Perpetual Limited
ABN 86 000 431 827

Annual Report 2014

SIMPLIFIED REFOCUSED GROWING

Perpetual

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ONE PERPETUAL

Our passion is to protect and grow our clients' wealth, earning trust through consistent delivery over time. Perpetual's vision is to be Australia's largest independent wealth manager of choice.

Founded as the Perpetual Trustee Company in 1886, Perpetual Limited (Perpetual) is an independent and diversified financial services group with three core businesses: Perpetual Investments, Perpetual Private and Perpetual Corporate Trust. This year marks Perpetual's 50 years as an Australian listed company.

At Perpetual, our vision is to be Australia's largest independent wealth manager of choice. In 2012, and with this clear aim in mind, our team embarked on the Transformation 2015 strategy to simplify, refocus and grow Perpetual.

Following two years of disciplined execution of this strategy, we have delivered the first two phases of simplifying and refocusing, with our attention now firmly on growth. This growth agenda was accelerated in FY14 with the successful acquisition of The Trust Company, which brought together two companies with deep fiduciary heritage and values, and added significant scale to Perpetual.

PERSONAL WEALTH ADVISORY AND TRUSTEE SERVICES

Perpetual Private

CORPORATE FIDUCIARY SERVICES

Perpetual Corporate Trust

AWARD WINNING ASSET MANAGEMENT

Perpetual Investments

SHAREHOLDER CALENDAR

Final Dividend Payment
3 October 2014

Annual General Meeting
30 October 2014

Interim profit and dividend announcement
26 February 2015

Please note that dates are subject to change.

PROTECTING, MANAGING AND GROWING WEALTH

At Perpetual, whether we're managing investments, operating a trust or advising our clients, we never lose sight of the fact we are acting on behalf of our clients. We take that responsibility very seriously.

A widely recognised and respected financial services organisation, Perpetual is one of Australia's largest independent wealth managers, an expert adviser to successful individuals, families and businesses, and a leading provider of corporate trustee services.

Our clients include Australian and international institutions, not-for-profit organisations, small businesses, financial advisers, individuals and families. Perpetual's unique combination of philosophy, processes and people underpins our consistent performance for clients, across their often-complex needs, and increasingly across generations.

This year, we were delighted to welcome The Trust Company clients to Perpetual.

AWARD WINNING ASSET MANAGEMENT

Perpetual Investments

Perpetual Investments is one of Australia's most highly regarded and awarded investment managers, providing a broad range of investment strategies and products to individuals, advisers and institutions. We manage money across a range of asset classes, including Australian and global equities, fixed income and multi-sector strategies.

Our disciplined investment process has been tested and proven over nearly 50 years. We actively manage investments based on fundamental research and analysis of quality, value and risk. Our aim is to choose the best quality investments at prices that represent good value, based on their potential risk and return.

To augment the strength of our investment process, we constantly invest in the quality and depth of our investment team. Today we have one of the most experienced and highly regarded investment teams in Australia.

Consistent delivery has seen Perpetual Investments receive significant industry recognition:

- 2014 Morningstar Australian Fund Manager of the Year, for the second consecutive year.
- Overall Fund Manager of the Year and Australian Large-cap Manager of the Year, 2013 Zenith/Professional Planner Awards.
- Winner of the Responsible Investments category, 2014 Money Management/Lonsec Fund Manager of the Year, for the second consecutive year.

#1

2014 MORNINGSTAR AUSTRALIAN FUND MANAGER OF THE YEAR

$29.8bn

FUNDS UNDER MANAGEMENT

PERSONAL WEALTH ADVISORY AND TRUSTEE SERVICES

Perpetual Private

#1

RANKED #1 BY EUROMONEY FOR RANGE OF ADVISORY SERVICES

$12.6bn

FUNDS UNDER ADVICE

Perpetual Private provides tailored, holistic financial advice and solutions for high net worth individuals and families in our target segments of business owners, established wealthy and professionals. Part of Perpetual Private, Fordham acts exclusively for private business owners and their families to manage their businesses and build and protect their wealth.

Perpetual Private's hallmark is the breadth of services available to clients as we aim to meet their often-complex needs at various life stages. Our advisers provide strategic advice on superannuation and retirement planning, general investment, asset protection, insurance, tax management, estate planning, aged care, social security, succession planning and philanthropy.

As one of Australia's largest managers of philanthropic funds, we advise more than 960 charitable trusts, private ancillary funds and endowment funds which support medical, social, environmental, religious, cultural and educational causes. We are proud to be Australia's largest independent distributor of funds to Australia's not-for-profit sector.

The unique combination of professional trustee management experience, fiduciary heritage and investment management capability has seen Perpetual Private become a key partner in the prudent and effective management of Native Title trusts, a new and growing extension of our business.

One of Perpetual Private's unique strengths is our expertise in protecting and growing wealth over the very long term – reflected in the fact that many of our advisers have client relationships spanning generations of the same family.

CORPORATE FIDUCIARY SERVICES

Perpetual Corporate Trust

#1

AUSTRALIA'S MARKET LEADER IN TRUST SERVICES AND FUND SERVICES

$484bn

FUNDS UNDER ADMINISTRATION

Perpetual Corporate Trust is the leading provider of corporate trustee services to the funds management and debt capital markets in Australia.

In debt capital markets, our clients range from banks, large financial institutions and non-bank lenders to small business and loan originators.

Having been involved in the Australian securitisation industry since its inception in the 1980s, we play a leading role in growing the industry and managing regulatory and technological change. For example, our enhanced data services, such as ABSPerpetual, provide the link between issuers, the Reserve Bank of Australia and the investment community.

The acquisition of The Trust Company has cemented Perpetual Corporate Trust's position as the leading provider of fiduciary solutions to the funds management sector, and we service a broad range of clients across multiple asset classes including property, infrastructure, equities, fixed income and alternatives.

With the acquisition of The Trust Company expanding our service offering and geographical footprint, Perpetual is now the only trustee with licences to provide corporate trustee services in Australia and Singapore.

Our extensive knowledge of financial markets, our trustee heritage and the expertise and experience of our team allow us to be the trusted partner of some of the world's largest financial institutions.

CHAIRMAN'S REPORT

"As always envisaged, the hard yards we walked early in the Transformation 2015 program mean we can now concentrate on driving growth through the business for the benefit of all stakeholders."

PETER SCOTT

35%

THIS YEAR'S FULLY FRANKED DIVIDEND IS UP AROUND 35% ON FY13

"We service more than 960 charitable trusts, foundations and endowment funds, acting as a conduit between people who want to do good things with their money and those who need that money to do good things."

Dear Shareholder
I'm delighted to be introducing the Perpetual Limited Annual Report for the financial year ended 30 June 2014 (FY14).

As Geoff Lloyd will explain in this report, this year we completed two major phases of our Transformation 2015 strategy and our sharp initial focus on simplifying and refocusing the business is now bearing fruit. As always envisaged, the hard yards we walked early in the Transformation 2015 program mean we can now concentrate on driving growth through the business for the benefit of all stakeholders.

GROWTH STORIES

I see that growth in many areas as I walk around Perpetual. The most obvious area is our purchase of The Trust Company in December 2013. That business – which shares so much history and a fiduciary culture with Perpetual – is already making a big difference.

Perpetual Corporate Trust is now a leader in Trust Services (where Perpetual was already strong) and in Fund Services for property and infrastructure where The Trust Company was a major force.

As a result, we're now market leaders in two key sectors, and Perpetual Corporate Trust is better diversified. In addition, we've welcomed many clients of The Trust Company into our Perpetual Private financial planning business.

The Trust Company acquisition has progressed almost seamlessly. The smoothness of that transition says a lot about the people at The Trust Company. Their firm was effectively in play for 12 months. In the face of uncertainty about their own careers the question most on their minds was, 'What can I do for my clients'. They did an incredible job.

GLOBAL EQUITIES EXTENSION

The Perpetual business has survived for more than 125 years because we've always sought to anticipate the needs of our clients. This process has been at play again recently as we unveiled our move into global equities. We're creating a global investment offering, managed for Australian investors, with the same quality and value biased, bottom-up investment process that has driven our success in Australian shares over many years.

I believe this is a logical, rigorously thought through move. It is one we have been developing for over three years and is set to be a long-term growth engine for Perpetual.

STRONG FOUNDATIONS

We can take these bold steps towards growth – and there are many other growth initiatives across the business – because the foundations are now strong. In Perpetual Investments, we have refocused our distribution capability so successfully that, since June 2012, we have been added to 15 additional platforms and 14 additional adviser approved lists.

Our investment team now looks stronger than ever. Many of our current team have worked here for more than a decade, learning the business from the ground up at Perpetual. It's not one individual, but the model and the combined intellect and energy of the team that create our superior investment performance.

In Perpetual Private, we have a small team of around 50 financial planners. They are professionals who have deep relationships with their clients, some spanning generations. Our advisers are fee-for-service and their clients' best interests have always come first – Perpetual planners don't need regulation to put their client first. In the current environment, these strengths explain both the growth in Perpetual Private over the past year and why that business will continue to grow.

TRUSTS AND TRUST

Some months ago I was speaking to an investment client who had been with Perpetual for over 20 years. He told me he had a son with special needs and was getting to that age where he was worried about who would look after his son in the future. 'I didn't realise that Perpetual did that sort of thing', he said.

In fact, we are specialists in this area. Indeed, The Trust Company acquisition further strengthens our position in philanthropic and trustee services. We are now far and away the largest manager and provider of services to the philanthropy sector.

We service more than 960 charitable trusts, foundations and endowment funds, acting as a conduit between people who want to do good things with their money and those who need that money to do good things.

The Kibble Awards for female authors is one example and the Miles Franklin Literary Awards another. The Ramaciotti Foundation grants – one of which helped Professor Ian Frazer develop the cervical cancer vaccine – are another great example of the good this philanthropic work does. We believe in building a sustainable business and our position in philanthropy is about building sustainable communities too.

RELIABLE, INDEPENDENT, GROWING

A few years ago I received a letter from a very elderly shareholder who told me that she bought her first Perpetual shares as a young woman and now lives off the dividends. At Perpetual, we understand that individuals and companies buy our stock because of our approach to delivering a sustainable dividend over the long term. This year's fully franked dividend is up around 35% on the FY13 dividend. It won't always grow so quickly, but it is our aim to deliver steady improvement by taking a long-term, disciplined and strategic approach to the business and investing in our core strengths.

OUR PLACE AND POSITIONING

Our strategic approach means that in a world full of vertically integrated financial services businesses we have carved out a clear position – nimble, ethical and, most importantly, independent. Whether you're running a platform, establishing a trust or seeking financial advice, you can turn to Perpetual knowing that there is a clear commitment through every level of the business to serve the best interests of the client. That deep sense of a fiduciary duty has driven this business for more than 125 years. It has been crucial to the strategy we have successfully rolled out over the past three years and will underpin our growth ambitions over the next three years.

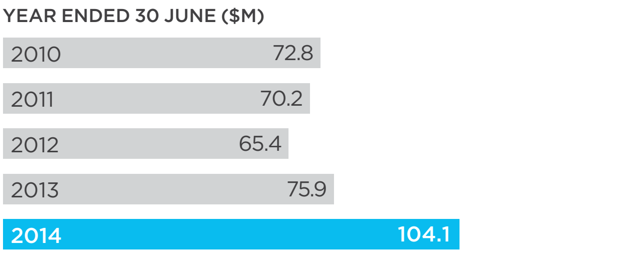
I thank you, our shareholders, for your continued support. I also thank the Board, my management colleagues and every member of the Perpetual team for their contribution in what has been a milestone year for Perpetual. We are ready for a new stage in our long history of growth and service.

PETER SCOTT
Chairman

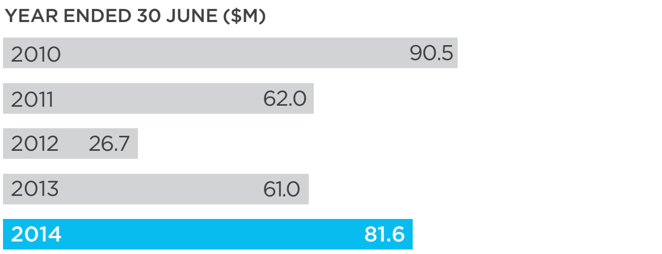
2014 HIGHLIGHTS

2014 was a strong year for Perpetual, its clients and shareholders. Delivery of the Transformation 2015 strategy has created significant momentum across the organisation.

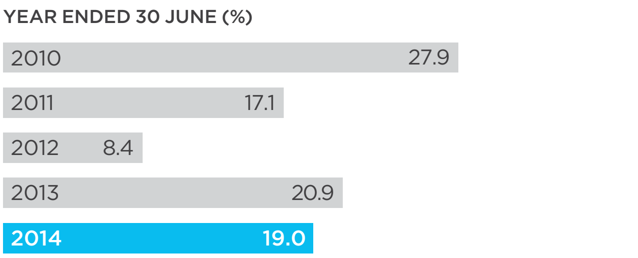
UNDERLYING PROFIT AFTER TAX



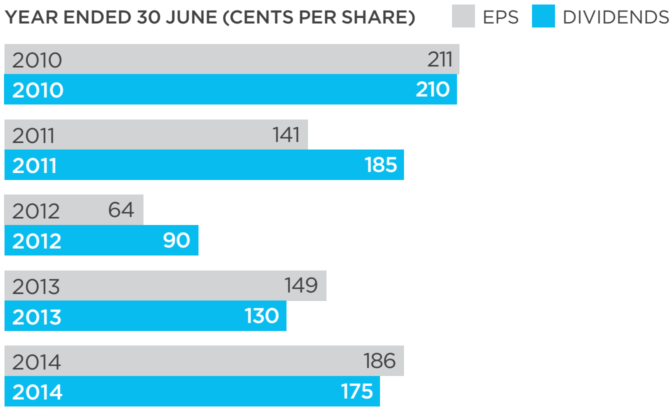
NET PROFIT AFTER TAX



ROE ON NPAT



EPS ON NPAT VS. DIVIDENDS



SEPTEMBER 2013

Perpetual Investments launches the Perpetual Pure Microcap Fund, to offer clients access to a portfolio of quality Australian microcap companies.

