payable at the end of the year</i>	<u>22,645</u>	<u>21,863</u>
Represented in the Statement of Financial Position by:		
Current tax liabilities	22,645	21,863
Effective tax rate (ETR)	27.5%	28.0%

Bases of calculation of ETR

The ETR is calculated as total income tax expenses divided by net profit before tax for the year.

The consolidated entity operates in Australia and Singapore. The Singapore operation is not material to the consolidated entity and has no material impact on the calculation of the ETR.

Explanation of variance to the legislated 30% tax rate

The consolidated entity's effective tax rate for the year was 27.5% (2016: 28%). The 2.5% reduction in the effective tax rate compared to the legislated 30% is mainly attributed to the utilisation of previously unrecognised capital losses to offset capital gains realised during the year and prior year adjustments relating to the Research and Development tax concession.

Capital tax (gains)/losses calculated at 30% tax in Australia

The total tax benefits of realised capital tax losses are \$31,071,000 (2016: \$32,336,000), comprising \$3,000,000 (2016: \$2,709,000) recognised in deferred tax assets and \$28,071,000 (2016: \$29,627,000) not recognised in deferred tax assets. These are net realised tax capital gains and losses incurred in the current and/or prior year and are available to be utilised by the Australian income tax consolidated group in future years.

Notes to and forming part of the financial statements for the year ended 30 June 2017

1-4 Income taxes (continued)

Movement in deferred tax balances

2017	Balance 1 July 2016 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Balance 30 June 2017 \$'000
Deferred tax assets				
Provisions and accruals	9,020	252	-	9,272
Capital expenditure deductible over five years	969	(590)	-	379
Employee benefits	17,004	1,285	-	18,289
Property, plant and equipment	188	892	-	1,080
Singapore revenue losses	-	614	-	614
Realised net capital losses	2,709	291	-	3,000
Unrealised net capital losses	113	(11)	(78)	24
Other items	381	286	-	667
Deferred tax assets	30,384	3,019	(78)	33,325
Deferred tax liabilities				
Intangible assets	(17,172)	4,508	-	(12,664)
Unrealised net capital gains	(1,539)	7	48	(1,484)
Property, plant and equipment	(1,412)	1,412	-	-
Other items	(2)	2	-	-
Deferred tax liabilities	(20,125)	5,929	48	(14,148)
Net deferred tax assets	10,259	8,948	(30)	19,177

2016	Balance 1 July 2015 \$'000	Recognised in profit or loss \$'000	Recognised in other comprehensive income \$'000	Acquired in business combinations \$'000	Other ¹ \$'000	Balance 30 June 2016 \$'000
Deferred tax assets						
Provisions and accruals	9,485	(465)	-	-	-	9,020
Capital expenditure deductible over five years	1,565	(691)	-	-	95	969
Employee benefits	16,085	780	-	139	-	17,004
Property, plant and equipment	263	(75)	-	-	-	188
Realised net capital losses	2,392	317	-	-	-	2,709
Unrealised net capital losses	-	11	102	-	-	113
Other items	435	(54)	-	-	-	381
Deferred tax assets	30,225	(177)	102	139	95	30,384
Deferred tax liabilities						
Intangible assets	(15,953)	2,552	-	(698)	(3,073)	(17,172)
Unrealised net capital gains	(3,634)	(7)	2,102	-	-	(1,539)
Property, plant and equipment	-	204	-	-	(1,616)	(1,412)
Other items	(4)	2	-	-	-	(2)
Deferred tax liabilities	(19,591)	2,751	2,102	(698)	(4,689)	(20,125)
Net deferred tax assets	10,634	2,574	2,204	(559)	(4,594)	10,259

¹Reclassification from current tax liabilities.

Notes to and forming part of the financial statements for the year ended 30 June 2017

1-4 Income taxes (continued)

Accounting policies

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the net profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each balance date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are netted when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Perpetual Limited and its wholly owned Australian entities elected to form an income tax consolidated group as of 1 July 2002. As a consequence, all members of the tax consolidated group are taxed as a single entity and governed by a tax funding agreement. Under the agreement, all wholly owned Australian entities fully compensate Perpetual Limited for any current income tax payable assumed and are compensated by Perpetual Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Perpetual Limited under the income tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the members' financial statements.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017	2016
1-5 Earnings per share		
	Cents per share	
Basic earnings per share	300.0	290.8
Diluted earnings per share	293.9	284.3
	\$'000	\$'000
Net profit after tax attributable to equity holders of Perpetual Limited	137,293	132,005
	Number of shares	
Weighted average number of ordinary shares (basic)	45,761,358	45,390,402
Effect of dilutive potential ordinary shares (including those subject to performance rights)	945,269	1,041,334
Weighted average number of ordinary shares (diluted)	46,706,627	46,431,736

Accounting policies

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's employee share plan trust.

Diluted EPS is determined by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust and for the effects of all dilutive potential ordinary shares, which comprise shares and options/rights granted to employees under long-term incentive and retention plans.

Notes to and forming part of the financial statements for the year ended 30 June 2017

1-6 Dividends

	Cents per share	Total amount \$'000	Franked / Unfranked	Date of payment
2017				
Final 2016 ordinary	130	60,547	Franked	28 Sep 2016
Interim 2017 ordinary	130	60,547	Franked	24 Mar 2017
Total amount	260	121,094		
2016				
Final 2015 ordinary	125	58,218	Franked	25 Sep 2015
Interim 2016 ordinary	125	58,218	Franked	24 Mar 2016
Total amount	250	116,436		

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

The Company introduced a Dividend Reinvestment Plan (DRP) in May 2009. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs. Shareholders can elect to participate in or terminate their involvement in the DRP at any time.

Subsequent events

Since the end of the financial year, the Directors declared the following dividend. The dividend has not been provided for and there are no tax consequences.

	Cents per share	Total amount ¹ \$'000	Franked / Unfranked	Date of payment
Final 2017 ordinary	135	62,875	Franked	29 Sep 2017

¹Calculation based on the ordinary shares on issue as at 30 June 2017.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

Dividend franking account

Amount of franking credits available to shareholders for subsequent financial years

2017 \$'000	2016 \$'000
55,320	45,932

The above available amounts are based on the balance of the dividend franking account at 30 June 2017 adjusted for franking credits that will arise from the payment of the current tax liabilities, and franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date, but not recognised as a liability, is to reduce it to \$28,373,000 (2016: \$19,983,000).

Accounting policies

Dividends are recognised as a liability in the year in which they are declared.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
1-7 Net cash from operating activities		
Reconciliation of profit for the year to net cash from operating activities		
Profit for the year	137,293	132,005
Items classified as investing/financing activities:		
Profit on sale of investments	(6,339)	(2,124)
Deferred acquisition consideration	1,000	(5,346)
Gain from sale of business	(371)	(153)
Non-cash items:		
Depreciation and amortisation expense	19,210	16,933
Equity remuneration expense	12,718	11,345
Transfer to foreign currency translation reserve	(5)	54
Mark to market movements on available-for-sale	-	306
Reinvestment of dividends and unit distributions	(3,357)	(2,646)
Accrued fixed asset additions	2,526	(3,458)
(Increase)/decrease in assets		
Receivables	(8,152)	3,280
Prepayments	(5,591)	90
Deferred tax assets	(2,941)	(158)
Increase/(decrease) in liabilities		
Payables	11,599	4,922
Provisions	1,210	(3,283)
Current tax liabilities	782	(5,629)
Deferred tax liabilities	(5,977)	534
Employee benefits	4,777	3,113
Net cash from operating activities	158,382	149,785

Notes to and forming part of the financial statements for the year ended 30 June 2017

Section 2 Operating assets and liabilities

This section shows the assets used to generate Perpetual's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 3.

	2017 \$'000	2016 \$'000
2-1 Receivables		
Current		
Trade receivables	90,046	86,611
Less: Provision for doubtful debts	(3,356)	(3,400)
	86,690	83,211
Other receivables	9,618	4,945
	96,308	88,156

Movements in the provision for doubtful debts are as follows:

Balance as at beginning of the year	3,400	1,382
Doubtful debts provided for during the year	155	2,285
Receivables written off during the year as uncollectible	(199)	(267)
Balance as at end of the year	3,356	3,400

Movements in the provision for doubtful debts have been recognised in Administrative and general expenses in section 1-3. Amounts charged to the provision account are generally written off when there is no expectation of additional recoveries.

Accounting policies

Receivables comprise trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis and at balance date, specific impairment losses are recorded for any doubtful debts.

	2017 \$'000	2016 \$'000
--	----------------	----------------

2-2 Other financial assets

Non-current

Listed equity securities available-for-sale – at fair value	10,473	2,083
Unlisted unit trusts available-for-sale – at fair value	52,127	72,965
Other	481	445
	63,081	75,493

Accounting policies

Available-for-sale financial assets

The consolidated entity's investments in equity securities and unlisted unit trusts are classified as available-for-sale financial assets. Refer to section 4-1 i (a).

Notes to and forming part of the financial statements for the year ended 30 June 2017

2-3 Property, plant and equipment

	Plant and equipment \$'000	Leasehold improvements \$'000	Project work in progress \$'000	Total \$'000
Year ended 30 June 2017				
Cost	8,922	47,886	206	57,014
Accumulated depreciation	(6,898)	(26,466)	-	(33,364)
Carrying amount	2,024	21,420	206	23,650
Movement				
Balance as at 1 July 2016	2,542	14,070	8,220	24,832
Additions	405	976	2,823	4,204
Transfers from work in progress	-	10,837	(10,837)	-
Depreciation	(923)	(4,463)	-	(5,386)
Balance as at 30 June 2017	2,024	21,420	206	23,650

Accounting policies

Recognition and measurement

Property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Project work in progress

Work in progress is measured at cost and relates to assets not yet available for use.

Depreciation

Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

- plant and equipment: 4 - 15 years
- leasehold improvements: 3 - 15 years.