OCTOBER

Perpetual reports the first quarter of net inflows for more than four years, reflecting strong investment performance and reinvigorated sales and distribution functions.

NOVEMBER

The Trust Company shareholders vote in favour of Perpetual's acquisition proposal.

DECEMBER

The Trust Company

Perpetual acquires The Trust Company, accelerating the Transformation 2015 growth strategy by bringing together two companies that deliver greater scale and capabilities across each of Perpetual's three business units.

FEBRUARY

FUND MANAGER OF THE YEAR

Perpetual Investments wins the 2014 Morningstar Australian Fund Manager of the Year for the second consecutive year.

MORNINGSTAR Awards 2014

MAY

RESPONSIBLE INVESTMENTS WINNER

Perpetual Investments wins the Responsible Investments category in the 2014 Money Management/Lonsec Fund Manager of the Year awards. It's the second consecutive year that Perpetual has won this award.

JUNE

MILES FRANKLIN LITERARY AWARD

Perpetual, as trustee of the Miles Franklin Literary Award, announces Evie Wyld as the winner of the 2014 award for her novel, *All the Birds, Singing*. Kristina Olsson is awarded the Kibble Literary Award for an established author for *Boy Lost: A Family Memoir*. These awards are another example of philanthropy in action with Perpetual as trustee.

JANUARY 2014

Perpetual's newly sponsored yacht Perpetual LOYAL participates in the Sydney to Hobart race. It takes second place and helps to build awareness of the Perpetual brand.

FEBRUARY

The Euromoney Private Banking and Wealth Management Survey for 2014 gives top billing in Australia to Perpetual Private for its Range of Advisory Services.

Announcing strong results for the first half of FY14 – including a 37% increase in underlying profit after tax on the same period last year – the Perpetual Board resolves to pay a fully franked interim dividend of 80 cents per share, an increase of 30 cents per share on the same period last year.

Perpetual announces that total net flows for the first half of FY14 have increased 17% on the same period last year.

APRIL

A$64.3m

Perpetual announces the sale of New Zealand Guardian Trust Company to Complectus Limited for A$64.3 million. The business was considered non-core to Perpetual's future strategy.

JUNE

In line with its disciplined focus on core businesses, Perpetual enters into an agreement to sell The Trust Company's Retirement Services business. The transaction was completed in September 2014.

CEO'S REPORT

"Today we're a different business, still powerfully independent but more disciplined and with a real clarity about our strengths and where our opportunities lie."

GEOFF LLOYD

2 and 6

WE'VE NOW WON THE MORNINGSTAR AWARD FOR THE PAST TWO YEARS AND SIX TIMES SINCE 2000

$18-$20 million

WE NOW EXPECT TO DELIVER SYNERGY BENEFITS OF $18-$20 MILLION BEFORE TAX PER ANNUM

Decades

THE PERPETUAL INDUSTRIAL SHARE FUND – WHICH WE HAVE BEEN RUNNING FOR DECADES – PAID ITS HIGHEST EVER INCOME DISTRIBUTION IN 2014

Dear Shareholder

When I first started working at Perpetual, I knew I was joining a company that had been trusted for generations. However, all across the business there was a realisation that many things needed to change – we needed to become smaller and simpler and more focused.

Today we're a different business, still powerfully independent, but more disciplined and with a real clarity about what our strengths are and where our opportunities lie. Crucially, we made big changes to our business without damaging our clients' experience of Perpetual. Indeed, in many ways we have improved that experience. That's one of the things I'm most pleased about as I look back at our performance in FY14.

THE TRANSFORMATION 2015 STRATEGY

As shareholders will understand from previous annual reports, over the past three years we have been focused on transforming Perpetual though the Transformation 2015 strategy that was designed to simplify, refocus and grow the business. I am very pleased with progress and delighted that this year we have completed the simplify and refocus phases. Our universal emphasis is now on growth – whilst maintaining our focus and discipline.

Our early initiatives to resize the business and concentrate on areas of deep expertise and sustainable advantage have put us in a position to confidently seek those growth opportunities. Growth was always part of the plan, but there was work do before we put it at the centre of our strategy.

PERPETUAL INVESTMENTS

In Perpetual Investments, Funds Under Management (FUM) was up to $29.8 billion at the end of the financial year. That's an increase of $4.5 billion on last financial year. Notably, in addition to growing FUM, we've been able to maintain good margins in one of the world's most competitive funds management markets.

That excellent business growth is underpinned by the consistent investment performance we delivered for clients, with strong results across Australian share, credit and diversified funds. The majority of the core funds we manage are in the first or second quartile of performance rankings over three, five and ten-year periods.

"When you consider the continued growth of our super system – expected to be worth $3 trillion by 2020 – global equities becomes a compelling opportunity."

To take one specific example, the Perpetual Industrial Share Fund – which we have been running for decades – paid its highest ever income distribution in 2014. That's the kind of investment performance that saw Perpetual awarded the Morningstar Fund Manager of the Year Award for 2014.

We've now won that award for the past two years and six times since 2000. That's a credit to our team and the time-tested Perpetual investment philosophy and process which they live and breathe every day.

PERPETUAL PRIVATE

The Perpetual Private business grew its Funds Under Advice (FUA) at the end of FY14 by 40% on FY13.

Some $2.9 billion of that FUA growth is the product of the acquisition of The Trust Company and reflects the way we have been able to bring those clients across to Perpetual and deliver the level of service and expertise they had come to expect.

Our results also reflect our decision to invest in a new platform back in 2012. We also invested heavily in technology and targeted our marketing, capability mix and services at specific client groups within the high net worth segment. We've also managed our cost to income ratio so that it fell this year and will fall again next year.

CEO'S REPORT
Continued

40%

THE PERPETUAL PRIVATE BUSINESS GREW ITS FUNDS UNDER ADVICE (FUA) AT THE END OF FY14 BY 40% ON FY13

76

WE HAVE ACHIEVED EXCEPTIONAL DEAL FLOW IN THE PAST 12 MONTHS, WINNING 76 NEW DEALS IN PERPETUAL CORPORATE TRUST

Global

IN FY15, PERPETUAL LAUNCHED A NEW GLOBAL SHARE FUND

One other important aspect of the past year for Perpetual Private is that we not only managed to grow the business but, in a particularly difficult market environment, strengthened our clients' trust in Perpetual as their advice provider.

Independent research shows that our brand strength has improved year-on-year amongst high net worth Australians and that our clients and referral partners are more likely to recommend Perpetual Private. I believe these results reflect the investments we made in our financial planning team and the quality of the service we provide. They reflect a culture that instinctively puts the client first and was structured as fee-for-service well before that became a legislative requirement.

PERPETUAL CORPORATE TRUST

In Perpetual Corporate Trust we have achieved exceptional deal flow in the past 12 months, winning 76 new deals. The smoothness of The Trust Company integration can be seen in the fact that 36 of those deals were completed in the second half of FY14.

As our Chairman has mentioned, the acquisition means Perpetual now has two strong businesses, both with scale, strong capital backing and clear positioning. Both are now growing their market share in segments that are themselves growing. In securitisation, our book is increasing and would have grown even faster except for cautious consumers who continue to pay down their mortgages at an elevated rate in this low interest rate environment.

In fund services in the property and infrastructure sector, the Fraser Trusts deal highlighted a number of interesting aspects of our offering. Firstly it is a Real Estate Investment Trust deal, an area where The Trust Company brings us significant strength. Secondly, it involves the Singapore business that we acquired with The Trust Company acquisition. That office now has a seven-year history and excellent client relationships that give us the ability to generate revenues in Australia from clients in Asia. This is an exciting growth avenue for our business.

GROWTH – GLOBAL EQUITIES

In FY15, Perpetual will launch a new global share fund. This move is a logical extension of Perpetual's equities investment philosophy, process and team.

We're making this move because we know we have the capability to be successful. Our investment management team has never been stronger or more experienced and are totally committed to this new venture. Just as importantly, clients were asking us for a product in this space. When you consider the continued growth of our super system – expected to be worth $3 trillion by 2020 – global equities becomes a compelling opportunity.

This new fund – the Perpetual Global Share Fund – has been successfully incubated over more than three years and I believe the results prove our ability to compete in this sector. My vision for Perpetual's place in global equities is ambitious but simple. Within three years I want us to be managing a billion dollars in global equities on behalf of our clients.

GROWTH – THE TRUST COMPANY ACQUISITION

As this brief review of our core businesses has shown, the integration of The Trust Company operations is already a serious growth generator across the business and especially in Perpetual Private and Perpetual Corporate Trust where it added combined revenue of over $35 million in the past financial year.

Thanks to the dedication and expertise of many people across both businesses we added that growth to Perpetual while achieving greater synergies than expected. We now expect to deliver synergy benefits of $18–$20 million before tax per annum as compared to the $15 million per annum before tax we anticipated when we acquired The Trust Company.

POSITIONING, PEOPLE, CULTURE

As a business, we now look very different to many of the companies we compete with. That works for us because Perpetual is now an attractive, independent alternative for clients across the funds management, financial planning and trust markets. Perpetual is also a great place to work, because people are committed to each other and to their clients.

In the next year we aim to maintain and build on our recent success, using the clarity and discipline that have driven us for the past three years and the client focus that has underpinned Perpetual for more than 125 years.

I look forward to speaking with you at our Annual General Meeting on 30 October 2014.

GEOFF LLOYD
Chief Executive Officer
and Managing Director

“Perpetual is now an attractive, independent alternative for clients across the funds management, financial planning and trust markets. Perpetual is also a great place to work, because people are committed to each other and to their clients.”

THE PERPETUAL EXECUTIVE LEADERSHIP TEAM

FROM LEFT TO RIGHT: CHRIS GREEN, GEOFF LLOYD, REBECCA NASH, GILLIAN LARKINS, MARK SMITH AND MICHAEL GORDON

2014 GROUP RESULTS

THE TRUST COMPANY INTEGRATION

ESTIMATED SYNERGY BENEFITS UP FROM $15M TO $18-20M PER ANNUM BEFORE TAX

$18-20m

The strong results reflect the disciplined execution of Perpetual's Transformation 2015 strategy and are underpinned by continued strong investment performance. All of Perpetual's businesses made a positive contribution to the overall result.

FIVE-YEAR PROFILE

		JUNE 2010	JUNE 2011[10]	JUNE 2012[10]	JUNE 2013[10]	JUNE 2014[10]
Total revenue[1]	$m	422.3	404.4	357.5	361.6	437.7
Underlying EBITDA[2]	$m	152.0	137.8	116.1	130.6	176.1
Underlying profit before tax[3]	$m	107.7	101.6	91.0	107.4	146.8
Underlying profit after tax (UPAT)[3]	$m	72.8	70.2	65.4	75.9	104.1
Net profit after tax (NPAT)[4]	$m	90.5	62.0	26.7	61.0	81.6
Earnings per share (UPAT)[5]	cents	169	160	157	185	238
Earnings per share (NPAT)[5]	cents	211	141	64	149	186
Return on average shareholders' equity – UPAT[6]	%	22.4	19.4	20.6	26.1	24.2
Return on average shareholders' equity – NPAT[7]	%	27.9	17.1	8.4	20.9	19.0
Dividend per share – ordinary[8]	cents	210	185	90	130	175
Total equity at 30 June	$m	361.0	376.1	280.5	323.7	556.4
Capital expenditure	$m	11.8	13.9	10.2	14.2	6.6
Market capitalisation	$m	1,227	1,114	961	1,486	2,207
No. of shares on issue – weighted average[9]	m	43.0	44.0	41.7	41.0	43.8
No. of shares on issue at 30 June[9]	m	43.4	44.7	42.0	42.0	46.6
Share price at 30 June	$	28.26	24.93	22.90	35.40	47.38
Share price range for year	$ low	25.36	24.39	19.24	22.30	34.76
	$ high	41.15	39.39	27.35	45.54	52.93

1. Excludes income from structured investments.
2. EBITDA represents earnings before interest, taxation, depreciation, amortisation of intangible assets, equity remuneration expense and significant items.
3. Excludes significant items and costs of major strategic initiatives.
4. Attributable to equity holders of Perpetual Limited.
5. Diluted earnings per share calculated using the weighted average number of ordinary shares and potential ordinary shares on issue.
6. Calculated using underlying profit after tax.
7. Calculated using net profit after tax.
8. Dividends declared with respect to the financial year.
9. Includes ordinary shares and potential ordinary shares.
10. Total revenue, underlying EBITDA, underlying profit before tax and underlying profit after tax exclude discontinued operations for the years ended 30 June 2014, 30 June 2013, 30 June 2012 and 30 June 2011.

TRANSFORMATION 2015

ANNUALISED COST SAVINGS

$50m

pre-tax to date

UNDERLYING PROFIT AFTER TAX

$104.1 MILLION, UP 37%

$104.1m

UPAT EARNINGS PER SHARE

CPS 238, UP 29% ON FY13

NET PROFIT AFTER TAX

$81.6 MILLION, UP 34%

FINANCIAL RESULTS

Perpetual Limited recorded underlying profit after tax (UPAT) of $104.1 million, up 37% on the previous financial year. Statutory net profit after tax (NPAT) was $81.6 million, up 34%.

The key drivers behind the improvement in earnings included the benefits from the realised cost savings under the Transformation 2015 strategy, an improvement in equity markets and net funds flows, plus seven months' contribution from the acquisition of The Trust Company.

TRANSFORMATION 2015 STRATEGY – TWO PHASES COMPLETED

The improvement in underlying profit performance included the second year of realised cost savings under the Transformation 2015 strategy. The first two phases of the strategy – 'simplify' and 'refocus' – have been completed on plan, delivering annualised savings of $50 million pre-tax to date.

The success of the Transformation 2015 strategy is reflected in the two year results since its launch: UPAT has increased by 59% from $65.4 million in FY12 to $104.1 million in FY14. NPAT has grown threefold in the same period.

As the strategy moves into its third year, Perpetual's focus is firmly on the growth agenda.

THE TRUST COMPANY ACQUISITION

On 18 December 2013, Perpetual acquired The Trust Company, bringing together two highly complementary businesses with a shared fiduciary and service heritage and delivering greater scale and capabilities across each of Perpetual's three business units.

As part of the integration program, Perpetual has been disciplined in exiting two non-core businesses:

- in April 2014, the New Zealand-based Guardian Trust business was divested for NZ$69.5 million, equivalent to A$64.3 million
- on 1 July 2014, it was announced that The Trust Company (Superannuation) Limited was to be sold for $2.7 million, with the sale of the business settled in September 2014.

The Trust Company business has been integrated into Perpetual Private and Perpetual Corporate Trust, adding $19.7 million and $15.7 million of revenue respectively to those businesses.

Due to the successful integration program and the capture of strategic opportunities, Perpetual now expects to deliver synergy benefits of $18-$20 million per annum before tax. This compares to the estimate of $15 million per annum before tax at time of acquisition. The estimated cost of the integration program remains approximately $30 million.

MARKET ENVIRONMENT

The main drivers of total revenue are the value of funds under management (FUM) in Perpetual Investments and funds under advice (FUA) in Perpetual Private. These are heavily influenced by the performance of the Australian equity market.

The average value of the Australian equity market in the reported period, as measured by the S&P/ASX All Ordinaries Price Index was around 13% higher than the average in the previous year. In line with this, Perpetual generated $440.6 million of total operating revenue in FY14, $70.9 million or 19% higher than the previous year.

Perpetual Corporate Trust's funds under administration is primarily influenced by issuance activity in residential mortgage backed securities (RMBS) which experienced an uplift over the past year.

FINAL DIVIDEND

The Board determined a FY14 fully franked final dividend of 95 cents per share, bringing total fully franked dividends for the 12 months to 175 cents per share. This represents an increase of 45 cents per share or 35% on the previous year. The final dividend is payable on 3 October 2014.

PERPETUAL INVESTMENTS

Business Review

MICHAEL GORDON
Group Executive, Perpetual Investments

Perpetual Investments continued to deliver consistent investment outperformance across its portfolio during FY14.

In FY14, Perpetual Investments delivered profit before tax of $113.6 million, up 30% on the previous year. This was driven by equity market gains, strong investment performance, a return to positive net inflows and a continued focus on expenses.

FOR THE 12-MONTH PERIOD ENDED 30 JUNE	2014 $M	2013 $M	CHANGE $M	CHANGE %
Revenue	222.5	195.9	26.6	14
Operating expenses	(108.9)	(108.7)	(0.2)	–
Profit before tax	**113.6**	**87.2**	**26.4**	**30**

The business generated revenue of $222.5 million in FY14, representing a $26.6 million or 14% increase on FY13. The key revenue drivers included a return to positive net inflows for the first time in seven years. This reflects continued investment outperformance, the strength of the asset management team and a reinvigorated sales and distribution strategy.

Market returns also supported this turnaround with the All Ordinaries Price Index increasing by 13% during the period.

The positive net flows and equity market growth resulted in average FUM of $28.7 billion[1] for the year, 15% higher than average FUM of $24.9 billion in FY13. Perpetual Investment's FUM as at 30 June 2014 was $29.8 billion, with net inflows of $1.1 billion for the year.

Strong revenue drivers and a continued focus on expenses have enabled the business to improve its profit margin on revenues from 45% in FY13 to 51% in FY14.

Perpetual Investments continued to deliver consistent investment outperformance across its portfolio during FY14. The main funds and strategies outperformed over the short, medium and long term, with the majority of the Group's core funds again represented in the first or second quartile of performance rankings over a five-year period[2].

As part of Transformation 2015, the reinvigorated sales and distribution team has continued to improve the distribution of Perpetual's funds. Since June 2012, Perpetual Investments products have been included on 15 additional investment platforms, 14 additional financial adviser approved product lists and 17 additional models, as well as achieving new ratings and rating upgrades.

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

1. Excludes The Trust Company.
2. Mercer wholesale surveys, quartile rankings, June 2014.

EXCESS/(UNDER) INVESTMENT PERFORMANCE PA – GROSS AS AT END JUNE 2014

PERIOD	AUSTRALIAN SHARE FUND	INDUSTRIAL SHARE FUND	SMALLER COMPANIES FUND	CONCENTRATED EQUITY FUND	SHARE-PLUS LONG-SHORT FUND	ETHICAL SRI FUND	DIVERSIFIED INCOME FUND	ACTIVE FIXED INTEREST FUND
1 year	2.0	2.7	13.9	3.2	6.8	2.5	3.7	1.4
3 year pa	3.9	1.2	14.5	5.7	10.1	10.6	3.4	1.7
5 year pa	4.1	0.6	14.6	4.3	8.4	11.1	4.8	1.8
7 year pa	3.9	2.4	10.6	5.3	7.3	6.4	0.9	1.0
10 year pa	2.9	1.6	7.4	3.4	4.8	5.7	–	–

Total returns shown have been calculated using gross performance and assuming reinvestment of distributions. No allowance has been made for fees or taxation. Past performance is not indicative of future performance.

PERPETUAL PRIVATE

Business Review

MARK SMITH

Group Executive, Perpetual Private

The improved results reflect the decision in 2012 to reinvest in Perpetual Private and build a leading private wealth business.

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

Total revenue of $143.8 million was up 24% on FY13 and the cost-to-income ratio improved from 92% in FY13 to 85% in FY14.

Perpetual Private's funds under administration (FUA) at 30 June 2014 was $12.6 billion, up 40% on the previous year, reflecting positive net flows, equity market movements and the addition of The Trust Company.

The profit margin on revenues increased from 8.0% in FY13 to 15.0% in FY14.

Despite pressure on margins across the market, Perpetual Private's market related revenue margin increased by 5bps in FY14 to 86bps.

The improved results reflect the decision in 2012 to reinvest in Perpetual Private and build a leading private wealth business, focused on specific segments of the high net worth market.

Over the past two years, Perpetual has invested in the transition to a new market-leading portfolio administration platform, more clearly defined its target segments, determined a robust strategy for generating referrals and further tailored its services for the high net worth market. The aim was to build a more scalable business, set for growth.

FOR THE 12-MONTH PERIOD ENDED 30 JUNE	2014 $M	2013 $M	CHANGE $M	CHANGE %
Revenue	143.8	115.7	28.1	24
Operating expenses	(122.2)	(106.5)	(15.7)	15
Profit before tax	**21.6**	**9.2**	**12.4**	**135**

The timely acquisition and integration of The Trust Company business has added further scale and accelerated growth in Perpetual Private.

Now, with the acquisition of The Trust Company, Perpetual Private is Australia's largest public philanthropy business, distributing $83 million from charitable trusts in the last year.

In a relatively new market segment where we are leveraging our significant experience in professional trustee services, we were pleased to be appointed to four new Native Title mandates during the year.

Perpetual Private was this year proud to be recognised by Euromoney as number one for our Range of Advisory Services in Australia. Further recognition came via Money Management's Top 100 Dealer Group Survey, where Perpetual ranked number one in funds under advice per client and number two in funds under advice per adviser.

The business is well positioned to continue its path to growth, leveraging our high quality client proposition.

135%

PROFIT BEFORE TAX UP 135% ON FY13

$143.8m

TOTAL REVENUE

$12.6bn

FUNDS UNDER ADMINISTRATION

PERPETUAL CORPORATE TRUST

Business Review

CHRIS GREEN
Group Executive, Perpetual Corporate Trust

Perpetual Corporate Trust is now the market leader in Trust Services and Fund Services.

Perpetual Corporate Trust's FY14 profit before tax was $25.7 million, an increase of $7.4 million or 40% on the previous year.

This reflects improved securitisation markets and the addition of seven months of The Trust Company business. Perpetual Corporate Trust is now the market leader in Trust and Fund Services.

The business improved its profit margin to 38% in FY14, compared to 37% in FY13.

Key drivers for the improvement in profit were a full 12 months of cost benefits associated with the divestment of the non-core loan servicing business in February 2013 and additional savings of $1.5 million from the Transformation 2015 strategy.

Perpetual Corporate Trust generated total revenues of $67.4 million in FY14, which represented an increase of $17.6 million or 35% from $49.8 million in FY13. The addition of The Trust Company helped drive this growth, particularly within Fund Services.

Perpetual Corporate Trust incurred total expenses of $41.7 million in FY14, comprising operating expenses, depreciation, amortisation and equity remuneration expenses. Total expenses were 32% higher than in FY13, largely driven by the addition of The Trust Company.

FOR THE 12-MONTH PERIOD ENDED 30 JUNE	2014 $M	2013 $M	CHANGE $M	CHANGE %
Revenue	67.4	49.8	17.6	35
Operating expenses	(41.7)	(31.5)	(10.2)	32
Profit before tax	**25.7**	**18.3**	**7.4**	**40**

Following the disciplined divestment of three non-core businesses in FY13, Perpetual Corporate Trust this year continued to focus on its core offerings and exited two businesses from The Trust Company. The New Zealand Guardian Trust Company was sold to Complectus Limited for A$64.3 million. In addition, the Retirement Services business was sold in September 2014 for $2.65 million.

The Trust Services business continues to grow alongside improvement in the Australian securitisation market. This has been driven in particular by the significant growth in RMBS. However, the low interest rate environment means people are paying down their mortgage balances at an accelerated rate, which continues to drive higher than-average run off.

There is significant growth potential in Fund Services with Perpetual Corporate Trust well placed to benefit from the Federal Government's policy to increase infrastructure investment.

$25.7m
PROFIT BEFORE TAX

$67.4m
TOTAL REVENUE

2
SALE OF TWO NON-CORE BUSINESSES

DIRECTORS' REPORT

DIRECTORS' REPORT

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 2014 and the auditor's report thereon.

DIRECTORS

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

PETER B SCOTT

Chairman and Independent Director
BE (Hons), M Eng Sc (Age 60)

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

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

Listed company directorships held during the past three financial years:

- Stockland Corporation Limited (from August 2005 to the present)

PAUL V BRASHER

Independent Director
BEc (Hons), FCA (Age 64)

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

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

Listed company directorships held during the past three financial years:

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

PHILIP BULLOCK

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

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

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

Listed company directorships held during the past three financial years:

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

SYLVIA FALZON

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

Appointed Director in November 2012. Ms Falzon has worked in the financial services industry for over

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

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

Listed company directorships held during the past three financial years:

- SAI Global Limited (from October 2013 to present)

ELIZABETH M PROUST AO

Independent Director
BA (Hons), LLB, FAICD (Age 63)

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

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

Listed company directorships held during the past three financial years:

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

P CRAIG UELAND

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

Appointed Director in September 2012. Mr Ueland was formerly President and Chief Executive Officer of Russell Investments, a global leader in multi-manager investing. He previously served as Russell's Chief Operating Officer, Chief Financial Officer, and Managing Director of International Operations, which he led from both London and the firm's headquarters in the US. Earlier in his career he opened and headed Russell's first office in Australia. Mr Ueland serves on the Endowment Investment Committee for The Benevolent Society and will be appointed to the board of the Stanford Australia Foundation in late November 2014. He is Chairman of Perpetual's Investment Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

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

GEOFF LLOYD

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

Appointed Managing Director and Chief Executive Officer in February 2012. Prior to this appointment, Mr Lloyd joined Perpetual in August 2010 as Group Executive of Perpetual Private and has led the development and implementation of the growth strategy for this business unit. He took on the additional responsibility of Head of Retail Distribution in September 2011. Mr Lloyd was previously General Manager, Advice and Private Banking at BT Financial Group (BTFG) following the merger with St George's Wealth Management business. Prior to the merger, he led St George's entire wealth management portfolio and was a member of the St George Bank Group Executive reporting to the CEO. He has held many senior positions at BTFG, including Chief Legal Counsel and Head of the Customer and Business Services Division.

Mr Lloyd is a board member and Deputy Chair of the Financial Services Council.

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

ALTERNATE DIRECTOR

GILLIAN LARKINS
Alternate Director
BCom, Grad Dip, MBA, CA, GAICD (Age 43)

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

Ms Larkins has also served on the board of Hastings Funds Management as a Non-Executive Director from 2009 to 2011.

COMPANY SECRETARIES

JOANNE HAWKINS
BCom, LLB, Grad Dip CSP FGIA

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

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

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

DIRECTORS' MEETINGS

The number of directors' meetings which directors were eligible to attend (including meetings of board committees) and the number of meetings attended by each Director during the financial year to 30 June 2014 were:

	BOARD*		AUDIT, RISK AND COMPLIANCE COMMITTEE		INVESTMENT COMMITTEE		NOMINATIONS COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
P B Scott	15	15	–	–	–	–	2	2	–	–
P V Brasher	15	14	7	7	–	–	2	2	6	6
P Bullock	15	15	–	–	5	5	–	–	6	6
S Falzon	15	15	7	7	5	5	–	–	–	–
E M Proust	15	15	7	7	–	–	2	2	6	6
P C Ueland	15	14	7	7	5	5	2	2	–	–
G Lloyd	15	15	–	–	–	–	–	–	–	–

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

PERPETUAL'S CORPORATE RESPONSIBILITY STATEMENT

Perpetual's Corporate Responsibility Statement, which meets the requirements of Australian Securities Exchange Listing Rule 4.10.3, is located on the Corporate Responsibility page of Perpetual's Shareholder Centre at www.perpetual.com.au/corporate-responsibility

To access the page via our main website page, go to www.perpetual.com.au, then click on the 'Shareholders' option in the menu.

You will then be taken to the Shareholder Centre, where you can access Perpetual's Corporate Responsibility page by clicking on the 'Corporate Responsibility' option.

In the Corporate Responsibility page, you can then find our Corporate Responsibility Statement by clicking on the 'Corporate Responsibility Statement' link in the text of the page.

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.