The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

Notes to and forming part of the financial statements for the year ended 30 June 2017

2-4 Intangibles

\$'000	Goodwill	Intangible assets				Total
		Customer contracts	Capitalised software	Project work in progress	Other	
Year ended 30 June 2017						
At cost	276,959	55,688	58,147	5,706	1,913	398,413
Accumulated amortisation	-	(28,592)	(37,008)	-	(1,576)	(67,176)
Carrying amount	276,959	27,096	21,139	5,706	337	331,237
Balance at 1 July 2016	276,959	33,281	26,772	1,975	337	339,324
Additions	-	-	36	5,702	-	5,738
Transfers	-	-	1,971	(1,971)	-	-
Amortisation expense	-	(6,185)	(7,640)	-	-	(13,825)
Balance as at 30 June 2017	276,959	27,096	21,139	5,706	337	331,237
Year ended 30 June 2016						
At cost	276,959	55,688	56,140	1,975	1,913	392,675
Accumulated amortisation	-	(22,407)	(29,368)	-	(1,576)	(53,351)
Carrying amount	276,959	33,281	26,772	1,975	337	339,324
Balance at 1 July 2015	267,031	37,389	18,366	9,970	-	332,756
Business combinations	9,928	1,988	-	-	337	12,253
Additions	-	-	164	7,410	-	7,574
Transfers	-	-	15,405	(15,405)	-	-
Amortisation expense	-	(6,096)	(7,163)	-	-	(13,259)
Balance as at 30 June 2016	276,959	33,281	26,772	1,975	337	339,324

Notes to and forming part of the financial statements for the year ended 30 June 2017

2-4 Intangibles (continued)

	2017 \$'000	2016 \$'000
Goodwill Impairment Testing		
The following cash-generating units have significant carrying amounts of goodwill:		
Perpetual Private	146,490	146,490
Perpetual Corporate Trust	126,973	126,973
Australian Equities (Perpetual Investments)	3,496	3,496
	<u>276,959</u>	<u>276,959</u>

The recoverable amount has been determined on a consistent basis across each cash-generating unit (CGU) by using their value in use. The following assumptions have been applied across each CGU:

- The value in use is estimated based on the net present value of future cash flow projections to be realised from each of the CGU's over the next three years plus a terminal value;
- The pre-tax discount rates used in the current year ranged from 15.9% to 18.2% (2016: 15.9% to 18.2%).

The forecast cash flows used in impairment testing are based on assumptions as to the level of profitability for each business over a projected three year period. These forecasted cash flows are based on the 2018-2020 Business Plan which has been approved by the Board. The main drivers of revenue growth are the value of funds under management (FUM) in the Australian Equities CGU, funds under advice (FUA) in the Perpetual Private CGU and securitisation and capital flows in the Perpetual Corporate Trust CGU. A terminal value with a growth rate of 2.5% has also been applied.

Other than the normal operating changes linked to ongoing business initiatives, the assumptions do not include the effects of any future restructuring to which the consolidated entity is not yet committed or of future cash outflows by the consolidated entity which will improve or enhance the consolidated entity's performance. At the reporting date, there is no reasonable change in key assumptions that could cause the carrying amount to exceed the recoverable amount.

The estimated recoverable amount is greater than the carrying value for each CGU. For the estimated recoverable amount to be equal to the carrying amount, the pre-tax discount rate would have to increase from 15.9% to 32.0% (2016: 15.9% to 32.0%).

Accounting policies

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill represents the excess of acquisition cost over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually.

Goodwill is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Amortisation

For those intangible assets which are amortised, the amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value.

Notes to and forming part of the financial statements for the year ended 30 June 2017

2-4 Intangibles (continued)

Accounting policies (continued)

Amortisation (continued)

The estimated useful lives in the current and comparative periods are as follows:

- capitalised software: 2.5 - 8 years
- customer contracts and relationships acquired: 8 - 10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Software

Certain internal and external costs directly incurred in acquiring and developing software have been capitalised and are amortised over their useful lives. Development costs include only those costs directly attributable to the development phase and are only recognised following completion of a technical feasibility study and where the consolidated entity has an intention and ability to use the asset. Costs incurred on software maintenance are expensed as incurred.

Other intangible assets

Other intangible assets acquired by the consolidated entity, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

	2017 \$'000	2016 \$'000
2-5 Provisions		
Current		
Insurance and legal provision	440	563
Operational process review provision	619	449
Lease expense provision	761	522
Other provisions	29	36
	<u>1,849</u>	<u>1,570</u>
Non-current		
Lease expense provision	19,370	18,439
	<u>19,370</u>	<u>18,439</u>

Notes to and forming part of the financial statements for the year ended 30 June 2017

2-5 Provisions (continued)

\$'000	Carrying amount at 1 July 2016	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2017
Legal provision	563	122	(147)	(98)	440
Operational process review provision	449	1,336	(378)	(788)	619
Lease expense provision	18,961	14,854	-	(13,684)	20,131
Other provisions	36	-	-	(7)	29
Total provision	20,009	16,312	(525)	(14,577)	21,219

Accounting policies

A provision is recognised in the Statement of Financial Position when the consolidated entity has a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Management exercise judgement in estimating provision amounts. It may be possible, based on existing knowledge, that outcomes in the next annual reporting period differ from amounts provided and may require adjustment to the carrying amount of the liability affected.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Legal provision

A provision for litigation is recognised when reported litigation claims arise and are measured at the cost that the consolidated entity expects to incur in settling the claim.

Operational process review

A provision for operational process reviews is recognised when operational errors are identified and represents the cost that the consolidated entity expects to incur in rectification and restitution costs.

Lease expense

A provision for lease expense represents the difference between the cash amount paid and the amount recognised as an expense. The provision is expected to be realised over the term of the underlying lease.

Notes to and forming part of the financial statements for the year ended 30 June 2017

2-6 Employee benefits

\$'000	2017		2016	
	Current	Non-current	Current	Non-current
Provision for annual leave	5,709	-	5,495	-
Provision for long service leave	5,422	3,151	4,465	3,347
Other employee benefits ¹	37,572	9,258	39,295	3,513
Restructuring provision	396	-	616	-
	49,099	12,409	49,871	6,860

¹ Short-term incentives and deferred STI.

The non-current portion of the long service leave provision has been discounted using a rate of 4.0 per cent (2016: 3.3 per cent) which is based on the 10 year corporate bond rate.

The number of full time equivalent employees at 30 June 2017 was 891 (2016: 883).

\$'000	Carrying amount at 1 July 2016	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2017
Restructuring provision	616	295	(233)	(282)	396

Accounting policies

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Restructuring

A provision for restructuring is recognised when the consolidated entity has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Notes to and forming part of the financial statements for the year ended 30 June 2017

Section 3 Capital management and financing

This section outlines how Perpetual manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets. Perpetual's objectives when managing capital are to safeguard its ability to continue as a going concern, to continue to provide returns to shareholders and benefits to other stakeholders, and to reduce the cost of capital.

	2017 \$'000	2016 \$'000
--	----------------	----------------

3-1 Cash and cash equivalents

Bank balances	121,987	263,030
Short-term deposits	201,500	15,200
	<u>323,487</u>	<u>278,230</u>

Short-term deposits represent rolling 30-90 day term deposits.

In accordance with the consolidated entity's Group Policy - Treasury, the consolidated entity mainly holds cash and cash equivalents to support its regulatory capital requirements of \$151.2 million as at 30 June 2017 (2016: \$160.0 million).

	2017 \$'000	2016 \$'000
--	----------------	----------------

3-2 Borrowings

The consolidated entity has access to the following line of credit:

Total facility used (Non-current)	<u>87,000</u>	<u>87,000</u>
Facility unused	<u>43,000</u>	<u>43,000</u>
Total facility	<u>130,000</u>	<u>130,000</u>

The \$43 million unused bank facility may be drawn at any time at the discretion of the consolidated entity. The floating rate bank bill facility is unsecured and had a weighted average floating interest rate of 2.98 per cent at 30 June 2017, inclusive of the undrawn line fee (2016: 3.21 per cent). Repayment of the existing facility of \$87 million is due on 31 October 2018.

The consolidated entity has agreed to various debt covenants including shareholders' funds as a specified percentage of total assets, a minimum amount of shareholders' funds, a maximum ratio of gross debt to EBITDA, a minimum interest cover and a maximum amount of structured product liabilities. The consolidated entity is in compliance with the covenants at 30 June 2017. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

The consolidated entity's bank facility is subject to annual review and management intends to refinance the existing facility for a further period prior to the due date.

Notes to and forming part of the financial statements for the year ended 30 June 2017

3-2 Borrowings (continued)

Accounting policies

Borrowings are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. The financial liability under the facility has a fair value equal to its carrying amount.

Interest-bearing borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Financing costs comprise interest payments on borrowings and derivative financial instruments calculated using the effective interest method, and unwinding of discounts on provisions.

	2017 \$'000	2016 \$'000
--	----------------	----------------

3-3 Contributed equity

Fully paid ordinary shares 46,574,426 (2016: 46,574,426)	550,405	552,755
Treasury shares 741,882 (2016: 981,300)	(48,639)	(59,290)
	<u>501,766</u>	<u>493,465</u>

	2017		2016	
	Number of shares	\$'000	Number of shares	\$'000
Movements in share capital				
Balance at beginning of year	45,593,126	493,465	45,096,803	481,888
Shares issued:				
- Movement on treasury shares	239,418	8,301	496,323	11,577
Balance at end of year	<u>45,832,544</u>	<u>501,766</u>	<u>45,593,126</u>	<u>493,465</u>

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

Terms and conditions

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

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

Accounting policies

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased or held by employee share plans and subject to vesting conditions, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
3-4 Reserves		
General reserve	103	103
Available-for-sale reserve	3,405	3,335
Foreign currency translation reserve	(35)	90
	<u>3,473</u>	<u>3,528</u>
Equity compensation reserve	16,734	13,637
	<u>20,207</u>	<u>17,165</u>

Accounting policies

Available-for-sale reserve

The available-for-sale reserve represents movements in the fair value of shares and unit trusts. When these assets are sold or considered impaired, the cumulative gain or loss that had been recognised directly in equity is recycled to profit or loss.

Equity compensation reserve

The equity compensation reserve represents the value of the Company's own shares held by an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest to the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

	2017 \$'000	2016 \$'000
--	----------------	----------------

3-5 Commitments and contingencies

(a) Commitments

Capital expenditure commitments

Contracted but not provided for and payable within one year	2,288	6,670
---	-------	-------

Operating lease commitments predominantly related to premises

At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows:

Not later than one year	16,452	15,755
Later than one year and not later than five years	66,193	56,643
Later than five years	62,843	48,169
	<u>145,488</u>	<u>120,567</u>

Accounting policies

Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the lease. Incentives received by the consolidated entity on entering a lease agreement are recognised on a straight-line basis over the term of the lease.

The difference between the cash amount paid and the amount recognised as an expense is recognised as a lease provision (refer to section 2-5). The provision is expected to be realised over the term of the underlying leases.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
3-5 Commitments and contingencies (continued)		
(b) Contingencies		
Contingent liabilities		
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 the Australian Securities and Investments 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	1,796	1,796
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	846	1,289
	<u>13,642</u>	<u>14,085</u>

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.

Banksia

In December 2012, a class action commenced for damages against The Trust Company (Nominees) Limited (TrustCo) in its capacity as trustee for the debentures issued by Banksia Securities Limited (Banksia) and other defendants including Banksia Securities Limited, Cherry Fund Limited, RSD Chartered Accountants and the directors of both Banksia Securities Limited and Cherry Fund Limited. Liquidator's proceedings commenced in May 2015 against TrustCo. TrustCo is strongly defending the actions.

No further information has been disclosed as any additional disclosure could prejudice the position of TrustCo in relation to this action.

Accounting policies

Contingent liabilities

A contingent liability is a possible obligation arising from past events that may be incurred subject to the outcome of an uncertain future event not wholly within the consolidated entity's control.