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 2014, Perpetual reported a net profit after tax of $81.6 million compared to the net profit after tax for the financial year to 30 June 2013 of $61.0 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2014 financial year is as follows:

RECONCILIATION OF UNDERLYING PROFIT AFTER TAX	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**81,618**	**60,968**
Significant items after tax		
Transformation and restructuring costs[1]	14,350	10,732
Gain on disposal of investments	(2,048)	829
Gain on the sale of businesses/discontinued operations	(1,020)	(2,595)
Impairment of assets	–	103
Foreign currency translation costs[2]	–	5,207
Net tax benefit on non-recurring capital/equity items	(1,218)	(387)
Trust Co due diligence costs for Trust Company scheme of arrangement	4,429	1,463
Trust Co integration costs	10,020	–
Underlying profit after tax attributable to equity holders of Perpetual Limited	**106,131**	**76,320**
Underlying profit after tax from discontinued operations	2,016	426
Underlying profit after tax from continuing operations	104,115	75,894

1. Transformation and restructuring costs relate to the continued investment of the consolidated entity to achieve its Transformation 2015 strategy announced on 25 June 2012 of reducing annualised operating expenses by $50 million per annum by FY15.
2. The foreign currency translation costs of $5.2m in 2013 are a non-cash expense which relate to the reclassification of the Foreign Currency Translation Reserve (FCTR) to the Statement of Comprehensive Income as a result of the closure of the business in Dublin which has ceased operations. The legal entity through which the business operated has been liquidated and deregistered.

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
Declared and paid during the financial year 2014				
Final 2013 ordinary	80	33,585	franked	4 Oct 2013
Interim 2014 ordinary	80	37,223	franked	4 Apr 2014
Total		70,808		
Declared after end of year				
After balance date, the directors declared the following dividend:				
Final 2014 ordinary	95	44,246	franked	3 Oct 2014
Total		44,246		

\# 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 2014 financial statements and will be recognised in subsequent financial reports.

STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

The consolidated entity acquired 100 per cent of The Trust Company Limited (Trust Co) and took effective control from 4 December 2013 for a consideration of $277.6m, comprising cash consideration of $77.7m and equity consideration of $199.9m. The acquisition of Trust Co contributes to the Company's strategy of refocussing on areas of competitive advantage. Post-acquisition, on 4 April 2014, the consolidated entity sold Guardian Trust, a New Zealand business included within Trust Co for NZD $69.5m (AUD$64.3m) as it was considered non-core to Perpetual's strategy and best placed with an experienced local owner to take the business forward.

EVENTS SUBSEQUENT TO REPORTING DATE

Perpetual has entered into an agreement with Diversa Limited to sell The Trust Company (Superannuation) Limited. The agreed consideration is $2.65 million in cash and the acquisition is expected to settle on or before 1 September 2014.

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 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 on pages 54 to 88. Further information about business strategies, future prospects, 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.

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.

Dear Shareholder,

On behalf of your Board, I am pleased to present our Remuneration Report for 2014.

The 2014 financial year has further built on the strength of our Transformation 2015 strategy. We have delivered strong underlying business performance, which is demonstrated through our above plan UPAT result and our ability to deliver another increased dividend payment for our shareholders.

The year has been one of further change for Perpetual with our acquisition of The Trust Company in December 2013. We are well along our path to integrating our businesses, and this will continue into the 2015 financial year.

Our strong business results have been reflected in the variable reward outcomes for our employees, and I am pleased to be able to confirm that we were in a position to make available a fully funded short-term incentive pool for our people to reward them for their dedication, contribution and commitment to a successful 2014.

As our executive team shapes the future of Perpetual, your Board considers this team to be increasingly important to our long-term success. As a result we reviewed the remuneration for this team for the coming year and we have increased the proportion of long-term incentives available to the Managing Director and the Group Executives to ensure we retain this team that is delivering strong returns for our shareholders and building long-term value for our organisation and increased alignment to shareholder interests.

We will continue to review and refine our remuneration arrangements in line with our organisation's growth and as our operating environment changes, to ensure they remain effective in attracting and retaining the best talent to drive Perpetual forward.

Thank you for taking the time to read this report.

ELIZABETH M PROUST AO
Chairman, People and Remuneration Committee

CONTENTS

ABOUT THIS REPORT

This report sets out the remuneration arrangements for all Key Management Personnel (KMP), being the Managing Director, the Group Executives, and the Non-executive Directors of Perpetual Limited for the year ended 30 June 2014. The information in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

1. KEY TERMS USED IN THIS REPORT

Annualised target remuneration	The total remuneration calculated as the sum of Fixed Remuneration, STI at target and the face value of LTI grants.
Balanced scorecard	The business performance measures agreed by the Board to assess Company performance for the purposes of determining the funding of the short-term incentive pool. More details are on page 32.
EPS	Earnings per share (EPS) for the purpose of determining performance against LTI performance targets. When measuring the growth in EPS to determine the vesting of long-term incentive awards, we define EPS as Net Profit After Tax (NPAT) divided by the average number of issued shares during the year. The Board may adjust EPS for items such as those of a capital nature that do not reflect management and employee performance and day-to-day business operations and activities. The underlying principles for making EPS adjustments is that the vesting outcome should reflect the contribution of participants and that the adjustments should not provide a disadvantage or advantage to participants.
Executives	The Managing Director and Group Executives.
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 Managing Director, Group Executives and Non-executive Directors of Perpetual.
LTI	Long-term incentive. LTI seeks to align executive remuneration with sustainable shareholder wealth creation. More details are on page 34.
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 S&P/ASX 50).
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. For executives, a fixed portion of STI is paid in cash and a portion deferred into Perpetual shares. The Board retains discretion to claw back deferred STI shares in certain circumstances. More details are on page 31.
TSR	Total shareholder return. TSR is defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date.
UPAT	Underlying profit after tax is derived from NPAT after excluding significant items which are considered to be either non-recurring or not part of the operating results. Underlying profit after tax has been prepared in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 Disclosing non-IFRS financial information. Underlying profit after tax 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.

2. KEY MANAGEMENT PERSONNEL

Below are Perpetual's KMP this year:

NAME	POSITION	TERM
Non-executive Directors		
Peter Scott	Chairman	Full year
Paul Brasher	Independent Director	Full year
Philip Bullock	Independent Director	Full year
Sylvia Falzon	Independent Director	Full year
Elizabeth Proust	Independent Director	Full year
Craig Ueland	Independent Director	Full year
Managing Director		
Geoff Lloyd	Chief Executive Officer and Managing Director	Full year
Current Group Executives		
Michael Gordon[1]	Group Executive, Perpetual Investments	Full year
Christopher Green	Group Executive, Corporate Trust	Full year
Gillian Larkins	Chief Financial Officer	Full year
Rebecca Nash	Group Executive, People and Culture	Full year
Mark Smith	Group Executive, Perpetual Private	Full year
Acting Group Executives during the year		
Paul Statham[1]	Acting Group Executive, Perpetual Investments	From 10 September 2013 to 30 April 2014

1. Mr Gordon was on leave for medical reasons for part of the year. During this time he continued to hold KMP responsibilities, however Paul Statham acted on Michael Gordon's behalf to manage day to day responsibilities of the Group Executive Perpetual Investments role. Given this, both are deemed to be KMP during this period.

3. REMUNERATION SNAPSHOT

3.1 REMUNERATION OUTCOMES IN FY14

A summary of the remuneration outcomes for the Managing Director and Group Executives for FY14 is set out below.

REMUNERATION COMPONENT	FY14 OUTCOMES
Fixed Remuneration	
Managing Director and CEO	There was no increase to the fixed remuneration of the Managing Director during FY14. More information on the remuneration of the Managing Director, including a summary of contractual arrangements, is on page 47.
Group Executives	In line with Perpetual's undertaking to only award increases to employees with fixed remuneration at or above $200,000 where commercially appropriate or in other exceptional circumstances such as promotion, no increases to fixed remuneration were awarded to incumbent Group Executives for FY14. A higher duties allowance was paid to Paul Statham in respect of his Acting Group Executive role during the year.

REMUNERATION COMPONENT	FY14 OUTCOMES
Short-term Incentives	
STI pool	Given the 37% increase in underlying profit from FY13 and performance against other measures in the Company balanced scorecard, the STI pool was fully funded for FY14, compared to 88% in FY13. A summary of the FY14 balanced scorecard, including an assessment of performance against the measures, is set out on page 32.
Managing Director and CEO	Based on the Board's assessment of the performance of the Managing Director, a short-term incentive of $1,313,400 was awarded to Geoff Lloyd. Of this, 40% (or $525,360) will be deferred in the form of Perpetual shares with vesting after two years subject to service conditions and claw-back provisions. This equates to an achievement rate of 119% of his short-term incentive target for FY14, compared to an achievement rate of 89% awarded in FY13.
Group Executives	The Board approved short-term incentive awards to Group Executives ranging between 88% and 115% of their respective targets, based on the recommendations of the Managing Director. 40% of the short-term incentive award for each Group Executive for FY14 will be deferred in the form of Perpetual shares with vesting after two years subject to service conditions and claw-back provisions. Details of STI outcomes for Group Executives are included in the remuneration tables on pages 34 and 40.
Long-term Incentives	
Managing Director and CEO	Effective 1 October 2010, Geoff Lloyd was awarded an LTI grant (2010 LTI) of 21,915 shares for which vesting was subject to TSR and EPS growth performance targets over a three year period. 88% of the portion of Mr Lloyd's LTI grant subject to a TSR performance vested on 1 October 2013 as Perpetual's TSR performance over the performance period ranked at the 69th percentile. This resulted in 9,642 shares vesting to Mr Lloyd. The portion of Mr Lloyd's 2010 LTI grant subject to an EPS growth performance lapsed without value as the performance measure was not met. As a result 10,958 shares were forfeited by Mr Lloyd.
Group Executives	As a result of the 2010 LTI vesting outcomes (as mentioned above for Managing Director and CEO), 4,642 shares vested to Mr Green based on the TSR performance outcome. The portion of the grant subject to EPS growth performance (5,276 shares) was forfeited as the performance hurdle was not met. No other current Group Executive participated in the 2010 LTI grant. The 2009 LTI award to executives was re-tested on 1 October 2013. The EPS growth performance targets were not met resulting in forfeiture of that portion of the grant. The TSR portion of the grant vested at 54%. Chris Green was the only Group Executive with a 2009 LTI grant who remained in service. As a result of the re-test 1,769 shares vested to Mr Green. The 2009 LTI is the last grant that included re-testing in the terms and conditions. Further detail on the LTI performance measures is on page 34.
Other payments	
Group Executives	Michael Gordon was reimbursed for costs associated with his relocation from the UK to Sydney as agreed in his contract of employment.
Non-executive Director fees	Total fees paid to Non-executive Directors in FY14 were $1,132,847, which represented a reduction of 1% from the total fees of $1,146,950 paid in FY13. The total remuneration available to Non-executive Directors remains at $2,250,000, as approved by shareholders at the 2006 Annual General Meeting. Further detail on Non-executive Director remuneration is provided on page 49.

3.2 FIXED REMUNERATION INCREASES FOR FY15

In consideration of market movement all employees including the Managing Director and Group Executives were eligible for a fixed remuneration increase in FY15. A budget increase on average of 3.5% was applied to all eligible employees, which included the increase in Superannuation Guarantee (SG) to 9.5% effective 1 July 2014.

3.3 MANAGING DIRECTOR AND GROUP EXECUTIVE REMUNERATION REVIEW FOR FY15

The Board has reviewed the remuneration package for the Managing Director and Group Executives, and has decided to provide fixed remuneration increases of between 3% and 3.5% for FY15. The Board also increased the proportion of the long-term incentive component of total remuneration for this key group to ensure this is a strong retention element, and provides alignment between executives and shareholders. The increased LTI proposal for the Managing Director will be presented to shareholders for approval at the upcoming Annual General Meeting.

3.4 ACTUAL REMUNERATION RECEIVED

The table below provides a summary of actual remuneration received by the Managing Director and Group Executives during FY14. This includes:

- fixed remuneration (consisting of cash salary, superannuation, packaged employee benefits, associated fringe benefits tax and higher duties allowances)
- the cash component of short-term incentives awarded for performance in FY13 (paid September 2014)
- the value of equity grants awarded in previous years which vested during the year
- cash dividends received during the year on unvested LTI shares received during the year
- relocation benefits and
- cash termination benefits.

This table differs from the remuneration table on page 40 which has been constructed in accordance with the requirements of the relevant accounting standards.

Actual remuneration received

NAME	TOTAL $	TOTAL FIXED REMUNER-ATION $	STI CASH[1] $	EQUITY VESTED DURING YEAR[2] $	DIVIDENDS PAID ON UNVESTED SHARES DURING YEAR[3] $	SIGN-ON & RELOCATION BENEFITS[4] $	PAYMENTS MADE ON TERMINATION $
Managing Director							
G Lloyd	2,329,716	1,101,609	784,080	388,765	55,262	–	–
Current Group Executives							
M Gordon	1,190,339	465,567	112,046	–	10,471	602,255	–
C Green	1,035,225	440,000	310,464	258,492	26,269	–	–
G Larkins	793,352	650,000	141,449	–	1,903	–	–
R Nash	690,606	570,000	119,005	–	1,601	–	–
M Smith	721,135	560,000	144,012	–	17,123	–	–
Acting Group Executives during the year[5]							
P Statham	276,019	221,322	–	41,774	12,923	–	–
Totals	7,036,392	4,008,498	1,611,056	689,031	125,552	602,255	–

1. Represents the cash portion of STI outcome for FY13 paid in September 2013. P Statham's FY13 STI payment has not been included as he was not acting in a KMP capacity at the time it was earned.
2. For G Lloyd this represents the value at vesting of the 2010 LTI grant made on 1 October 2010. For C Green this represents the value at vesting of the 2009 LTI grant made on 1 October 2009 and the 2010 LTI grant. For P Statham this represents the value at vesting of the time-based component of the 2010 LTI grant made on 1 October 2010. These shares have been valued at $40.32 being the closing market value of Perpetual shares on the vesting date of 1 October 2013.
3. Dividends paid during FY14 on FY13 deferred STI shares and unvested long-term incentives issued prior to 2012.
4. For M Gordon includes cash sign-on bonus (paid August 2013) and approved costs associated with his relocation.
5. Remuneration received while in Acting Group Executive role.

4. THE ROLE OF THE PEOPLE AND REMUNERATION COMMITTEE

The role of the People and Remuneration Committee (PARC) is to help the Board fulfil its responsibilities to shareholders through a strong focus on governance, and in particular, the principles of accountability and transparency.