Notes to and forming part of the financial statements for the year ended 30 June 2017

Section 4 **Risk management**

Perpetual's activities expose it to a variety of financial and non-financial risks. Financial risks include credit risk, liquidity risk and market risks (including currency risk, interest rate risk and price risk). Key financial exposures are operational risk and a failure to meet regulatory compliance obligations. The nature of the financial risk exposures arising from financial instruments, the objectives, policies and processes for managing these risks, and the methods used to measure them are detailed below.

4-1 Financial risk management

Perpetual recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Framework. The Risk Management Framework is supported by the Risk Group, who are responsible for the design and maintenance of the framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Board, the Audit, Risk and Compliance Committee (ARCC) and the Group Executive Leadership Team. This framework is approved by the Perpetual Board of Directors (the Board) and is reviewed for adequacy and appropriateness on an annual basis.

The Board regularly monitors the overall risk profile of the consolidated entity and sets the risk appetite for the consolidated entity, usually in conjunction with the annual planning process. The Board is responsible for ensuring that management has appropriate processes in place for managing all types of risk, ranging from financial risk to operational risk. To assist in providing ongoing assurance and comfort to the Board, responsibility for risk management oversight has been delegated to the ARCC. The main functions of this Committee are to oversee the consolidated entity's accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of insurance programs. This Committee is also responsible for monitoring overall legal and regulatory compliance.

The activities of the consolidated entity expose it to the following financial risks: credit risk, liquidity risk and market risk. These are distinct from the financial risks borne by customers which arise from financial assets managed by the consolidated entity in its role as fund manager, trustee and responsible entity.

The risk management approach to, and exposures arising from, the Exact Market Cash Funds (EMCF) are disclosed in section 5-1.

i. Credit risk

Credit risk refers to the risk that a customer or counterparty to a financial instrument will fail to meet its contractual obligations resulting in financial loss to the consolidated entity. Credit risk arises principally from the consolidated entity's cash and trade receivables.

The consolidated entity mitigates its credit risk by ensuring cash deposits are held with high credit quality financial institutions and other highly liquid investments are held with trusts operated by the entity.

The maximum exposure of the consolidated entity to credit risk on financial assets which have been recognised on the Consolidated Statement of Financial Position is the carrying amount, net of any provision for doubtful debts. The table below outlines the consolidated entity's maximum exposure to credit risk as at reporting date.

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	323,487	278,230
Trade receivables	86,690	83,211
Other receivables and other financial assets	10,099	5,390
Available-for-sale listed equity securities and unlisted unit trusts	62,600	75,048

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

i. Credit risk (continued)

Credit risk is managed on a functional basis across the various business segments. As a result of the swap agreements between the EMCF and the consolidated entity, the consolidated entity consolidates EMCF and is hence exposed to credit risk on its exposure to the \$278 million (2016: \$300 million) of underlying investments held by the EMCF.

The maximum exposure would only be realised in the unlikely event that the recoverable value of all the underlying investments held by the EMCF decline to \$nil. Further details of the credit risk relating to the EMCF are disclosed in section 5-1.

(a) Investments held by incubation funds

Perpetual incubates new investment strategies through the establishment of seed funds for the purpose of building investment track records and developing asset management skills before releasing products to Perpetual's investors. Exposure to credit risk arises on the consolidated entity's financial assets held by the incubation funds, mainly being deposits with financial institutions and derivative financial instruments.

The exposure to credit risk is monitored on an ongoing basis by the funds' investment managers and managed in accordance with the investment mandate of the funds.

Credit risk is not considered to be significant to the incubation funds as investments held by the funds are predominantly equity securities.

(b) Other financial assets

The consolidated entity's exposure to trade receivables is influenced mainly by the individual characteristic of each customer.

Trade receivables are managed by the accounts receivable department. Outstanding fees and receivables are monitored on a daily basis and an aged debtors report is prepared and monitored by Group Finance. Management assesses the credit quality of customers by taking into account their financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to wholly owned subsidiaries. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval and are monitored on a quarterly basis as part of the consolidated entity's regulatory reporting.

The consolidated entity held cash and cash equivalents of \$323 million at 30 June 2017 (2016: \$278 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated 'A' or higher, based on Standard & Poor's rating.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings, if available, or to historical information on counterparty default rates.

The tables below provide an aged analysis of the financial assets which were past due but not impaired:

	30 June 2017					30 June 2016				
	Less than 30 days \$'000	30 to 60 days \$'000	60 to 90 days \$'000	More than 90 days \$'000	Total \$'000	Less than 30 days \$'000	30 to 60 days \$'000	60 to 90 days \$'000	More than 90 days \$'000	Total \$'000
Trade and other receivables	3,379	2,807	1,298	4,784	12,268	1,777	1,383	695	4,486	8,341

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

i. Credit risk (continued)

(b) Other financial assets (continued)

The nominal values of financial assets which were impaired and have been provided for are as follows:

	2017 \$'000	2016 \$'000
Trade and other receivables	3,356	3,400
Structured products - loans receivable	619	3,142
	3,975	6,542

The impaired financial assets relate mainly to independent customers and investors who are in unexpectedly difficult economic situations, where the consolidated entity is of the view that the full carrying value of the receivable cannot be recovered. The consolidated entity does not hold any collateral against the trade and other receivables. The structured products - loan receivable balance represents a provision for all outstanding receivables from investors in respect of Perpetual Protected Investments loans.

ii. Liquidity risk

Liquidity risk is the risk that the financial obligations of the consolidated entity cannot be met as and when they fall due without incurring significant costs.

The consolidated entity's approach to managing liquidity is to maintain a level of cash or liquid investments sufficient to meet its ongoing financial obligations. The consolidated entity has a robust liquidity risk framework in place which is principally driven by the Capital Management Review (refer to section 4-1(v) for further information).

At 30 June 2017, total base capital requirements were \$168 million (\$151 million for operational risk, \$12 million for credit risk and \$5 million for market risk), compared to \$374 million of available liquid funds.

The \$151 million operational risk requirement supports regulatory capital which is mainly held in cash and cash equivalents as referred to in section 3-1.

The consolidated entity manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a three year forecast of liquid assets, cash flows and balance sheet is reviewed by the Board on a semi-annual basis as part of the Capital Management Review to ensure there is sufficient liquidity within the consolidated entity.

The repayment of the existing utilised facility of \$87 million is due on 31 October 2018 (refer to section 3-2 for further information).

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

ii. Liquidity risk (continued)

The tables below show the maturity profiles of the financial liabilities for the consolidated entity. These have been calculated using the contractual undiscounted cash flows.

	30 June 2017			30 June 2016		
	Less than 1 year \$'000	1 to 5 years \$'000	Total \$'000	Less than 1 year \$'000	1 to 5 years \$'000	Total \$'000
Liabilities						
Payables	51,850	1,840	53,690	38,523	3,568	42,091
Borrowings	-	87,000	87,000	-	87,000	87,000
	<u>51,850</u>	<u>88,840</u>	<u>140,690</u>	<u>38,523</u>	<u>90,568</u>	<u>129,091</u>

There are no financial liabilities maturing in more than five years as at 30 June 2017 (2016: \$nil).

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The consolidated entity is subject to the following market risks:

(a) Currency risk

The exposure to currency risk arises when financial instruments are denominated in a currency that is not the functional currency of the entity and are of a monetary nature.

A significant proportion of the monetary financial instruments held by the consolidated entity, being liquid assets, receivables, borrowings and payables are denominated in Australian dollars. The consolidated entity is exposed to currency risk relating to the Singapore operation. The exposure to currency risk arising from this operation is immaterial. Hence the gains/(losses) arising from the translation of the controlled entities' financial statements into Australian dollars are not considered in this note.

Investments held in listed securities and unlisted unit trusts including incubation funds are of a non-monetary nature and therefore are not exposed to currency risk. The currency risk relating to non-monetary assets and liabilities is a component of price risk and arises as the value of the securities denominated in other currencies fluctuates with changes in exchange rates.

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

iii. Market risk (continued)

(b) Interest rate risk

Interest rate risk is the risk to the consolidated entity's earnings and capital arising from changes in market interest rates. The financial instruments held that are impacted by interest rate risk consist of cash and borrowings.

The consolidated entity's exposure to interest rate risk arises predominantly on the \$130 million NAB facility on which \$87 million is drawn (refer to section 3-2). This loan facility is rolled on a one month, three month or six month term.

The consolidated entity's exposure to interest rate risk for the financial assets and liabilities is set out as follows:

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
At 30 June 2017				
Financial assets				
Cash and cash equivalents	121,987	201,500	-	323,487
Receivables	1,290	-	95,018	96,308
Other financial assets	-	-	63,081	63,081
	<u>123,277</u>	<u>201,500</u>	<u>158,099</u>	<u>482,876</u>
Financial liabilities				
Payables	-	-	53,690	53,690
Borrowings	87,000	-	-	87,000
	<u>87,000</u>	<u>-</u>	<u>53,690</u>	<u>140,690</u>
At 30 June 2016				
Financial assets				
Cash and cash equivalents	263,030	15,200	-	278,230
Receivables	1,293	-	86,863	88,156
Other financial assets	-	-	75,493	75,493
	<u>264,323</u>	<u>15,200</u>	<u>162,356</u>	<u>441,879</u>
Financial liabilities				
Payables	-	-	42,091	42,091
Borrowings	87,000	-	-	87,000
	<u>87,000</u>	<u>-</u>	<u>42,091</u>	<u>129,091</u>

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

iii. Market risk (continued)

(b) Interest rate risk (continued)

The table below demonstrates the impact of a 1 per cent change in interest rates, with all other variables held constant, on the net profit after tax and equity of the consolidated entity.

	30 June 2017		30 June 2016	
	Impact on net profit after tax \$'000	Impact on equity \$'000	Impact on net profit after tax \$'000	Impact on equity \$'000
+/- 1 per cent	262/(262)	262/(262)	1,250/(1,250)	1,250/(1,250)

The impact on profit after tax for the year would be mainly as a result of an increase/(decrease) in interest revenue earned on cash and cash equivalents.

(c) Market risks arising from Funds Under Management and Funds Under Advice

The consolidated entity's revenue is significantly dependent on Funds Under Management (FUM) and Funds Under Advice (FUA) which are influenced by equity market movements. Management calculates the expected impact on revenue for each 1 per cent movement in the ASX All Ordinaries Index. Based on the level of this index at the end of 30 June 2017 (5,764), a 1 per cent movement in the market changes annualised revenue by approximately \$2.25 million to \$2.75 million.

(d) Market risks arising from incubation funds

The consolidated entity is exposed to equity price risk on investments held by its incubation funds. The funds may also be exposed, to a small extent, to the other risks which influence the value of those shares or units (including foreign exchange rates and interest rates).

The PI division's Investment Review Committee is responsible for reviewing and recommending new incubation strategies and ensuring management has appropriate processes and systems in place for managing investment risk for each fund. The funds' specialist asset managers aim to manage the impact of price risks through the use of consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments, including derivatives, which are only acquired if they meet specified investment criteria. Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these restrictions reported to the General Manager - Risk and Internal Audit.