The PARC operates under delegated authority from the Board. The PARC's terms of reference are available on our website (http://www.perpetual.com.au) and are shown graphically below:

The terms of reference are broad, encompassing remuneration as well as executive development, talent management and succession planning. This enables the PARC to focus on ensuring a high quality of succession planning and executive development at all levels of Perpetual.

The PARC members for FY14 were:

- Elizabeth Proust (Chairman)
- Paul Brasher and
- Philip Bullock.

The PARC met six times during the year. A standing invitation exists to all Directors to attend PARC meetings. Attendance at these meetings is set out on page 20 of the Directors' Report.

At the PARC's invitation, the Managing Director and Group Executive People and Culture attended meetings except where matters associated with their own performance evaluation, development and remuneration were to be 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 consultants.

USE OF REMUNERATION CONSULTANTS

In March 2011, the PARC appointed PricewaterhouseCoopers (PwC) as its principal remuneration consultant to provide specialist advice on executive remuneration and other Group-wide remuneration matters.

During the year PwC provided information to the PARC in respect of executive and Non-executive Director fee benchmarking. This information did not include any recommendations in relation to the remuneration or fees paid to KMP.

5. OUR REMUNERATION PHILOSOPHY AND STRUCTURE

Perpetual's remuneration philosophy is designed to align with and support the achievement of our business strategy, while ensuring remuneration outcomes are aligned with shareholder interests and are market competitive. To that end we have created six guiding principles that direct our remuneration approach.

5.1 REMUNERATION PRINCIPLES

Our remuneration policy is designed around the following six guiding principles:

1. The remuneration structure should attract, motivate and retain the desired talent within Perpetual
2. The remuneration structure should align value creation for shareholders, clients and employees
3. The remuneration structure should embed sound risk management
4. Incentive arrangements should motivate performance
5. Remuneration should be delivered efficiently and effectively considering the level of administration required and
6. The remuneration structure should be supported by a governance framework that avoids conflict of interest and ensures proper controls are in place.

The PARC has also adopted a number of practices that collectively contribute to each remuneration principle.

5.2 ALIGNMENT WITH SOUND RISK MANAGEMENT

When determining the variable (or 'at risk') elements of remuneration, we ensure that risk management is a key performance metric using specific performance goals and targets. Sound risk management practices include:

- deeming employees to be ineligible for the payment of STI in the event they exhibit poor risk behaviours
- incorporating goals that are specifically related to risk management performance measures in individual employee scorecards; these goals are approved by the Board and cascade down to all employees
- performing scenario testing on potential outcomes under any new incentive plans
- regularly reviewing the alignment between remuneration outcomes and performance achievement for existing incentive plans
- deferring a portion of STI into Perpetual shares to align remuneration outcomes with longer-term Company performance
- including provisions in incentive plans for the Board or the PARC to adjust incentive payments downwards, if required, to protect Perpetual's financial soundness, or to respond to significant unexpected or unintended consequences
- including a provision for the Board or the PARC to 'claw back' deferred STI 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 soundness and the desired culture.

5.3 ALIGNMENT WITH SHAREHOLDERS

LINK TO BUSINESS STRATEGY

A key tenet of our remuneration philosophy is that the remuneration strategy should support the achievement of our business strategy while ensuring that remuneration outcomes are aligned with shareholder outcomes.

The remuneration structure for the Managing Director and Group Executives in FY14 was as follows:

Fixed	Fixed remuneration	Set in consideration of 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 'at risk'	STI	60% of STI awards are paid in cash for meeting annual targets aimed at delivering our longer-term strategic plan. Awards are based on individual, divisional and Company performance against stretch targets using financial and longer-term, value-creation measures.	
	Deferred STI	40% of the STI award is deferred into Perpetual shares for two years, with vesting subject to service conditions and claw-back provisions.	Awarded as equity subject to performance hurdles and/or service conditions
	LTI	Granted in the form of performance rights and are subject to service conditions and performance targets measured over a three-year period.	

MINIMUM SHAREHOLDING GUIDELINE

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

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

The value of each performance right or share held in tax deferral by 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 performance rights do not count towards the target holding.

A five-year transition period, from the later of 1 July 2010 or the start of employment, 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.

As at 30 June 2014, progress towards the minimum shareholding target for the Managing Director and each Group Executive was as follows:

	VALUE OF ELIGIBLE SHAREHOLDINGS AS AT 30 JUNE 2014[1] $	VALUE OF MINIMUM SHAREHOLDING GUIDELINE $
Managing Director		
G Lloyd	1,061,738	1,650,000
Group Executives		
M Gordon	–	325,000
C Green	417,370	220,000
G Larkins	–	325,000
R Nash	–	285,000
M Smith	–	280,000

1. Value is calculated through reference to the closing Perpetual share price at 30 June 2014 of $47.38.

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 below).

SHARE DEALING APPROVAL

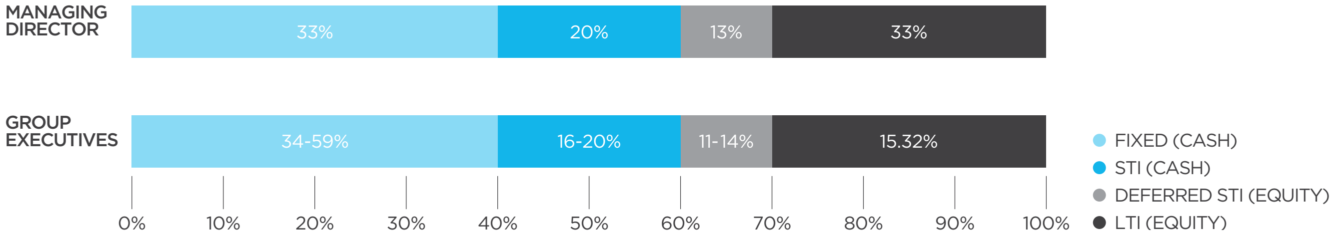
Any share dealings, whether these shares are held personally or were acquired as part of remuneration, require prior approval. The table below shows the approval required:

PERSON WISHING TO DEAL IN SHARES	APPROVAL REQUIRED FROM
Managing Director	Chairman
Director	Chairman
Chairman	Nominated Director
Group Executive	Managing Director
An employee likely to have price-sensitive information	Managing Director/Company Secretary

5.4 REMUNERATION MIX

The Managing Director and all Group Executives continue to have a significant portion of their remuneration linked to performance and at risk. For FY15 this has been increased with greater emphasis on long term incentives for the Managing Director and Group Executives compared to FY14 with a view to increasing the retention of the overall remuneration package, and to increase shareholder alignment for this key group.

Total remuneration will continue to be set in consideration of Perpetual's market peers. The table below shows the FY15 remuneration mix for the Managing Director and Group Executive roles.



5.5 ASSET MANAGER REMUNERATION

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

The strategy for asset manager remuneration differentiates between asset managers managing what the Company considers to be funds in a mature state as compared to those managing funds in the growth phase. The Company may also vary its practices for differing asset classes such as equities or fixed income.

In all cases, the Company seeks to align asset manager remuneration with longer-term shareholder interests whilst balancing client outcomes. For asset managers managing funds in the growth phase, remuneration arrangements have a heavier focus on rewarding business-building outcomes such as revenue and funds under management. For asset managers managing mature funds, the focus is more biased to rewarding longer-term investment performance as measured against the relevant benchmark.

Senior asset managers receive a significant component of their variable remuneration in the form of Perpetual shares which vest over several years, ensuring a strong alignment to shareholder outcomes. Dividends are paid on unvested shares as share grants are usually earned through meeting targets in annual performance agreements.

Many asset managers are able to receive a percentage of their deferred incentives as a notional investment in the products they manage. This arrangement further builds alignment with clients over the longer-term and aims to ensure investment professionals have a long-term focus on investment performance and clear visibility of their long-term incentives.

6. ALIGNING REWARD WITH COMPANY PERFORMANCE

6.1 SHORT-TERM INCENTIVES

6.1.1 LINKING COMPANY PERFORMANCE AND REMUNERATION

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

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

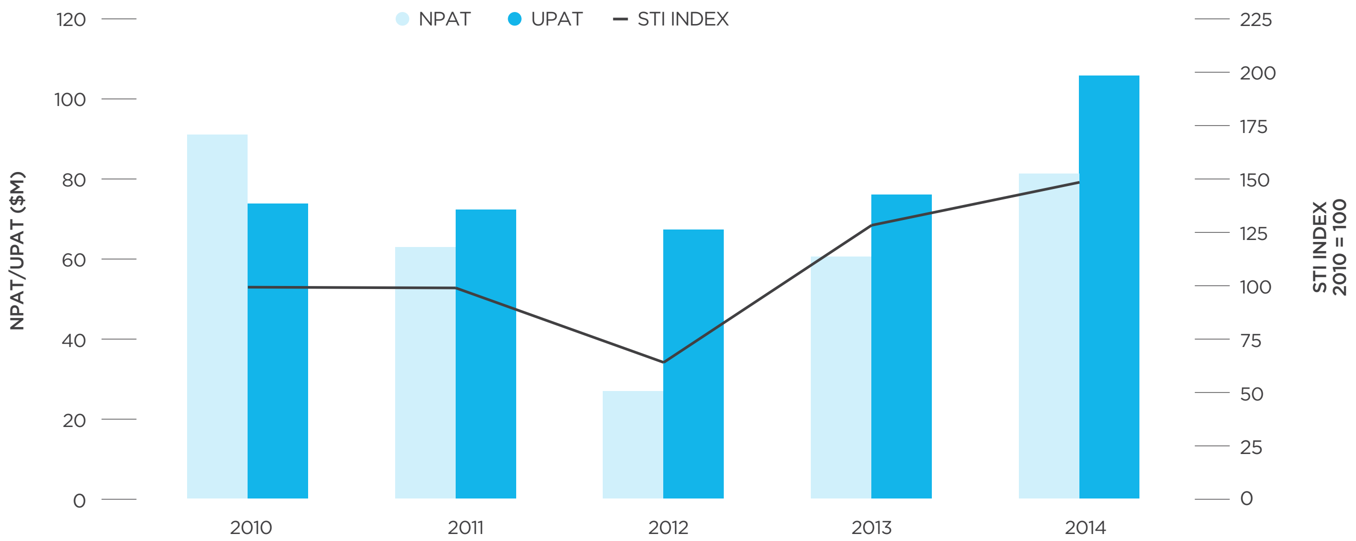
The following table shows the Company's five-year performance.

	YEAR END				
PERPETUAL'S FIVE-YEAR PERFORMANCE	**30 JUNE 2010**	**30 JUNE 2011**	**30 JUNE 2012**	**30 JUNE 2013**	**30 JUNE 2014**
Net profit after tax reported ($'000s)	90,505	62,031	26,679	60,968	81,618
UPAT reported[1] ($'000s)	72,793	72,879	67,623	76,320	106,131
Ordinary dividend per share declared with respect to the year ($)	2.10	1.85	0.90	1.30	1.75
Earnings per share – UPAT[2] ($)	1.83	1.79	1.74	1.98	2.55
Closing share price ($)	28.26	24.93	22.90	35.40	47.38
Annual total shareholder return (TSR)	12.43%	-8.76%	-10.65%	78.38%	19.87%

1. Underlying profit after tax attributable to equity holders of Perpetual Limited, including discontinued operations.
2. Based on basic EPS calculated based on the number of ordinary shares only.

The chart below demonstrates the alignment between profit and STI outcomes over the past five years.

Company performance and STI outcomes



Short-term incentives (STI) are incentives paid in the form of cash and deferred Perpetual shares for meeting annual targets aimed at delivering our longer-term strategic plan.

6.1.2 MEASURING PERFORMANCE

At the beginning of each financial year the Board agrees the balanced scorecard goals for Perpetual and each division for the coming year. The scorecard is considered to be 'balanced' because it includes a range of short-term financial and longer-term value-creation measures. This approach aims to balance rewards for meeting financial objectives for the year, with rewarding activities designed to deliver sustainable future profits. In FY14 the measures included Financial, Client Advocacy, Growth, People and Strategic key result areas.

The balanced scorecard includes stretch targets approved by the Board, allowing the business to be assessed in the context of the operating environment. Financial performance remains a key performance indicator to ensure STI outcomes under the STI plan are closely aligned with shareholder interests.

The balanced scorecard for FY14 and performance against those measures is summarised below:

MEASURE	FULL YEAR PERFORMANCE	
Financial	**Outcome**	**Comments**
Underlying Profit After Tax (UPAT) and EPS	Achieved	FY14 UPAT increased by 37% compared to FY13 and EPS grew by 29%.
Clients	**Outcome**	**Comments**
Improve client advocacy	Partially achieved	Client advocacy (as measured by net promoter score) did not lose ground, the outcome for FY14 was below target.
Growth	**Outcome**	**Comments**
New business	Achieved	Corporate Trust, Perpetual Investments and Perpetual Private have all recorded improved net inflows in FY14. Corporate Trust recorded 76 new clients which was above expectations. Perpetual Investments net inflows improved to $1.1 billion in FY14 from -$1.8 billion in FY13. Perpetual Private also recorded improved net flows assisted by the acquisition of The Trust Company.
People	**Outcome**	**Comments**
Employee engagement	Not achieved	While employee engagement (as measured through the annual employee engagement survey) did not lose ground from the FY13 result, the outcome for FY14 was below target and will remain a strong focus for FY15.
Strategy	**Outcome**	**Comments**
Transformation 2015 objectives The Trust Company Integration	Achieved	Transformation 2015 goals were achieved whilst The Trust Company Integration milestones were ahead of previous expectations.

6.1.3 DETERMINING THE STI POOL

A fully funded STI pool available for distribution where Perpetual meets the performance targets for the financial year is determined by the aggregate of all STI targets for eligible employees.

At the conclusion of each financial year, the Perpetual Board considers the Company performance against each measure of the balanced scorecard, and on the basis of this review recommends the pool that is available for distribution to employees by way of STI payments. This is expressed as a percentage of the aggregate of all STI targets for eligible employees. The outcome of this assessment determines the proportion of the overall pool each division receives.

For FY14, performance against the balanced scorecard resulted in a fully funded STI pool being available for allocation to eligible employees, up from 88% in FY13. This increase reflects the significant improvement in financial performance and performance against other measures in the Perpetual scorecard and compares favourably to the 37% underlying profit increase over the same period.