These funds may be party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, interest rates and equity indices in accordance with the funds' investment guidelines.

The impact on the consolidated profit after tax of a potential change in the returns of the funds in which the consolidated entity invested at year end is not material. The potential change has been determined using historical analysis and management's assessment of an appropriate rate of return. The analysis is based on the assumption that the returns on asset classes have moved, with all other variables held constant and that the relevant change occurred as at the reporting date. However, actual movements in the risk may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of economies, markets and securities in which the funds invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

iii. Market risk (continued)

(d) Market risks arising from incubation funds (continued)

The incubation funds may be exposed to currency risk and interest rate risk. Their investment managers may enter into derivative contracts (such as forwards, swaps, options and futures) through approved counterparties to manage this risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each incubation fund, and agreed acceptable level of risk. These funds are also exposed to interest rate risk on cash holdings. Interest income from cash holdings is earned at variable interest rates and investments in cash holdings are at call.

(e) Market risks arising from the Exact Market Cash Funds

The consolidated entity is further subject to market risks through the Exact Market Cash Funds (EMCF). The funds were established with the purpose of providing an exact return utilising the Bloomberg AusBond Bank Bill Index (the benchmark index) to investors. The impact of the EMCF on the consolidated entity's financial results is dependent on the performance of the fund relative to the benchmark.

The risk management approach to, and exposures arising from, the EMCF are disclosed in section 5-1.

iv. Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 30 June 2017. 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
--	-------------------	-------------------	-------------------	-----------------

At 30 June 2017

Financial assets

Available-for-sale listed equity securities	10,473	-	-	10,473
Available-for-sale unlisted unit trusts	-	52,127	-	52,127
Structured products - EMCF assets	39,533	238,137	-	277,670
	50,006	290,264	-	340,270

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
--	-------------------	-------------------	-------------------	-----------------

At 30 June 2016

Financial assets

Available-for-sale listed equity securities	2,083	-	-	2,083
Available-for-sale unlisted unit trusts	-	72,965	-	72,965
Structured products - EMCF assets	48,396	251,298	-	299,694
	50,479	324,263	-	374,742

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

iv. Fair value (continued)

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.

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 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.

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.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Structured products – EMCF liabilities	276,954	277,670	299,971	299,694

v. Capital risk management

A Capital Management Review is carried out on an annual basis and is submitted to the CFO for review and approval. If changes are required to funding requirements, the capital structure or to the capital management strategy of the consolidated entity, the CFO will present their recommendation to the Board via the Audit, Risk and Compliance Committee. The Group Policy – Treasury ensures that the level of financial conservatism is appropriate for the Company's businesses including acting as custodian and manager of clients' assets and operation as a trustee company. This policy also aims to provide business stability and accommodate the growth needs of the consolidated entity. This policy comprises three parts:

(a) Dividend policy

Dividends paid to shareholders are typically in the range of 80-100 per cent of the consolidated entity's net profit after tax attributable to members of the Company, which is in line with the historical dividend range paid to shareholders. In certain circumstances, the Board may declare a dividend outside that range.

(b) Review of capital and distribution of excess capital

A review of the consolidated entity's capital base is performed at least semi-annually and excess capital that is surplus to the consolidated entity's current requirements may potentially be returned to shareholders in the absence of a strategically aligned, value accretive investment opportunity.

(c) Gearing policy

The current gearing policy aims to target an investment grade credit rating by maintaining a corporate debt to capital ratio corporate debt/(corporate debt + equity) of 30% or less and EBIT interest cover (EBIT/interest expense) of more than 10 times. Based on the corporate debt of \$87.0 million, the gearing ratio is 12.1% as at 30 June 2017 (2016: 12.6%) and well within the stated gearing policy. The EBIT interest cover ratio for the consolidated entity as at 30 June 2017 was 68 times (2016: 66 times).

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

Accounting policies

The consolidated entity initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument. The consolidated entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(a) Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the reporting date.

(b) Investments at fair value through profit or loss

Investments are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. The consolidated entity's derivative instruments within asset management incubation funds are classified as held for trading financial assets. On initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments designated at fair value through profit or loss are measured at fair value and changes recognised in profit or loss.

(c) Loans

Loans are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment losses.

The consolidated entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the consolidated entity is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statement of Financial Position when, and only when, the consolidated entity has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(d) Derivative financial instruments

The consolidated entity holds derivative financial instruments within incubation funds to hedge its interest rate, foreign exchange and market risk exposures.

On initial designation of the hedge, the consolidated entity formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The consolidated entity makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 per cent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred.

Notes to and forming part of the financial statements for the year ended 30 June 2017

4-1 Financial risk management (continued)

Accounting policies (continued)

(e) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are given to wholly owned subsidiaries, within the consolidated entity. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval and are monitored on a quarterly basis as part of the consolidated entity's regulatory reporting.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Notes to and forming part of the financial statements for the year ended 30 June 2017

Section 5 Other disclosures

This section contains other miscellaneous disclosures that are required by accounting standards.

	2017	2016
	\$'000	\$'000

5-1 Structured products assets and liabilities

i. Exact Market Cash Funds

Current assets

Perpetual Exact Market Cash Fund	178,043	199,006
Perpetual Exact Market Cash Fund No. 2	99,627	100,688
	<u>277,670</u>	<u>299,694</u>

Current liabilities

Perpetual Exact Market Cash Fund	177,659	199,106
Perpetual Exact Market Cash Fund No. 2	99,295	100,865
	<u>276,954</u>	<u>299,971</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. The difference between the current assets and current liabilities balance has been recorded in equity in the available-for-sale-reserve.

The Perpetual Exact Market Cash Fund (EMCF 1) was established with the purpose of providing an exact return that matched the Bloomberg AusBond Bank Bill Index (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 (2016: \$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 Perpetual Exact Market Cash Fund No. 2 (EMCF 2) was established 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 (2016: \$1.5 million) to be called upon in the event that Perpetual does not meet its obligations.

EMCF 1 and EMCF 2 (EMCF) use professional investment managers to manage the impact of the above risks by using prudent investment guidelines and investment processes. The investment manager explicitly targets low volatility and aims to achieve this through a quality-screening process that is designed to assess the likelihood of default and difficult trading patterns during periods of rapid systematic risk reduction.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

There is a clearly defined mandate for the inclusion of sectors and issuances. In periods of risk reduction, diversification may be narrowly focused on cash and highly liquid investment-grade assets. At times of higher risk tolerance, appropriate diversification should be expected.

Interest rate exposure is limited to +/- 90 days versus the benchmark. The portfolio is constructed with the goal of having a diversified portfolio of securities, while largely retaining the low-risk characteristics of a cash investment.

Liquidity risk of EMCF is managed by maintaining a level of cash or liquid investments in the portfolio which are sufficient to meet a level and pattern of investor redemptions (consistent with past experience), distributions or other of the fund's financial obligations. This is complemented by a dynamic portfolio management process that ensures liquidity is increased when there is an expectation of a deterioration in market conditions. Cash flow forecasts are prepared for the funds, including the consideration of the maturity profile of the securities, interest and other income earned by the funds, and projected investor flows based on historical trends and future expectations.

Furthermore, the credit quality of financial assets is managed by the EMCF using Standard & Poor's rating categories or equivalent, in accordance with the investment mandate of the EMCF. The EMCF's exposure in each credit rating category is monitored on a daily basis. This review process allows assessment of potential losses as a result of risks and the undertaking of corrective actions. The investment managers have undertaken to restrict the asset portfolio of the underlying funds to securities, deposits or obligations with a Standard & Poor's or equivalent 'BBB-' fund credit quality rating or higher.

The investment managers of the underlying funds invested by the EMCF enter into a variety of derivative financial instruments such as credit default swaps and foreign exchange forwards in the normal course of business in order to mitigate credit risk exposure and to hedge fluctuations in foreign exchange rates.

Details of the assets held by the underlying funds are set out below:

30 June 2017	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	Total \$'000
Corporate bonds	44,272	60,963	12,142	117,377
Mortgage and asset backed securities	119,019	1,741	-	120,760
Cash	39,533	-	-	39,533
	202,824	62,704	12,142	277,670
30 June 2016	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to BBB- \$'000	Total \$'000
Corporate bonds	70,545	87,987	6,429	164,961
Mortgage and asset backed securities	89,671	-	-	89,671
Cash	45,062	-	-	45,062
	205,278	87,987	6,429	299,694

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

The table below demonstrates the impact of a 1 per cent change in the fair value of the underlying assets of the EMCF, due to market price movements, based on the values at reporting date.

	2017	2016
	\$'000	\$'000
1 per cent increase	2,777	3,000
1 per cent decrease	(2,777)	(3,000)

The actual impact of a change in the fair value of the underlying assets of the EMCF on the consolidated profit before tax is dependent on the performance of the fund relative to the benchmark index. If the fund's performance is below the benchmark return, then the consolidated entity will be obliged to make payments to the investor. Conversely, if the fund's performance is higher than the benchmark, then the benefit of the higher performance accrues to the consolidated entity.

Any variance between the consolidated entity's current assets EMCF balance and the consolidated entity's current liabilities EMCF balance would be reflected in reserves, except in the case of a credit default which would impact the consolidated profit before tax.

Accounting policies

The EMCF product, consisting of two funds (EMCF 1 and EMCF 2), is consolidated as the consolidated entity is exposed to variable returns and has the power to affect those returns. The swap agreements result in the benchmark rate of return being paid to the unit holders in the fund. The swap agreements are inter-company transactions between a subsidiary of the Company and the funds and are eliminated on consolidation.

Assets and liabilities of the EMCF product are disclosed separately on the face of the Consolidated Statement of Financial Position as structured product assets and structured product liabilities. The benchmark return generated by the EMCF product and distributions to unit holders are disclosed in section 1-3 Expenses as distributions and expenses related to structured products.

The financial assets represented by the structured products assets balance are accounted for in accordance with the underlying accounting policies of the consolidated entity. These consist of investments accounted for at fair value as available-for-sale financial assets.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000

5-2 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017 the parent entity of the consolidated entity was Perpetual Limited.

Result of the parent entity

Profit after tax for the year	130,872	181,793
Other comprehensive income/(expense)	1,057	(2,446)
Total comprehensive income for the year	131,929	179,347

Financial position of the parent entity at year end

Current assets	311,708	251,114
Total assets	954,568	897,361
Current liabilities	227,744	197,040
Total liabilities	260,705	224,898

Total equity of the parent entity comprising:

Share capital	501,766	493,466
Reserves	20,411	18,416
Retained earnings	171,686	160,581
Total equity	693,863	672,463

Parent entity contingencies

The Directors are of the opinion that provisions are not required in respect of any parent entity contingencies, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	2017	2016
	\$'000	\$'000

Uncalled capital of the controlled entities	12,450	12,450
---	--------	--------

In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against the parent entity. The parent entity does not consider that the outcome 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.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000

5-2 Parent entity disclosures (continued)

Operating lease commitments

At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows.

Not later than one year	8,885	8,498
Later than one year and not later than five years	39,711	38,010
Later than five years	34,637	45,223
	<u>83,233</u>	<u>91,731</u>

Operating leases are predominantly related to premises.

Parent entity guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries and it has provided financial guarantees in respect of:

- Guarantee to secure a bank facility (\$87,000,000 is utilised) of a controlled entity amounting to \$130,000,000 (2016: \$130,000,000).

No liability was recognised by the Company in relation to these guarantees as the fair value of these guarantees is considered to be immaterial. The Company does not expect the financial guarantees to be called upon.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-3 Controlled entities

Name of company	Beneficial interest		Country of incorporation and principal place of business
	2017	2016	
	%	%	
Perpetual Limited⁸			
<i>Controlled Entities¹</i>			
Australian Trustees Limited⁸	100	100	Australia
Commonwealth Trustees Pty. Ltd.²	100	100	Australia
Fordham Business Advisors Pty Ltd²	100	100	Australia
Grosvenor Financial Services Pty Limited^{2, 4}	-	100	Australia
Investor Marketplace Limited⁴	-	100	Australia
Perpetual Acquisition Company Limited⁸	100	100	Australia
Perpetual Assets Pty. Ltd.²	100	100	Australia
Perpetual Australia Pty Limited⁸	100	100	Australia
Perpetual Investment Management Limited	100	100	Australia
Perpetual Legal Services Pty Limited²	100	100	Australia
Perpetual Loan Company Limited⁴	100	100	Australia
Perpetual Loan Company No. 2 Limited⁴	100	100	Australia
Perpetual Mortgage Services Pty Limited²	100	100	Australia
Perpetual Nominees Limited	100	100	Australia
Perpetual Services Pty Limited²	100	100	Australia
Perpetual Superannuation Limited	100	100	Australia
Perpetual Tax and Accounting Pty Ltd^{2, 6}	100	100	Australia
Perpetual Trust Services Limited	100	100	Australia
Perpetual Trustee Company (Canberra) Limited⁸	100	100	Australia
Perpetual Trustee Company Limited⁵	100	100	Australia
Perpetual Trustees Consolidated Limited⁸	100	100	Australia
Perpetual Trustees Queensland Limited⁸	100	100	Australia
Perpetual Trustees Victoria Limited⁸	100	100	Australia
Perpetual Trustees W.A. Ltd⁸	100	100	Australia
Queensland Trustees Pty. Ltd.²	100	100	Australia
Perpetual Capital Accumulation Portfolio	100	100	Australia
Perpetual Exact Market Cash Fund	100	100	Australia
Perpetual Exact Market Cash Fund No. 2	100	100	Australia
Perpetual Global Innovation Share Fund	100	-	Australia
Perpetual Global Opportunities Share Fund	100	-	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-3 Controlled entities (continued)

Name of company	Beneficial interest		Country of incorporation and principal place of business
	2017	2016	
	%	%	
Entities under the control of Perpetual Acquisition Company Limited			
The Trust Company Limited	100	100	Australia
Fintuition Pty Limited ²	100	100	Australia
Fintuition Unit Trust	100	100	Australia
Fintuition Institute Pty Limited ²	100	100	Australia
Fintuition Institute Unit Trust	100	100	Australia
Skinner Macarounas Pty Limited ²	100	100	Australia
Entities under the control of Perpetual Assets Pty Limited			
Perpetual Asset Management Ltd. ⁴	-	100	Australia
Entities under the control of Perpetual Trustee Company Limited			
Perpetual Corporate Trust Limited	100	100	Australia
Perpetual Custodians Ltd	100	100	Australia
P.T. Limited	100	100	Australia
Entities under the control of Perpetual Trustees Consolidated Limited			
Perpetual Custodian Nominees Pty Ltd ^{2, 4}	-	100	Australia
Entities under the control of P.T. Limited			
Perpetrust Nominees Proprietary Limited ²	100	100	Australia
Entities under the control of The Trust Company Limited			
Perpetual (Asia Holdings) Pte. Ltd.	100	100	Singapore
The Trust Company (Australia) Limited	100	100	Australia
The Trust Company (FCNL) Pty Limited ⁴	-	100	Australia
The Trust Company (Real Estate) Pty Limited ^{2, 4}	-	100	Australia
The Trust Company (UTCCL) Limited	100	100	Australia
Perpetual C T (Asia) Limited ⁷	100	100	Hong Kong
Entities under the control of The Trust Company (Australia) Limited			
The Trust Company (Nominees) Limited	100	100	Australia
The Trust Company (PTAL) Limited	100	100	Australia
The Trust Company (PTCCL) Limited ⁴	-	100	Australia
The Trust Company (RE Services) Limited	100	100	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-3 Controlled entities (continued)

Name of company	Beneficial interest		Country of incorporation and principal place of business
	2017	2016	
	%	%	
Entities under the control of Perpetual (Asia Holdings) Pte. Ltd.			
Perpetual (Asia) Limited	100	100	Singapore
Entities under the control of The Trust Company (RE Services) Limited			
The Trust Company (Sydney Airport) Limited	100	100	Australia
Entities under the control of The Trust Company (Nominees) Limited			
The Trust Company (Legal Services) Pty Limited ^{2,4}	-	49	Australia
Associates			
Loan RQ Ltd ³	26	26	Australia

¹ Entities in bold are directly owned by Perpetual Limited.

² A small proprietary company as defined by the *Corporations Act 2001* and is not required to be audited for statutory purposes.

³ The carrying amount of this investment is \$nil (2016: \$nil).

⁴ The following companies were deregistered - Perpetual Custodian Nominees Pty Ltd, The Trust Company (PTCCL) Limited and The Trust Company (FCNL) Pty Limited on 24 July 2016, Grosvenor Financial Services Pty Limited, Investor Marketplace Limited and The Trust Company (Legal Services) Pty Limited on 27 July 2016, Perpetual Asset Management Limited on 3 August 2016, The Trust Company (Real Estate) Pty Limited on 13 March 2017, and Perpetual Loan Company Limited and Perpetual Loan Company No. 2 Limited on 30 July 2017.

⁵ Perpetual Trustee Company Limited has a branch operation in New Zealand known as Perpetual Trustee Company Limited (New Zealand branch).

⁶ Ownership was transferred from Grosvenor Financial Services Pty Limited to Perpetual Limited during the year.

⁷ Company changed its name from The Trust Company (Hong Kong) Limited to Perpetual C T (Asia) Limited on 20 July 2017.

⁸ Company is a party to the Deed of Cross Guarantee as noted in section 5-4.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-4 Deed of cross guarantee

Perpetual Limited and certain wholly-owned subsidiaries listed below (collectively, "the Closed Group") have entered into a Deed of Cross Guarantee ("the Deed") effective 29 June 2017. The effect of the Deed is that Perpetual Limited has guaranteed to pay any deficiency in the event of a winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. The subsidiaries have also given a similar guarantee in the event that Perpetual Limited is wound up.

Pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785 ("Instrument"), the wholly-owned subsidiaries noted below within the Closed Group are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

The subsidiaries to the Deed forming the Closed Group are:

- Perpetual Trustees Consolidated Limited
- Perpetual Trustee Company (Canberra) Limited
- Perpetual Trustees Victoria Limited
- Perpetual Trustees Queensland Limited
- Perpetual Trustees WA Limited
- Perpetual Australia Pty Limited
- Perpetual Acquisition Company Limited
- Australian Trustees Limited

A summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position comprising the Closed Group as at 30 June 2017 are set out below.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended 30 June 2017 \$'000
Revenue	150,380
Expenses	(17,932)
Financing costs	(2,834)
Net profit before tax	129,614
Income tax benefit	674
Net profit after tax	130,288
Other comprehensive income, net of income tax	-
Total comprehensive income	130,288
Total comprehensive income attributable to:	
Equity holders of the Company	130,288

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-4 Deed of cross guarantee (continued)

Consolidated Statement of Financial Position

	2017
	\$'000
Current assets	
Cash and cash equivalents	185,740
Receivables	109,738
Structured Products - EMCF assets	277,670
Prepayments	17,687
Total current assets	<u>590,835</u>
Non-current assets	
Other financial assets	638,199
Property, plant and equipment	13,823
Deferred tax assets	30,587
Total non-current assets	<u>682,609</u>
Total assets	<u>1,273,444</u>
Current liabilities	
Payables	161,462
Structured Products - EMCF liabilities	276,954
Current tax liabilities	22,645
Employee benefits	11,124
Provisions	66,868
Total current liabilities	<u>539,053</u>
Non-current liabilities	
Borrowings	87,000
Deferred tax liabilities	1,026
Employee benefits	3,151
Provisions	1,840
Total non-current liabilities	<u>93,017</u>
Total liabilities	<u>632,070</u>
Net assets	<u>641,374</u>
Equity	
Contributed equity	501,766
Reserves	20,411
Retained earnings	119,197
Total equity	<u>641,374</u>

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-5 Unconsolidated structured entities

Perpetual Limited and its subsidiaries have interests in various structured entities that are not consolidated. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Perpetual has an interest in a structured entity when the Company has a contractual or non-contractual involvement that exposes it to variable returns from the performance of the entity. The Company's interest includes investments held in securities or units issued by these entities and fees earned from management of the assets within these entities.

Information on the Company's interests in unconsolidated structured entities as at 30 June is as follows:

Investment funds - Company managed	Carrying amount \$'000	Maximum exposure to loss¹ \$'000
Year ended 30 June 2017		
Statement of Financial Position line item		
Other financial assets - non-current	52,106	48,207
Year ended 30 June 2016		
Statement of Financial Position line item		
Other financial assets - non-current	72,945	68,063

¹ The maximum exposure to loss is the maximum loss that could be recorded through comprehensive income as a result of the involvement with these entities.

Company managed investment funds

The Company manages investment funds through asset management subsidiaries. Control over these managed investment funds may exist since the Company has power over the activities of the fund. However, these funds have not been consolidated because the Company does not have the ability to affect the level of returns and is not exposed to significant variability in returns from the funds. The Company earns management fees from the management of these investment funds which are commensurate with the services provided and are reported in revenue from the provision of services. Management fees are generally based on the value of the assets under management. Therefore, the fees earned are impacted by the composition of the assets under management and fluctuations in financial markets. The revenue earned is included in gross revenue from fees and commissions in section 1-2.

Investment funds are investment vehicles that consist of a pool of funds collected from several investors for the purpose of investing in securities such as money market instruments, debt securities, equity securities and other similar assets. For all investment funds, the Company's maximum exposure to loss is equivalent to the cost of the investment in the fund. Investment funds are generally financed through the issuance of fund units.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-6 Share-based payments

i. Employee share purchase and option plans

(a) Long-term Incentive Plan (LTI)

The LTI plan was introduced for the purpose of making future long-term incentive grants to executives.

The issue price of performance share grants is the weighted average of the prices at which shares traded on the Australian Securities Exchange (ASX) for the five days up to the date of issue. Shares are either purchased on market or issued by the Company. The issue price of performance rights with no performance conditions (apart from services) is the same as for performance shares; however, discounted for dividends forgone over the vested period. The issue price for performance rights with performance conditions is determined as described in (ii) below.