The performance of each division against their scorecard is assessed by the Managing Director. Divisional pools are then allocated to the employees of that division based on the individual performance rating and target STI of the respective employees. The maximum STI opportunity for each employee is two times their target STI. Each year performance targets and goals are set for employees in consideration of the balanced scorecards for their division and the Company to ensure alignment of objectives.

6.1.4 DISTRIBUTING THE STI POOL

Performance objectives are assessed throughout the year as part of the performance management process. At year end, an annual assessment of each employee's performance is made and the STI is then allocated.

Individual STI awards are determined through an assessment of overall Company performance against the balanced scorecard, divisional performance against a divisional scorecard and individual performance. Employees must first meet risk and behaviour thresholds to be eligible to receive an STI payment.

For the FY14 year, 90% of the Managing Director's STI outcome was weighted to overall performance against the Company scorecard, with 10% weighted to individual measures. For Group Executives, 50% (previously 80%) of their STI outcome was weighted to overall performance against the Company scorecard, with 50% (previously 20%) weighted to the performance of their division and individual measures. The change to an equal focus on Company and divisional/individual performance ensures shared accountability for Company performance amongst Group Executives, balanced with divisional and individual priorities. This provides greater scope to differentiate the incentive outcomes for Group Executives to ensure a strong adjustment to individual performance contribution.

The Managing Director makes recommendations to the PARC on STI allocations for the Group Executives and these are subject to approval by the Board. The Chairman of the Board makes recommendations to the Board on the STI allocation for the Managing Director and this is also approved by the Board.

6.1.5 DELIVERING STI AWARDS

STI payments are delivered in cash and deferred Perpetual shares. Cash payments are made in September following the end of the performance year less applicable tax and superannuation.

Deferral arrangements

The STI plan requires that 40% of an executive's STI award be delivered in the form of unvested Perpetual shares. For the Managing Director and Group Executive Corporate Trust, a transitional arrangement applied where the amount deferred for FY13 was 20% of the STI award; however, this has increased to 40% from FY14.

Deferred STI shares may vest after a two-year vesting period, subject to service conditions and claw-back provisions. Dividends on deferred STI shares are paid during the vesting period as the performance criteria for awarding the STI has already been met.

Termination of employment

In the event of the Managing Director or Group Executive ceasing employment with the Company due to resignation, poor performance or dismissal, all unvested STI shares will be forfeited at the termination date. If an executive is made redundant or retires, dies or exits due to total and permanent disablement, unvested shares are retained by the executive or their estate, with vesting subject to the original two-year period and claw-back provisions.

This approach strengthens the alignment between executives' and shareholders' interest in the long-term performance of Perpetual, extending beyond the executives' tenure.

Claw-back provisions

The Board retains a discretion to claw back deferred STI shares awarded to executives prior to the shares vesting if the Board becomes aware of any information that, had it been available at the time STI awards were determined, would have resulted in a different (or no) STI amount being awarded.

6.1.6 TOTAL STI OUTCOME RECEIVED FOR FY14

The table below provides the total STI outcomes (both the cash and deferred portions) received by the Managing Director and Group Executives during FY14. STI awards have increased on an annualised basis from FY13 by 23% for the Managing Director and current Group Executives. This is in the context of a 37% increase in UPAT over the same period.

NAME	TOTAL STI $	STI CASH $	STI DEFERRED $	2014 STI (AS % OF TARGET)[1]	PERCENTAGE FORFEITED
Managing Director					
G Lloyd	1,313,400	788,040	525,360	119%	0%
Current Group Executives					
M Gordon	500,840	300,504	200,336	115%	0%
C Green	484,000	290,400	193,600	110%	0%
G Larkins	396,000	237,600	158,400	110%	0%
R Nash	295,296	177,178	118,118	115%	0%
M Smith	394,800	236,880	157,920	88%	12%
Acting Group Executives during the year					
P Statham	131,504	82,603	48,901	159%	0%
Total	3,515,840	2,113,205	1,402,635		

1. Represents the total STI outcome for FY14 (including the deferred portion) as a percentage of target STI.

6.2 LONG-TERM INCENTIVES

Long-term incentives (LTI) provide executives with remuneration delivered in equity if conditions are met over a three-year period. LTI awards are granted annually, which provides ongoing benefits to executives for increasing shareholder value and is a retention element for the team.

This section explains LTI plans in place in FY14 and how they work.

6.2.1 PERPETUAL LIMITED LONG-TERM INCENTIVE PLAN

Long-term incentives are provided to the Managing Director, Group Executives and selected senior leaders through the Perpetual Long-term Incentive Plan. This plan was introduced in February 2011.

Since 1 October 2012, LTI has been awarded to the Managing Director and Group Executives in the form of performance rights. A performance right is a right to acquire a fully paid Perpetual share (or subject to Board discretion, its cash value) at the end of a performance period, subject to tenure and performance hurdles for no consideration. This means dividends are not received by the Managing Director and Group Executives on performance rights until they have vested and been converted into Perpetual shares. Performance rights are awarded at no cost to the participant.

Performance targets

Vesting of LTI grants is subject to two performance measures directly linked to Company performance:

- 50% of each grant is subject to a relative TSR performance target and
- 50% is subject to an earnings per share (EPS) growth target.

The grant date of LTIs is generally 1 October each year.

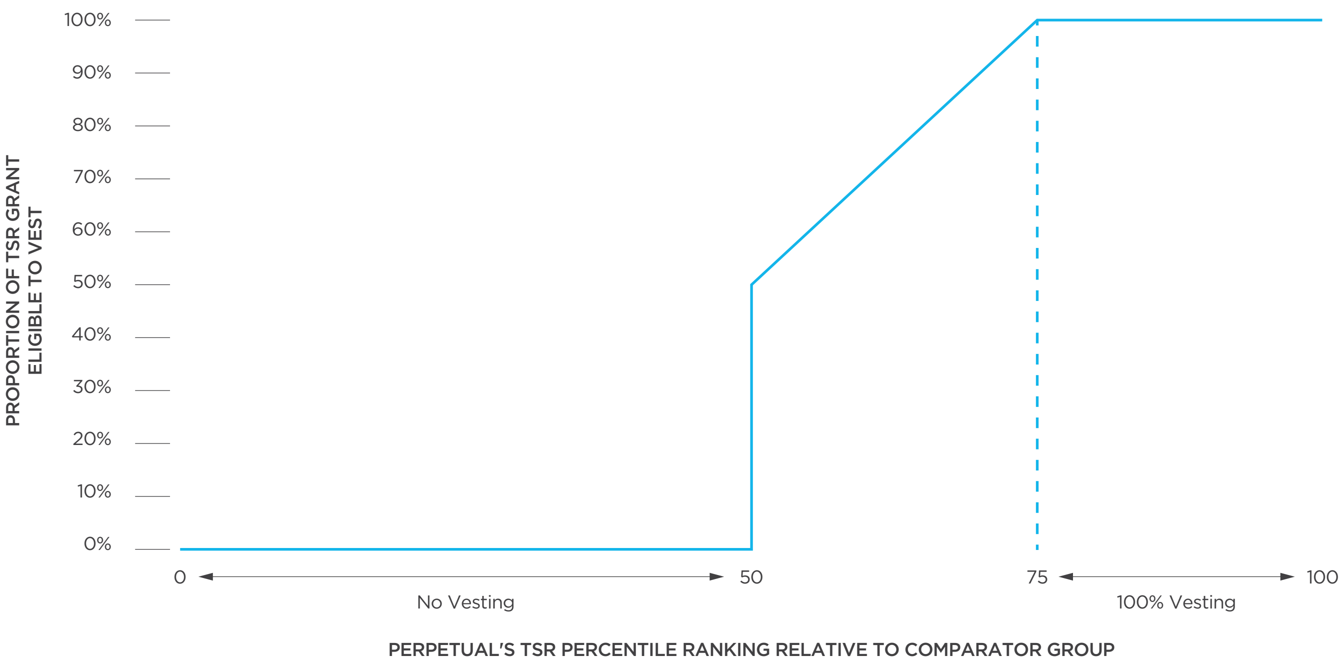
TSR performance target

The TSR performance target requires Perpetual's TSR over the performance period to be equal to or better than the TSR of half of the comparator group, which consists of companies listed on the S&P/ASX100 (excluding listed property trusts). This comparator group was chosen in the absence of a suitable peer group of direct competitors, and as it best represents Perpetual's performance which is influenced by equity market movements (given that Perpetual's revenue is significantly dependent on funds under management and funds under advice). For TSR performance greater than median, a sliding scale applies to determine the vesting percentage.

TSR vesting schedule

PERPETUAL'S TSR RANKING RELATIVE TO THE COMPARATOR GROUP	PERCENTAGE OF SHARES AND OPTIONS THAT WILL VEST
Less than median	0%
Median	50%
Greater than median but less than 75th percentile	2% for every one percentile increase in Perpetual's relative position
Greater than 75th percentile	100%

TSR vesting scale



TSR is measured independently by Orient Capital and reported to the PARC.

EPS performance target

The EPS performance target requires Perpetual's EPS growth during the performance period to be equal to or greater than the target set by the Board for 100% of the grant to vest. This target, which is currently 10% per annum, may be reviewed by the Board from time to time.

Growth in EPS is defined as compound average annual growth in the Company's earnings per share comprising basic earnings per share (after tax) before annual goodwill amortisation. The Board may adjust EPS for items such as those of a capital nature that do not reflect management and employee performance and day-to-day business operations and activities. The underlying principle for making EPS adjustments is that the vesting outcome should reflect the contribution of participants and that the adjustments should not provide a disadvantage or advantage to participants. The aim is that the resulting EPS outcome fairly reflects management's contribution to the improvement of EPS since the commencement of the performance period.

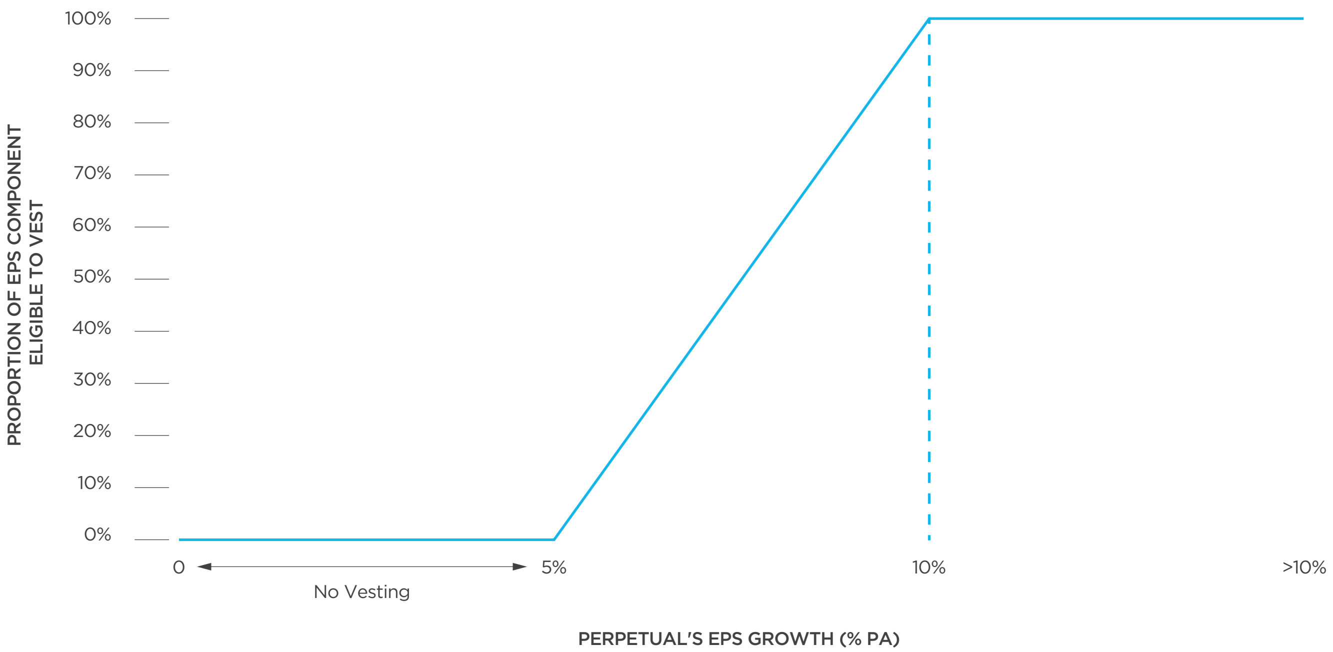
The achievement of this performance target links the individual's remuneration to the Company's growth in earnings.

EPS vesting schedule

For LTI awarded to the Managing Director and Group Executives the following vesting schedule applies:

PERPETUAL'S GROWTH IN EPS	PERCENTAGE OF SHARES THAT WILL VEST FOR GRANTS MADE PRIOR TO FY11	PERCENTAGE OF SHARES THAT WILL VEST FOR GRANTS MADE FROM FY11
EPS growth less than or equal to 5% pa	0%	0%
EPS growth between 5% pa and 10% pa		2% for every 0.1% of EPS growth above 5% pa
EPS growth at or above 10% pa	100%	100%

EPS vesting scale



Performance target testing and re-testing guidelines

A three-year performance testing period applies to TSR and EPS targets.

For grants made after 1 July 2010, TSR and EPS performance is calculated and tested against the respective target on the third anniversary of the grant date. There is no re-testing of grants made from 1 July 2010.

For grants made before 1 July 2010, if the target was not met after the initial three-year period, it was re-tested on the fourth anniversary of the grant date, against four-year TSR and EPS targets. If the performance target was not met after this re-test, the portion of the LTI that did not vest was forfeited. The LTI grant made on 1 October 2009 was the last of the grants with a re-test provision. The final re-test was on 1 October 2013.

Termination of employment

In the event of the Managing Director or Group Executive ceasing employment with the Company, all unvested shares and performance rights will be forfeited at the termination date, except as noted below.

For LTI grants made in FY11, FY12 and FY13:

- On death, all unvested shares and performance rights are retained by the executive's estate, with vesting subject to the same performance conditions as if they had remained employed by Perpetual.
- If an executive is made redundant or retires, or resigns due to total and permanent disablement, unvested shares and performance rights granted within the past 12 months lapse immediately. Unvested shares and performance rights granted more than 12 months prior to termination are retained by the executive, with vesting subject to the same performance conditions as if they had remained employed by Perpetual.