(b) Tax Exempt Share Plan (TESP)

Under the TESP, eligible employees are able to salary sacrifice up to \$1,000 of short-term incentive payments to acquire an equivalent value of Perpetual shares. These shares cannot be sold or transferred until the earlier of three years after the date of allocation or the time the participant ceases to be an employee of Perpetual. Shares will be acquired in ordinary trading on the ASX or issued by Perpetual. Executives are not eligible to participate in this plan. This plan was discontinued in September 2014 and no further issues have been made under this plan.

(c) Tax Deferred Share Plan (TDSP)

Under the TDSP, eligible employees are able to salary sacrifice all or part of their short-term incentive payment to acquire an equivalent value of Perpetual shares. Shares are acquired in the ordinary course of trading on the ASX. Executives have the opportunity to participate in this plan. Shares acquired under this plan by executive directors and executives are not subject to performance hurdles because they are acquired on a salary or bonus sacrifice basis. This plan was closed to any new salary sacrifice purchases in 2010.

(d) Employee Share Purchase Plan (ESPP)

The ESPP provided eligible employees with a non-recourse interest free loan, for a period not exceeding 10 years, to purchase shares under the plan. The invitation was open to employees who commenced permanent employment with Perpetual prior to 1 June 2004 with an offer to purchase a minimum number of shares equivalent in value to \$1,000 and a maximum number of shares equivalent in value to \$4,000. The issue price under the plan was the weighted average of the prices at which shares were traded on the ASX for the five days up to the date of issue. The shares vest when the loan is fully repaid. This plan was discontinued on 10 December 2004 and no further issues have been made under this plan.

(e) Non-executive Directors' Share Purchase Plan

Under the non-executive directors' share purchase plan, each non-executive director could sacrifice up to 50 per cent of their director's fees to acquire shares in the Company. The shares are purchased four times throughout the year at market value and have a disposal restriction of 10 years, or when the director ceases to be a director of the Company. This plan was used only by non-executive directors and was closed to new purchases on 1 July 2009.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-6 Share-based payments (continued)

i. Employee share purchase and option plans (continued)

(f) Executive Share Plan (ESP)

The ESP formed part of the structure for short and long-term variable remuneration components paid to employees. Grants under the plan for short-term performance were made on achievement of specific performance goals. Long-term grants vest after periods of between three and five years, and may include the achievement of specific performance hurdles.

The issue price of grants of shares is the weighted average of the prices at which shares were traded on the ASX for the five days up to the date of issue. Shares were issued by the Company to satisfy the grants made to eligible employees.

While shares are held by the ESP, employees receive dividends and have voting rights. No further issues have been made under this since February 2011.

(g) Deferred Share Plan (DSP)

The DSP forms part of the structure for short-term and long-term variable remuneration components paid to eligible employees of the Australian business. Grants under the plan vest subject to the achievement of specific performance hurdles and service.

The issue price of grants is the weighted average of the prices at which shares traded on the ASX for the five days up to the date of issue. Shares are either purchased on market or issued by the Company to satisfy grants made to eligible employees.

While shares are held by the DSP, eligible employees have voting rights and receive dividends directly or reinvest dividends into Perpetual shares.

(h) One Perpetual Share Plan (OPSP)

The OPSP awards eligible employees with annual grants of up to \$1,000 worth of Perpetual shares subject to the Company meeting its net profit after tax target. Shares granted under the OPSP cannot be sold or transferred until the earlier of three years from the date the shares are allocated or cessation of employment. Employees who are granted shares have full dividend and voting rights during this time.

For financial accounting purposes, shares granted under the OPSP are deemed to vest immediately because there is no risk of forfeiture. Accordingly, the fair value of the grant is recognised as an expense on the date the shares are granted with the corresponding entry directly in equity.

(i) Details of the movement in employee shares

Of share grants under the OPSP and LTI plan in the 2017 financial year, all shares were reissued from the forfeited share pool at market price. Dividends on employee shares are either received directly by the employees or held in the share plan bank account depending on the likelihood of the shares vesting.

During the year, \$12,027,302 (2016: \$10,702,687) of amortisation relating to performance shares and performance rights was recognised as an expense with the corresponding entry directly in equity.

The following table illustrates the movement in employee shares during the financial year:

Number	Opening balance 1 July	Vested shares	Forfeited shares	Granted shares	Closing balance at 30 June
2017	981,300	(239,418)	(100,342)	100,342	741,882
2016	1,477,623	(496,323)	(268,553)	268,553	981,300

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-6 Share-based payments (continued)

ii. Performance rights

During the year, the Company granted \$6,770,507 (30 June 2016: \$10,450,784) performance rights in accordance with the LTI plan.

Performance rights do not receive dividends or have voting rights until they have vested and been converted into Perpetual shares.

The number of performance rights granted is determined by dividing the value of the LTI grant value by the VWAP of Perpetual shares traded on the ASX in the five business days up to the grant date, discounted for the non-payment of dividends during the performance period, as calculated by an independent external adviser.

30 June 2017					Movement in number of performance rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2016	Granted	Forfeited	Vested	Outstanding at 30 June 2017
Oct 2013	Oct 2016	Oct 2020	TSR	\$22.65	29,589	-	(13,021)	(16,568)	-
Oct 2013	Oct 2016	Oct 2020	Non TSR	\$34.57	96,752	-	(1,229)	(95,523)	-
Oct 2014	Oct 2017	Oct 2017	TSR	\$21.82	33,000	-	-	-	33,000
Oct 2014	Oct 2017	Oct 2017	Non TSR	\$38.00	105,510	-	(11,925)	(2,872)	90,713
Oct 2014 ¹	Oct 2016	Oct 2020	Non TSR	\$34.57	1,157	-	-	(1,157)	-
Mar 2015 ¹	Oct 2016	Oct 2020	Non TSR	\$34.57	145	-	-	(145)	-
Aug 2015 ¹	Oct 2016	Oct 2020	Non TSR	\$34.57	2,892	-	-	(2,892)	-
Aug 2015 ²	Oct 2017	Oct 2021	Non TSR	\$38.00	789	-	-	-	789
Oct 2015	Oct 2018	Sep 2022	TSR	\$19.50	38,672	-	-	-	38,672
Oct 2015	Oct 2018	Sep 2022	Non TSR	\$33.07	272,057	907	(29,626)	(4,534)	238,804
Oct 2016	Oct 2019	Sep 2023	Non TSR	\$39.40	-	171,079	(25,055)	(573)	145,451
					580,563	171,986	(80,856)	(124,264)	547,429

¹ Valuation date 1 October 2013.

² Valuation date 1 October 2014.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-6 Share-based payments (continued)

ii. Performance rights (continued)

30 June 2016					Movement in number of performance rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2015	Granted	Forfeited	Vested	Outstanding at 30 June 2016
Jul 2012	Jul 2015	Jul 2019	Non TSR	\$20.36	65,441	-	-	(65,441)	-
Oct 2012	Oct 2015	Oct 2019	TSR	\$14.38	33,659	-	-	(33,659)	-
Oct 2012	Oct 2015	Oct 2019	Non TSR	\$23.54	38,461	-	-	(38,461)	-
Oct 2013	Oct 2015	Oct 2020	Non TSR	\$34.57	2,603	-	-	(2,603)	-
Oct 2013	Oct 2016	Oct 2020	TSR	\$22.65	34,651	-	(5,062)	-	29,589
Oct 2013	Oct 2016	Oct 2020	Non TSR	\$34.57	117,862	-	(13,880)	(7,230)	96,752
Mar 2014 ¹	Feb 2016	Mar 2021	Non TSR	\$34.57	1,446	-	-	(1,446)	-
Oct 2014	Oct 2017	Oct 2017	TSR	\$21.82	38,592	-	(5,592)	-	33,000
Oct 2014	Oct 2017	Oct 2017	Non TSR	\$38.00	124,384	-	(16,313)	(2,561)	105,510
Oct 2014 ¹	Oct 2016	Oct 2020	Non TSR	\$34.57	1,157	-	-	-	1,157
Oct 2014 ²	Feb 2016	Mar 2021	Non TSR	\$34.57	925	-	-	(925)	-
Mar 2015 ¹	Oct 2016	Oct 2020	Non TSR	\$34.57	145	-	-	-	145
Aug 2015 ¹	Oct 2016	Oct 2020	Non TSR	\$34.57	-	2,892	-	-	2,892
Aug 2015 ³	Oct 2017	Oct 2021	Non TSR	\$38.00	-	789	-	-	789
Oct 2015	Oct 2018	Sep 2022	TSR	\$19.50	-	38,672	-	-	38,672
Oct 2015	Oct 2018	Sep 2022	Non TSR	\$33.07	-	289,287	(17,038)	(192)	272,057
					459,326	331,640	(57,885)	(152,518)	580,563

¹ Valuation date 1 October 2013.

² Valuation date 1 March 2014.

³ Valuation date 1 October 2014.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-6 Share-based payments (continued)

ii. Performance rights (continued)

The fair value of services received in return for performance rights granted is based on the fair value of performance rights granted, measured using a face value approach for scorecard performance conditions, Monte Carlo simulation for TSR performance conditions and the Black Scholes model for EPS performance conditions, with the following inputs:

	Valuation Date 1 Jul 2013	Valuation Date 1 Oct 2013	Valuation Date 1 Jul 2014	Valuation Date 1 Oct 2014	Valuation Date 1 Oct 2015	Valuation Date 1 Oct 2016
Performance period	3 years	3 years	3 years	3 years	3 years	3 years
Share price (\$)	35.7	39.63	47.45	43.84	40.00	46.28
Dividend yield (%)	5.32	4.57	5.07	5.23	6.23	5.51
Expected volatility (%)	N/A	30	N/A	25	25	N/A
Risk free interest rate (%)	N/A	2.78	N/A	2.63	1.86	N/A

Accounting policies

Employee share purchase and option plans

Share option and share incentive programs allow employees to acquire shares in the Company. The fair value of shares and/or rights granted under these programs is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and amortised over the period during which employees become unconditionally entitled to the shares and/or options.

The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to share prices not achieving their threshold for vesting.

Deferred staff incentives

The Company grants certain employees shares under long-term incentive, short-term incentive and retention plans. Under these plans, shares vest to employees over relevant vesting periods. To satisfy the long-term incentives granted, the Company purchases or issues shares under the Long-term Incentive Plan and the Deferred Share Plan.

The fair value of the shares granted is measured by the share price adjusted for the terms and conditions upon which the shares were granted. This fair value is amortised on a straight-line basis over the applicable vesting period.

The consolidated entity makes estimates of the number of shares that are expected to vest. Where appropriate, revised estimates are reflected in profit or loss with the corresponding adjustment to the equity compensation reserve. Where shares containing a market linked hurdle do not vest, due to total shareholder return not achieving the threshold for vesting, an adjustment is made to retained earnings and equity compensation reserve.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-6 Share-based payments (continued)

Accounting policies (continued)

Performance rights

Performance rights are issued for the benefit of Perpetual employees pursuant to the LTI Plan.

Unlike Perpetual's other employee share plans, there will be no treasury shares issued to employees at the performance rights grant date.

Over the vesting period of the performance rights, an equity remuneration expense will be amortised to the equity compensation reserve based on the fair value of the performance rights at the grant date.

On vesting, the intention is to settle the performance rights with available treasury shares. A fair value adjustment between contributed equity and treasury shares will be recognised to revalue the recycled shares to the fair value of the performance rights at the vesting date.

5-7 Key management personnel and related parties

Total compensation of key management personnel

	2017 \$	2016 \$
Short-term	5,572,735	6,563,797
Post-employment	168,275	152,774
Termination benefits	-	600,000
Share-based	3,146,335	2,637,165
Other long-term	57,262	53,004
Total	8,944,607	10,006,740

Related party disclosures

Executives have not entered into material contracts with the Company or a member of the consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel's interests existing at year end.

Controlled entities and associates

The consolidated entity has a related party relationship with its key management personnel (see Remuneration Report).

Business transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to and forming part of the financial statements for the year ended 30 June 2017

	2017 \$	2016 \$
--	------------	------------

5-8 Auditor's remuneration

Audit and review services

Auditor of the Company - KPMG Australia

Audit and review of financial statements	631,016	613,635
Other assurance and regulatory audit services	361,238	442,664

Overseas KPMG firms:

Audit and review services of other financial statements	26,000	26,000
Other assurance and regulatory audit services	25,500	25,500
	<u>1,043,754</u>	<u>1,107,799</u>

Audit and review services for non-consolidated managed funds, superannuation funds and other funds:

Audit and review of managed funds and superannuation funds for which the consolidated entity acts as responsible entity ¹	1,291,166	1,357,160
Audit of other funds for which Perpetual acts as administrator or trustee ¹	751,450	748,454
Other regulatory audit services ¹	319,967	319,967

Total audit fee attributable to the audit and review of non-consolidated funds	<u>2,362,583</u>	<u>2,425,581</u>
	<u>3,406,337</u>	<u>3,533,380</u>

¹ The fees are incurred by the consolidated entity and are recovered from the funds via management fees.

Non-audit services

KPMG Australia:

Advisory services	15,000	35,000
Tax services	92,000	-
Risk management review	58,000	-
Other services	5,100	-
	<u>170,100</u>	<u>35,000</u>

Non-audit services paid to KPMG are in accordance with the Company's auditor independence policy as outlined in Perpetual's Corporate Responsibility Statement.

Notes to and forming part of the financial statements for the year ended 30 June 2017

5-9 Subsequent events

On 10 July 2017, the cross shareholding claim brought by Perpetual Investment Management Limited (PIML) against Brickworks and Washington H. Soul Pattinson (WHSP) was dismissed by the Federal Court. This was the last in a series of actions taken by PIML as responsible entity on behalf of unitholders.

Judgment included an order for PIML to cover Brickworks and WHSP litigation costs. Since 10 July 2017 these have been negotiated and agreed and the combined total was \$5 million.

PIML's legal costs have been progressively recharged to relevant funds, in accordance with judicial advice from the Supreme Court.

On 10 August 2017, the Perpetual Limited Board decided to align client interests and Perpetual interests by sharing the costs of litigation and absorbing all of the Brickworks and WHSP costs. The litigation costs will be recognised as a one-off non-recurring item in the financial year ending 30 June 2018. The impact on net profit after tax will be \$3.5 million.

A final dividend of 135 cents per share fully franked was declared on 24 August 2017 and is to be paid on 29 September 2017.

Other than the matters noted above, the Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in the financial statements that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Notes to and forming part of the financial statements for the year ended 30 June 2017

Section 6 **Basis of preparation**

This section sets out Perpetual's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2017 or later years. We explain how these changes are expected to impact the financial position and performance of Perpetual.

6-1 Reporting entity

Perpetual Limited ('the Company') is domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2017 comprises the Company and its controlled entities (together referred to as 'the consolidated entity') and the consolidated entity's interests in associates.

Perpetual 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 financial report was authorised for issue by the Directors on 24 August 2017.

The Company is a public company listed on the Australian Securities Exchange (code: PPT), incorporated in Australia and operating in Australia and Singapore.

The consolidated annual report for the consolidated entity as at and for the year ended 30 June 2017 is available at www.perpetual.com.au.

6-2 Basis of preparation

i. Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report of the consolidated entity also complies with *International Financial Reporting Standards (IFRS)* adopted by the International Accounting Standards Board (IASB).

ii. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value. Non-current assets are stated at the lower of carrying amount or fair value less selling costs.

The consolidated financial statements are presented in Australian dollars, which is the functional currency of the majority of the consolidated entity.

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Where necessary, comparative information has been restated to conform to changes in presentation in the current year.

Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the consolidated entity's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Notes to and forming part of the financial statements for the year ended 30 June 2017

6-2 Basis of preparation (continued)

ii. Basis of preparation (continued)

(a) Judgements

Information about critical judgements in applying accounting policies in accordance with Australian Accounting Standard *AASB 10 Consolidated Financial Statements* is included in section 5-3 Controlled entities.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2017 are included in the following notes:

- Section 1-4 Income taxes
- Section 2-4 Intangibles
- Section 2-5 Provisions
- Section 2-6 Employee benefits
- Section 3-5 Commitments and contingencies
- Section 5-1 Structured products assets and liabilities
- Section 5-6 Share-based payments

Measurement of fair values

A number of the consolidated entity's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The consolidated entity has an established control framework with respect to the measurement of fair values. This includes overseeing all significant fair value measurements.

Significant unobservable inputs and valuation adjustments are regularly reviewed. If third party information, such as broker quotes or pricing services, is used to measure fair values, an assessment is made of the evidence obtained from the third parties. This is used to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit, Risk and Compliance Committee.

When measuring the fair value of an asset or a liability, the consolidated entity uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The consolidated entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Section 2-6 Employee benefits
- Section 4-1 Financial risk management
- Section 5-1 Structured products assets and liabilities
- Section 5-6 Share-based payments

Notes to and forming part of the financial statements for the year ended 30 June 2017

6-3 Other significant accounting policies

Significant accounting policies have been included in the relevant notes to which the policies relate. Other significant accounting policies are listed below:

i. Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the consolidated entity's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associates or, if not consumed or sold, when the consolidated entity's interest in such entities is disposed of.

ii. Foreign currency

(a) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on financial assets and liabilities carried at fair value are reported as part of their fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the available-for-sale reserve in equity.

(b) Foreign operations

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into Australian dollars as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss or to non-controlling interest as part of the profit or loss on disposal.

Notes to and forming part of the financial statements for the year ended 30 June 2017

6-3 Other significant accounting policies (continued)

iii. Payables

Payables are non-interest-bearing and are stated at amortised cost, with the exception of contingent consideration recognised in business combinations, which is recorded at fair value at the acquisition date.

Contingent consideration recognised in business combinations is classified as a financial liability and is subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

iv. Impairment

(a) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the consolidated entity on terms that the consolidated entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment.

The consolidated entity considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the available-for-sale reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Notes to and forming part of the financial statements for the year ended 30 June 2017

6-3 Other significant accounting policies (continued)

iv. Impairment (continued)

(b) Non-financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than deferred tax assets (see section 1-4), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' or CGU).

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The consolidated entity's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6-4 New standards and interpretations not yet adopted

A number of new accounting standards and amendments have been issued but are not yet effective. The consolidated entity has not elected to early adopt any of these new standards or amendments in this financial report.

(a) AASB 9 *Financial Instruments*

AASB 9, published in July 2014, replaces the existing guidance in *AASB 139 Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for the calculation of impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Notes to and forming part of the financial statements for the year ended 30 June 2017

6-4 New standards and interpretations not yet adopted (continued)

(a) *AASB 9 Financial Instruments* (continued)

Management has undertaken an initial assessment of this standard and has noted that certain available-for-sale securities held by the consolidated entity (see section 2-2 and section 5-1) will be reclassified to fair value through profit or loss (currently classified as fair value through other comprehensive income). Management does not expect the impact of this standard to be material.

(b) *AASB 15 Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including *AASB 118 Revenue*, *AASB 111 Construction Contracts* and *IFRIC 13 Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Upon undertaking an initial assessment of this standard, management performed a review of bundled contracts and the accounting treatment of upfront fees. Management does not expect the impact of this standard to be material.

(c) *AASB 16 Leases*

AASB 16 introduces new requirements for the recognition of lease assets and lease liabilities in the Consolidated Statement of Financial Position. The classification of the lease liability and lease asset will be determined with reference to the period over which the consolidated entity is expected to benefit from the lease and will be disclosed as current or non-current accordingly. The new standard is also likely to result in a reduction in the consolidated entity's occupancy expenses as lease costs will instead be allocated against the lease liability. The lease asset will be amortised over the life of the lease resulting in a depreciation and amortisation charge. The depreciation and amortisation charge is expected to approximate the reduction in occupancy expenses. The consolidated entity will disclose the unwinding of the discount on the lease liability as a financing cost in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The new standard is expected to impact leases which are currently classified by the consolidated entity as operating leases; primarily the lease of office space around Australia. See section 3-5 for a summary of the consolidated entity's existing operating leases.

AASB 16 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, *AASB 15 Revenue from Contracts with Customers*, has been applied, or is applied at the same date as AASB 16.

These new standards and amendments, when applied in future periods, are not expected to have a material impact on the performance of the consolidated entity and as noted above is expected to have an impact on lease assets and liabilities.

Directors' declaration

1. In the opinion of the Directors of Perpetual Limited (the 'Company'):
 - (a) the consolidated financial statements and notes set out on pages 52 to 107, and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the certain wholly-owned subsidiaries identified in section 5-4 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and these entities pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785.
3. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2017.
4. The Directors draw attention to section 6-2(i) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 24th day of August 2017.



Tony D'Aloisio
Director



Geoff Lloyd
Director



Independent Auditor's Report

To the shareholders of Perpetual Limited

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of Perpetual Limited (the Company) and its controlled entities (the Consolidated Entity).

In our opinion, the accompanying Financial Report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The Financial Report comprises:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date;
- notes (sections 1 to 6) comprising a summary of significant accounting policies and other explanatory information; and
- the Directors' Declaration.