This approach strengthens the alignment between executives' and shareholders' interest in the long-term performance of Perpetual, extending beyond the executive's tenure.

For LTI grants made before FY11:

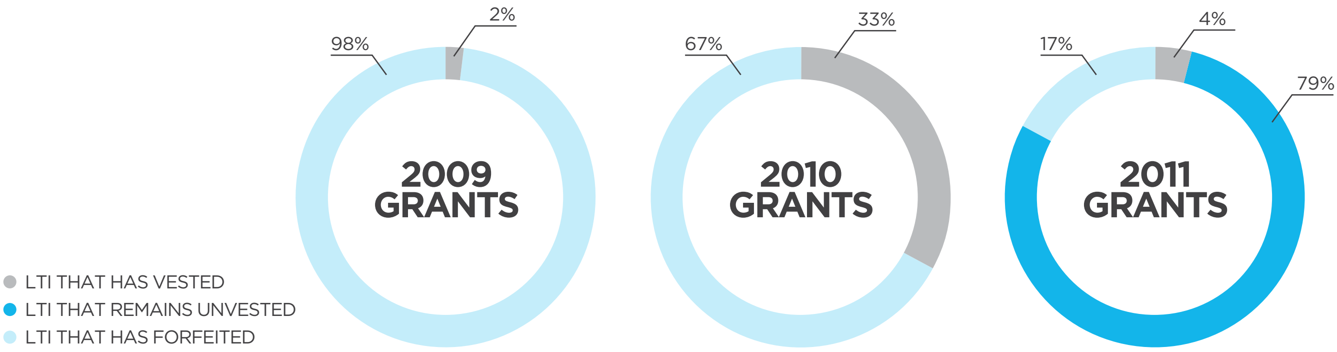
- If an executive dies or resigns due to total and permanent disability, all unvested shares vest to the executive at the date of death or on termination.
- If an executive is made redundant or retires, the executive will be entitled to a pro rata portion of the grant based on the length of their employment (including any notice period actually given and any nominal notice period in respect of which any payment in lieu of notice is made). The pro rata amount will be based on the most recent performance targets to determine the number of shares that will vest.

Treatment of LTI on change in control

If Perpetual were to be taken over or 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.

6.2.2 HOW LTI ALIGNS TO COMPANY PERFORMANCE

The following charts show the vesting outcomes of all LTI issued to KMP (past and present) in 2009, 2010 and 2011. No vesting has occurred in respect of grants for which EPS growth performance hurdles have applied and prior to 2009 minimal vesting has occurred in respect of grants for which TSR growth performance hurdles have applied. However, the partial vesting of the 2009 and 2010 LTI grants on 1 October 2013 was the first significant amount of long-term incentives that are subject to TSR and EPS hurdles to vest since the 2004 award vested in 2007 and reflects the improved Company performance since 2012. These vesting outcomes clearly demonstrate that LTI outcomes and Company performance are aligned.



	GRANT VESTING OUTCOME		
HURDLE	**2009**	**2010**	**2011**
EPS	0%	0%	Due to be tested 1 October 2014
TSR	54%	88%	

We anticipate that a portion of annual long-term incentives granted in 2011 will vest upon testing of performance hurdles in October 2014 further reinforcing the alignment of LTI with Company performance.

6.2.3 EMPLOYEE SHARE PLANS

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

OPEN PLANS	DESCRIPTION
Perpetual Limited Long-term Incentive Plan 244 members	From February 2011, this is the primary plan to be used for LTI grants to eligible employees, including the Managing Director and Group Executives.
Deferred Share Plan (DSP) 4 members	This plan is used for a small number of employees within the asset management team, as part of their incentive arrangements. No KMP participate in this plan. Shares held in the plan vest subject to achievement of investment performance and succession targets. The plan ensures the interests of these key employees are aligned with those of shareholders and clients over the longer-term and provides a strong retention element as employees who cease employment with Perpetual during the vesting period forfeit any unvested shares.

OPEN PLANS	DESCRIPTION
Tax Exempt Employee Share Purchase Plan (TESP) 37 members	This plan allows all employees, including the Managing Director and Group Executives, to purchase shares using a salary-sacrifice arrangement. Employees may elect to sacrifice up to $1,000 of their cash STI payment into shares under the TESP. Shares acquired via this sacrifice are not subject to performance targets as they are acquired in lieu of a cash payment by the Company; however the plan's trading restrictions continue to apply until the earlier of three years from the date of grant or on termination of employment, before the shares can be released.
Tax Deferred Share Purchase Plan (TDSP) 40 members	This plan is used for awards made under the annual sales incentive plans for eligible employees within the Perpetual Private and Corporate Trust teams. The plan was previously used by employees, including the Managing Director and Group Executives, to buy shares using a salary-sacrifice arrangement. The plan was closed to any new salary-sacrifice purchases during FY10.

PLANS CLOSED TO NEW ISSUE	DESCRIPTION
Executive Share Plan (ESP) 11 members	Until February 2011, this was the main plan used for LTI share grants to eligible employees, including the Managing Director and Group Executives.
Employee Share Purchase Plan (ESPP) 76 members	This plan was used for granting shares under a non-recourse loan arrangement. It has been closed to new issues since FY04. The ESPP and another inactive plan, the Employee Reward Share Plan, are discussed in Note 27 to the Financial Statements.
Non-Executive Director Share Purchase Plan (NEDSPP) 2 members	This plan was used only by non-executive directors and was closed to new purchases on 1 July 2009, following changes to taxation rules.
The Trust Company Long-Term Incentive Share Plan 0 members	Until 2014, this was the primary plan used for LTI grants to The Trust Company eligible employees, including the Chief Executive Officer and Executives. All grants under this plan vested, at the discretion of The Trust Company Board, upon acquisition of The Trust Company by Perpetual.

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 2014, 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 4.1%. This has reduced from 6.1% as at 30 June 2013.

This decrease in shares held under the employee share plans is primarily the result of a change in share plan administration whereby shares that have vested due to the relevant performance hurdle being achieved are released to employees immediately. Previously these could remain in trust until the employee requested the shares be released or ceased employment. This change resulted in 412,332 vested shares being released from the employee share plan trusts in FY14. These shares remain the property of employees until they may sell them at their discretion.

The Board will manage the issue of shares under employee incentive plans to balance remuneration needs of employees with shareholder returns, subject to the relevant regulatory requirements. Refer to page 30 for detail on the share dealing approval process.

Going forward Perpetual will continue to purchase shares on market, which will reduce the dilutionary impact of the employee share plans on shareholders.

7. DETAILS OF REMUNERATION

INDEX TO TABLES

REMUNERATION OF THE MANAGING DIRECTOR AND GROUP EXECUTIVES (STATUTORY REPORTING)

		FIXED REMUNERATION				
		SHORT-TERM			POST EMPLOYMENT	TOTAL FIXED REMUNERATION
NAME	TOTAL	CASH SALARY AND PAID LEAVE[1]	NON-MONETARY BENEFITS[2]	OTHER[3]	PENSION AND SUPER	
	$	$	$	$	$	$
Managing Director						
G Lloyd						
2014	2,696,728	983,758	94,051	39,043	23,800	1,140,652
2013	2,241,140	1,008,986	81,383	1,736	16,470	1,108,575
Current Group Executives						
M Gordon						
2014	1,187,786	450,573	–	138,505	14,994	604,072
2013	1,042,671	259,666	10,432	530,417	8,235	808,750
C Green						
2014	1,062,060	422,225	–	15,847	17,775	455,847
2013	918,659	423,530	–	1,736	16,470	441,736
G Larkins						
2014	1,057,033	632,225	–	20,138	17,775	670,138
2013	664,918	460,345	–	876	12,353	473,574
R Nash						
2014	866,439	546,200	–	14,088	23,800	584,088
2013	663,934	479,683	–	1,736	23,817	505,236
M Smith						
2014	1,223,768	542,225	–	16,177	17,775	576,177
2013	916,482	335,853	–	250,724	12,353	598,930
Acting Group Executives during the year[7]						
P Statham						
2014	443,098	210,025	–	3,934	11,297	225,256
Total 2014	8,536,912	3,787,231	94,051	247,732	127,216	4,256,230
Total 2013[8]	9,094,202	4,133,108	105,775	838,928	163,862	5,241,673

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 and higher duties allowances paid to the Acting Group Executive.
2. Non-monetary benefits represents those amounts salary sacrificed from fixed remuneration to pay for benefits such as leased motor vehicles and car parking.
3. 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 over 1 July 2013 to 30 June 2014
   – payments in respect of approved costs associated with M Gordon's relocation and
   – sign-on bonuses for M Gordon.
4. Annual incentives consists of the cash payments to be made in September 2014 from the group STI plan and costs incurred in FY14 for the deferred portion of previous STI awards.

STI[4]		FIXED REMUNERATION & STI	LTI[5]			OTHER LONG-TERM BENEFITS[6]	PAYMENTS MADE ON TERMINATION
			EQUITY-BASED		TOTAL LTI		
CASH SHORT-TERM INCENTIVES	**DEFERRED SHORT-TERM INCENTIVE**		**SHARES**	**PERFORMANCE RIGHTS**			
$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
788,040	240,460	2,169,152	195,098	324,464	519,562	8,014	–
784,080	65,340	1,957,995	165,892	113,376	279,268	3,877	–
300,504	91,678	996,254	144,316	46,344	190,660	872	–
112,046	24,899	945,695	96,762	–	96,762	214	–
290,400	90,405	836,652	93,933	119,829	213,762	11,646	–
310,464	25,872	778,072	90,948	41,871	132,819	7,768	–
237,600	84,233	991,971	–	63,732	63,732	1,330	–
141,449	31,433	646,456	–	18,079	18,079	383	–
177,178	65,818	827,084	–	38,132	38,132	1,223	–
119,005	26,445	650,686	–	12,851	12,851	397	–
236,880	84,643	897,700	137,496	187,476	324,972	1,096	–
144,012	32,003	774,945	74,998	66,267	141,265	272	–
82,603	16,301	324,160	106,062	10,220	116,282	2,656	–
2,113,205	673,538	7,042,973	676,905	790,197	1,467,102	26,837	–
2,070,392	205,992	7,518,057	712,926	252,444	965,370	12,911	597,864

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 expense value of accrued long service leave has been included for FY14. The prior year has also been included to reflect the same for FY13. As a result the 2013 totals are different to what was disclosed in the Remuneration Report 2013.
7. Represents accounting value of remuneration while in an Acting Group Executive role.
8. The totals shown relate to executives disclosed in Perpetual's Remuneration Report 2013 and so do not equal the 2013 totals for executives disclosed in this table.

REMUNERATION COMPONENTS AS A PROPORTION OF TOTAL REMUNERATION

The remuneration components below are determined based on the Remuneration of the Managing Director and Group Executives (statutory reporting) table on page 40.

		PERFORMANCE LINKED BENEFITS			
NAME	FIXED REMUNERATION %	STI %	LTI %	TOTAL %	VALUE OF PERFORMANCE RIGHTS AS A PROPORTION OF TOTAL REMUNERATION
Managing Director					
G Lloyd	43%	38%	19%	100%	12%
Current Group Executives					
M Gordon	51%	33%	16%	100%	4%
C Green	43%	36%	21%	100%	11%
G Larkins	64%	30%	6%	100%	6%
R Nash	68%	28%	4%	100%	4%
M Smith	47%	26%	27%	100%	15%
Acting Group Executives during the year					
P Statham	52%	22%	26%	100%	2%

VALUE OF UNVESTED REMUNERATION THAT MAY VEST IN FUTURE YEARS

Estimates of the maximum future cost of Equity-based Remuneration granted by the Company[1] should all targets be met in the future.

ESTIMATES OF THE MAXIMUM FUTURE COST OF EQUITY-BASED REMUNERATION GRANTED BY THE COMPANY[1]

NAME	30-JUN-15 MAXIMUM $	30-JUN-16 MAXIMUM $	30-JUN-17 MAXIMUM $
Managing Director			
G Lloyd	659,708	425,251	84,965
Group Executives			
M Gordon	247,634	173,083	33,792
C Green	250,260	157,835	31,380
G Larkins	156,518	109,528	22,303
R Nash	104,858	60,404	10,618
M Smith	323,692	218,638	48,276
Acting Group Executives during the year			
P Statham	97,196	58,739	11,664

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 period during which employees become unconditionally entitled to the shares.

UNVESTED SHARE AND PERFORMANCE RIGHTS HOLDINGS OF THE MANAGING DIRECTOR AND GROUP EXECUTIVES

The table below summarises the share and performance rights holdings and movements by number granted to the Managing Director and Group Executives by Perpetual Limited, for the year ended 30 June 2014. For details of the fair valuation methodology, refer to Note 2(ii)(b) to the financial statements.