The Consolidated Entity consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The Key Audit Matters we identified are:

- Insurance and legal provisions
- Revenue recognition
- Valuation of goodwill
- Employee remuneration

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance and legal provisions

Refer to Note 2-5 'Provisions' and Note 3-5 'Commitments and contingencies' to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Insurance and legal provisions are considered a Key Audit Matter due to the significant judgement involved in assessing the merit of the litigation claim, evaluating and measuring obligations resulting from such claims, and determining disclosure as a contingent liability under AASB 137.</p> <p>We focused on gathering evidence for the critical considerations to the assessment. This included evaluating the strength of the claims based on specific facts, recent communications between involved parties and legal advice, and assessing the existence of insurance coverage undertaken by the Consolidated Entity. We used senior team members to assess these considerations.</p>	<p>Procedures performed to accumulate knowledge and evaluate the composition of the insurance and legal provision included:</p> <ul style="list-style-type: none"> • Inspecting the Consolidated Entity's litigation register and requesting and obtaining independent legal confirmations to check completeness of litigation claims, considered and assessed by the Consolidated Entity. • Meeting with senior management and the Consolidated Entity's internal legal counsel to understand the specific facts of the litigation claims, legal advice, existence of insurance coverage, and their assessment of the claim and potential liability (if any). • Examining the legal advice from the Consolidated Entity's external lawyers and (where applicable) meeting with them to understand their assessment of the merits of the claim and potential liability (if any). This also included understanding the basis for the claim, the relevant parties, the legal position, possible outcomes, estimated costs, and insurance coverage. • Obtaining a copy of the insurance policy and evidence of indemnification from the insurers for the claim (where applicable) to

	<p>determine the degree of net loss.</p> <ul style="list-style-type: none"> Assessing the disclosures as required under accounting standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets reflect underlying facts and current circumstances.
Revenue recognition (\$496m)	
Refer to Note 1-2 'Revenue' to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Revenue is a key audit matter due to:</p> <ul style="list-style-type: none"> (i) its significance to the Consolidated Entity's results; (ii) the complexity added to the audit from fees derived from a number of diverse products and services, each with unique contractual terms and; (iii) the Consolidated Entity's use of third party service providers for certain accounting recording processes which increases the complexity of our audit procedures. <p>The Consolidated Entity generates revenue across its three business units from a variety of products and services. Significant revenue streams include fees from investment management, securitisation services, adviser services, and trustee services. As such, key drivers of revenue include funds under management (FUM), funds under advice and administration (FUA), market performance and underlying contractual terms. Third party service providers are engaged to provide administration and accounting services for certain key revenue streams.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> Obtaining an understanding of processes and controls for significant revenue streams across the three business units. This included performing walkthroughs with the Consolidated Entity's respective business and finance teams to check our understanding of the processes. Testing of management's control over the review and approval of fee calculations for significant revenue streams. Assessing the Consolidated Entity's vendor management control environment used to engage third party service providers, including testing monitoring and oversight controls. For significant third-party service providers, inspecting their independent assurance report on internal controls which cover the relevant services for the financial period. We assessed the scope of the report, the internal control findings and any potential implications on our audit approach. Performing data analytical procedures for each significant revenue stream to identify trends and outliers within each tested stream. Examples of outliers can include months where management fees exhibit inverse movement to FUM flows or client fees which fall considerably outside of statistical trend lines. If identified, we check the revenue (i.e. fee rates) to the underlying client fee agreements. Recalculating fee revenue for a statistical sample drawn from significant revenue streams. We applied fee rates obtained

	from underlying client fee agreements to the balance of funds under management, advice, and administration obtained from third party service provider reports.
Valuation of goodwill (\$277m)	
Refer to Note 2-4 'Intangibles' to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The valuation of goodwill is a key audit matter due to:</p> <ul style="list-style-type: none"> (i) the magnitude of the balance in relation to total assets (23.6% of total assets); (ii) the use of forward-looking assumptions in the Consolidated Entity's value in use model. Estimating assumptions into the future is inherently subjective and susceptible to differences in outcomes. Our audit focus concentrated on projections of cash flows, discount rates (including CGU specific risk premiums), growth rates and terminal growth rates. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Checking the integrity of the value in use model including the accuracy of the underlying calculation formulas. • Assessing the Consolidated Entity's ability to accurately project cash flows by comparing the accuracy of previous cash flow forecasts to actual results. • Checking key assumptions used in the value in use model against relevant internal and external market data. This included board approved business plans, historical and projected Australian CPI per the Australian Bureau of Statistics, revenue growth per published industry reports, and spot yields on Australian government bonds per Bloomberg. • Working with our Corporate Finance valuation specialists to assess the discount rates, including the CGU specific risk premiums and terminal growth rates used in the value in use models by assessing the metrics against those of comparable entities. • Evaluating management's sensitivity analysis to stress key value in use model assumptions including discount rates and CGU specific risk premiums.
Employee remuneration (\$183m)	
Refer to Note 1-3 'Expenses' and Note 5-6 'Share-based payments'	
The key audit matter	How the matter was addressed in our audit
Employee remuneration is a key audit matter	Our procedures included:

<p>due to:</p> <ul style="list-style-type: none"> (i) its quantum in relation to total expenses; (ii) the judgemental nature of variable ('at risk') components of the Consolidated Entity's incentive plans that remain unpaid at balance date and therefore estimated. This necessitated senior team member involvement in assessing the reasonableness of the achievement of incentive plan terms, such as likelihood of vesting and performance conditions being met. These may crystallise over an extended period of time; (iii) The complexity of share-based compensation plan agreements and resulting risk of interpretational differences against principles based criteria contained in accounting standards; and (iv) the range of remuneration package offerings and the specific accounting requirements unique to those. This increases the audit effort. 	<ul style="list-style-type: none"> • Obtaining an understanding of the remuneration process, structure, and various remuneration types from inquiry of management and inspection of Consolidated Entity policies and plan documents. • Generating an expectation for cash salaries, superannuation, packaged employee benefits, and other fixed remuneration accounts based upon current year headcount and prior year audited balances. • For new incentive plans, reading the terms and evaluating the appropriateness of accounting treatment under criteria contained in accounting standards AASB 2 Share-based Payment and/or AASB 119 Employee Benefits. • For performance rights granted during the year, examining third party valuation reports obtained by the Consolidated Entity and checking the value and key model inputs to disclosures and underlying documentation. • Assessing the professional competence, experience and objectivity of the Consolidated Entity's third party valuation specialist and obtaining an understanding of their work. • Evaluating the Consolidated Entity's judgements on key vesting conditions, such as number of employees who are expected to complete the service period and its consistency with historical five-year averages. • Recalculating current year share-based compensation expense for a sample of employees using underlying offer letters, equity incentive plan agreements, and third party valuation reports obtained by the Consolidated Entity. • Testing a sample of current year grants, vests and forfeitures of rights and options to underlying offer letters and equity incentive plan agreements. • Assessing disclosures, as required by AASB 2, reflect underlying agreements, transactions, calculations, and estimates, as tested by us above.
---	---

Other Information

Other Information is financial and non-financial information in Perpetual Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Consolidated Entity's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Limited for the year ended 30 June 2017 complies with *Section 300A* of the *Corporations Act 2001*.

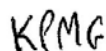
Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 9 to 43 of the Directors' report for the year ended 30 June 2017

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Martin McGrath
Partner

Sydney
24 August 2017

Securities exchange and investor information

2017 Annual General Meeting

The 2017 Annual General Meeting of the Company will be held at Perpetual's offices, Level 18, 123 Pitt Street, Sydney on 2 November 2017 commencing at 10:00 am.

Securities exchange listing

The ordinary shares of Perpetual Limited are listed on the Australian Securities Exchange under the ASX code PPT, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Substantial shareholders

UBS Group AG and its related bodies corporate have a relevant interest in 2,998,851 shares and is a substantial holder of Perpetual Limited as at 31 July 2017.

Distribution schedule of holdings as at 31 July 2017	Number of holders	Number of shares
1 – 1,000 shares	19,285	6,975,144
1,001 – 5,000 shares	4,689	9,760,380
5,001 – 10,000 shares	411	2,906,466
10,001 – 50,000 shares	257	4,586,491
50,001 – 100,000 shares	15	1,043,240
100,001 and over shares	30	21,302,705
Total	24,687	46,574,426

Twenty largest shareholders as at 31 July 2017

Name	Number of ordinary shares	Percentage of issued capital
HSBC Custody Nominees (Australia) Limited ¹	5,407,194	11.61%
Citicorp Nominees Pty Limited ¹	3,751,266	8.05%
JP Morgan Nominees Australia Limited ¹	3,500,780	7.52%
Milton Corporation Limited	1,231,982	2.65%
Australian Foundation Investment Company Limited	1,061,110	2.28%
National Nominees Limited ¹	1,059,583	2.28%
Warbont Nominees Pty Ltd	478,065	1.03%
Carlton Hotel Ltd	423,973	0.91%
BNP Paribas Noms Pty Ltd (Agency Lending) ¹	399,413	0.86%
Enbearn Pty Ltd	368,841	0.79%
Queensland Trustees Pty Ltd (Executive Share Plan) ^{1,2}	347,354	0.75%
Queensland Trustees Pty Ltd (Long Term Incentive Share Plan) ^{1,2}	344,947	0.74%
BNP Paribas Noms Pty Ltd (DRP) ¹	337,957	0.73%
Argo Investments Limited	238,905	0.51%
Citicorp Nominees Pty Limited (CFS Inv. A/c) ¹	237,905	0.51%
Diversified United Investment Limited	200,000	0.43%
Australian United Investment Company Limited	200,000	0.43%
BKI Investment Company Limited	181,751	0.39%
J S Millner Holdings Pty Limited	166,300	0.36%
BNP Paribas Nominees Pty Ltd	159,560	0.34%
Total	20,096,886	43.17%

¹ Held in capacity as executor, trustee or agent.

² The total number of shares held by Queensland Trustees Pty Limited as trustee of the various Employee Share Plans is 752,922 shares.

Securities exchange and investor information (continued)

Other information

Perpetual Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Voting rights

Under the Company's Constitution, each member present at a general meeting (whether in person, by proxy, attorney or corporate representative) is entitled:

1. on a show of hands to one vote, and
2. on a poll to one vote for each share held.

If a member is present in person, any proxy of that member is not entitled to vote.

Voting by proxy

Voting by proxy allows shareholders to express their views on the direction and management of the economic entity without attending a meeting in person.

Shareholders who are unable to attend the 2017 Annual General Meeting are encouraged to complete and return the proxy form that accompanies the notice of meeting enclosed with this report.

On-market buy back

There is no current on-market buy back.

Final dividend

The final dividend of 135 cents per share will be paid on 29 September 2017 to shareholders entitled to receive dividends and registered on 7 September 2017, being the record date.

Enquiries

If you have any questions about your shareholding or matters such as dividend payments, tax file numbers or change of address you are invited to contact the Company's share registry office below, or visit its website at www.linkmarketservices.com.au or email PPT@linkmarketservices.com.au.

Link Market Services Limited
1A Homebush Bay Drive
Rhodes, NSW 2138

Perpetual Shareholder Information Line:
1300 732 806
Fax: (02) 9287 0303

Locked Bag A14
Sydney South NSW 1235

Any other enquiries which you may have about the Company can be directed to the Company's registered office, or visit the Company's website at www.perpetual.com.au

Principal registered office

Level 18
123 Pitt Street
Sydney NSW 2000

Tel: (02) 9229 9000
Fax: (02) 8256 1461

Company Secretary

Eleanor Padman

Website address: www.perpetual.com.au