NAME	INSTRUMENT	GRANT DATE	ISSUE PRICE	VESTING DATE	HELD AT 1 JULY 2013
					NO OF INSTRUMENTS
Managing Director					
G Lloyd	Shares	1 October 2010	30.80	1 October 2013	21,915
	Shares	1 October 2011	21.05	1 October 2014	32,066
	Shares	1 October 2013	39.63	1 October 2015	–
	Performance rights	1 October 2012	23.54	1 October 2015	37,383
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value[1]			
Group Executives					
M Gordon	Shares	1 July 2013	35.70	30 June 2014	4,482
	Shares	1 July 2013	35.70	30 June 2015	4,482
	Shares	1 July 2013	35.70	30 June 2016	2,241
	Shares	1 October 2013	39.63	1 October 2015	–
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value			
C Green	Shares	1 October 2009	38.15	1 October 2012[2]	6,553
	Shares	1 October 2010	30.80	1 October 2013	10,551
	Shares	1 October 2011	21.05	1 October 2014	15,439
	Shares	1 October 2013	39.63	1 October 2015	–
	Performance rights	1 October 2012	23.54	1 October 2015	13,806
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value			
G Larkins	Shares	1 October 2013	39.63	1 October 2015	–
	Performance rights	1 October 2012	23.54	1 October 2015	4,800
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value			
R Nash	Shares	1 October 2013	39.63	1 October 2015	–
	Performance rights	1 October 2012	23.54	1 October 2015	4,237
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value			
M Smith	Shares	1 October 2012	26.34	1 October 2014	9,491
	Shares	1 October 2013	39.63	1 October 2015	–
	Performance rights	1 October 2012	23.54	1 October 2014	5,310
	Performance rights	1 October 2012	23.54	1 October 2015	11,894
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value			
Acting Group Executives during the year					
P Statham[3]	Shares	1 October 2010	30.80	1 October 2013	2,072
	Shares	1 October 2011	21.05	1 October 2014	4,548
	Shares	1 July 2012	23.14	30 June 2014	1,811
	Shares	1 October 2013[4]	26.34	1 October 2015	–
	Performance rights	1 October 2013	34.57	1 October 2016	–
		Aggregate Value			

1. Granted aggregate value is calculated through multiplying the number of shares by the issue price. Vested and forfeited aggregate value is calculated through multiplying the number of shares by the Perpetual closing share price on the vesting date.
2. Initial vesting date. KMP LTI Grants prior to 2010 were re-tested at the fourth year or on earlier termination if they failed to vest at the three-year test.
3. Shares and Performance rights for P Statham have been pro-rated to reflect the time he was acting as a KMP during the year.
4. Adjustment for shares not granted on 1 October 2012. The 1 October 2012 share issue price has been used to determine the number of shares granted.

MOVEMENT DURING THE YEAR					
GRANTED	FORFEITED	VESTED	HELD AT 30 JUNE 2014	FAIR VALUE PER INSTRUMENT AT GRANT ($) TSR HURDLE	FAIR VALUE PER INSTRUMENT AT GRANT ($) NON-TSR HURDLE
	NO OF INSTRUMENTS		**NO OF INSTRUMENTS**		
–	12,273	9,642	–	20.59	30.80
–	–	–	32,066	14.60	21.05
4,946			4,946	N/A	39.63
–	–	–	37,383	14.38	23.54
25,455	–	–	25,455	22.65	34.57
$1,075,989	$494,847	$388,765			
–	–	–	4,482	N/A	35.70
–	–	–	4,482	N/A	35.70
–	–	–	2,241	N/A	35.70
1,884			1,884	N/A	39.63
10,124	–	–	10,124	22.65	34.57
$424,650	$0	$0			
–	4,784	1,769	–	29.02	37.93
–	5,909	4,642	–	20.59	30.80
–	–	–	15,439	14.60	21.05
1,958	–	–	1,958	N/A	39.63
–	–	–	13,806	14.38	23.54
9,401	–	–	9,401	22.65	34.57
$402,588	$431,142	$258,492			
2,379	–	–	2,379	N/A	39.63
–	–	–	4,800	14.38	23.54
6,682	–	–	6,682	22.65	34.57
$325,277	$0	$0			
2,001	–	–	2,001	N/A	39.63
–	–	–	4,237	14.38	23.54
3,181	–	–	3,181	22.65	34.57
$189,267	$0	$0			
–	–	–	9,491	N/A	26.34
2,422	–	–	2,422	N/A	39.63
–	–	–	5,310	14.26	23.54
–	–	–	11,894	14.38	23.54
14,463	–	–	14,463	22.65	34.57
$595,970	$0	$0			
–	1,036	1,036	–	20.59	30.80
–	–	–	4,548	14.60	21.05
–	–	–	1,811	N/A	23.14
2,544	–	–	2,544	N/A	26.34
1,846	–	–	1,846	N/A	34.57
$130,842	$41,774	$41,774			

VESTED SHAREHOLDINGS OF THE MANAGING DIRECTOR AND GROUP EXECUTIVES

NAME	BALANCE AT 1 JULY 2013	LTI SHARES VESTING IN THE PERIOD	OTHER CHANGES DURING THE YEAR[1]	BALANCE AT 30 JUNE 2014
		NO OF SHARES	**NO OF SHARES**	**NO OF SHARES**
Managing Director				
G Lloyd	12,767	9,642	–	22,409
Group Executives				
M Gordon	–	–	–	–
C Green	4,796	6,411	–	11,207
G Larkins	–	–	–	–
R Nash	–	–	–	–
M Smith	–	–	–	–
Acting Group Executives during the year				
P Statham	–	1,036	–	1,036

1. Other changes during the year represent shares acquired via bonus sacrifice, conversion of options into shares and disposal of shares. There were no disposals during the year.

8. CONTRACT TERMS OF THE MANAGING DIRECTOR AND GROUP EXECUTIVES

CONTRACT TERMS FOR THE MANAGING DIRECTOR

CONTRACT DETAILS	GEOFF LLOYD, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
Term of contract	Open-ended
Fixed remuneration	$1,100,000 per annum, reviewable in accordance with Perpetual's policies.
STI	Target STI of 100% of fixed remuneration. STI amounts are determined by the Board taking into account the executive's performance against performance criteria determined by the Board annually. The performance criteria include threshold risk measures and behaviour objectives which must be met by the executive for any STI to be awarded. Subject to the Board's discretion, the executive may be required to apply a proportion of his STI payment to acquire deferred STI shares.
LTI	For FY14, eligible to receive LTI grants of 80% of fixed remuneration provided by way of performance shares, performance rights or options in such proportions determined by the Board annually in its discretion. Vesting of LTI grants is subject to performance targets determined by the Board and advised to the executive prior to the effective date of grant.
Termination of employment	The agreement contains provisions for the termination of Mr Lloyd's employment as follows: (a) Termination by Mr Lloyd on 12 months' notice in writing to the Board (or such shorter period as may be agreed). In the event the Board agrees to a notice period of less than 12 months, the agreement will be subject to no entitlement to receive a payment of fixed remuneration (or any other remuneration or amount) in respect of any period after termination date. There is no entitlement for STI for that financial year; and unvested STI held as shares and all unvested LTI is forfeited. (b) Termination by the Company on 12 months' notice in writing (or such shorter period as may be agreed). The Executive is entitled to be considered for a STI payment for that financial year; and unvested STI held as shares and unvested LTI due to vest within two years of the termination date, will remain eligible for vesting, subject to satisfaction of performance conditions in due course. Unvested LTI due to be tested after two years of the termination date is forfeited. (c) If the executive becomes incapacitated by illness or injury for an accumulated period of three months in any 12 month period, the Company may terminate this agreement by giving 12 months' notice in writing (or such shorter period as may be agreed). The Executive is entitled to a pro-rata STI for that financial year; and unvested STI held as shares and unvested LTI due to vest within two years of the termination date, will remain eligible for vesting, subject to satisfaction of performance conditions in due course. Unvested LTI due to be tested after two years of the termination date is forfeited. (d) Termination without notice following an Agreed Material Diminution Event. Upon such termination, the Company must, within seven days, pay the Executive fixed remuneration in lieu of 12 months' notice and a pro-rata STI for that financial year. Unvested STI held as shares and unvested LTI due to vest within two years of the termination date, will remain eligible for vesting, subject to satisfaction of performance conditions in due course. Unvested LTI due to be tested after two years of the termination date is forfeited. (e) Termination by the Company for poor performance on six months' notice in writing (or such shorter period as may be agreed) or termination by the Company without notice. There is no entitlement for STI for that financial year; and unvested STI held as shares and all unvested LTI is forfeited. (f) Termination in the event of Mr Lloyd's death – his estate is entitled to pro-rata STI for that financial year; and unvested STI held as shares and unvested LTI remain eligible for vesting subject to satisfaction of performance conditions in due course. The agreement also provides that the Company may elect to make a payment in lieu of notice.

TERMINATION TERMS FOR GROUP EXECUTIVES

TERM	WHO	CONDITIONS
Duration of contract	All Group Executives	Ongoing until notice is given by either party
Notice to be provided by Group Executive to terminate the employment agreement	C Green, P Statham	3 months
	All other Group Executives	6 months
Notice to be provided by Perpetual to terminate the employment agreement for poor performance	All Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	C Green, P Statham	3 months
	All other Group Executives	6 months
Termination payments and/ or benefits to be made on termination without cause	**Payment in lieu of notice**	
	All Group Executives	Group Executives are entitled to payment in lieu of any unexpired part of the notice period
	STI	
	All Group Executives	Subject to the terms and conditions of the STI plan
	LTI	
	All Group Executives	Subject to the terms of the offer and LTI plan
Termination for cause	**Payment in lieu of notice**	
	C Green, P Statham	3 months
	All other Group Executives	6 months
	STI	
	All Group Executives	Subject to the terms and conditions of the STI plan
	LTI	
	All Group Executives	Subject to the terms of the offer and LTI plan
Post-employment restraints	All Group Executives	12 months from date notice of termination is given

9. REMUNERATION OF NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY

The Company's Remuneration Policy for Non-executive Directors aims to ensure we can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

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

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.

Following a significant reduction in fees for the FY13 year, there was no change to Non-executive Director fees for FY14, however some increases for FY15 have been approved after a review of fees paid at Perpetual relative to organisations in our peer group. These increases bring fees in line with market median of organisation in our peer group.

NON-EXECUTIVE DIRECTORS' FEES	FY14 $	FY15 $
Chairman	280,000	288,000
Directors	140,000	144,000
Audit, Risk and Compliance Committee Chairman	30,000	35,000
Audit, Risk and Compliance Committee Member	15,000	17,000
People and Remuneration Committee Chairman	20,000	30,000
People and Remuneration Committee Member	12,000	15,000
Investment Committee Chairman	15,000	17,500
Investment Committee Member	10,000	10,000
Nominations Committee Member	Nil	Nil

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 is approved by shareholders and is currently $2,250,000, as approved at the 2006 Annual General Meeting. Total fees paid to Non-executive Directors in FY14 were $1,132,847. More details are provided on page 51.

ALIGNMENT WITH SHAREHOLDER INTERESTS

The constitution requires Non-executive Directors to acquire a minimum of 500 Perpetual shares on appointment and 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.

The Non-executive Directors' Share Purchase Plan (now closed) allowed Non-executive Directors to sacrifice up to 50% of their Directors' 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 on page 51.

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 it is advantageous to the Company for reasons such as leadership or continuity.

NON-EXECUTIVE DIRECTOR FEES AND RESPONSIBILITIES

	P B SCOTT	P BRASHER	P BULLOCK	S FALZON	E M PROUST	P C UELAND[2]
APPOINTED TO BOARD	JULY 2005[1] $	NOVEMBER 2009 $	JUNE 2010 $	NOVEMBER 2012 $	JANUARY 2006 $	SEPTEMBER 2012 $
Board fees (per annum)[3]						
Chairman	280,000	–	–	–	–	–
Independent Director	–	140,000	140,000	140,000	140,000	140,000
Committee fees (per annum)						
Audit, Risk and Compliance Committee[3]						
Chairman	–	30,000	–	–	–	–
Member	–	–	–	15,000	15,000	15,000
People and Remuneration Committee[3]						
Chairman	–	–	–	–	20,000	–
Member	–	12,000	12,000	–	–	–
Investment Committee[3]						
Chairman	–	–	–	–	–	15,000
Member	–	–	10,000	10,000	–	–
Nominations Committee[4]						
Member	–	–	–	–	–	–

1. Appointed as Chairman October 2010.
2. Appointed Chairman of the Investment Committee on 24 September 2013.
3. Committee fees paid to directors are inclusive of minimum superannuation guarantee contributions.
4. From 1 July 2012, no fees were paid to any members for serving on the Nominations Committee.

REMUNERATION OF THE NON-EXECUTIVE DIRECTORS (STATUTORY REPORTING)

	TOTAL[1]		SHORT-TERM		POST EMPLOYMENT	
			CASH SALARY, FEES AND SHORT-TERM COMPENSATED ABSENCES[1]		PENSION AND SUPERANNUATION	
NAME	**FY14 $**	**FY13 $**[2]	**FY14 $**	**FY13 $**	**FY14 $**	**FY13 $**
P B Scott	280,000	280,000	262,225	263,530	17,775	16,470
P V Brasher	182,000	175,795	166,590	161,280	15,410	14,515
P Bullock	162,000	162,000	148,284	148,624	13,716	13,376
S Falzon	165,000	99,788	151,030	91,549	13,970	8,239
E M Proust	175,000	175,001	160,183	160,551	14,817	14,450
P C Ueland	168,847	123,236	154,551	98,236	14,296	25,000
Total[2]	1,132,847	1,015,820	1,042,863	923,770	89,984	92,050

1. Non-executive Directors do not receive any non-cash benefits as part of their remuneration.
2. The FY14 total shown relates to Non-executive Directors disclosed in Perpetual's Remuneration Report 2014 and so does not equal the FY13 totals disclosed in Perpetual's Remuneration Report 2013.

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS HELD DIRECTLY OR INDIRECTLY

NAME	BALANCE AT THE START OF THE YEAR	SHARES ACQUIRED VIA SALARY SACRIFICE DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
	NO. OF SHARES			
Directors				
P B Scott	3,498	–	92	3,590
P V Brasher	1,000	–	–	1,000
P Bullock	2,650	–	–	2,650
S Falzon	1,000	–	–	1,000
E Proust	5,619	–	97	5,716
P C Ueland	1,000	–	–	1,000

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S DECLARATION

The Chief Executive Officer and Chief Financial Officer 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 reports for the year ended 30 June 2014 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

NON-AUDIT SERVICES PROVIDED BY THE EXTERNAL AUDITOR

Fees for non-audit services paid to KPMG in the current year were $30,000 (2013: $228,000) in relation to the review of the Company's Scheme of Arrangement with Trust Co.

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
- 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 2014 financial year is included at the end of this report.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Order, 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:

PETER B SCOTT
Chairman

GEOFF LLOYD
Chief Executive Officer and Managing Director

Sydney
28 August 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

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 for the financial year ended 30 June 2014 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

Andrew Yates
Partner

Sydney

28 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

OPERATING AND FINANCIAL REVIEW

FOR THE 12 MONTHS ENDED 30 JUNE 2014

DISCLAIMER

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

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

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

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

TABLE OF CONTENTS

NOTES

Note in this review:

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

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

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

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

Additional information is available on the Group's website www.perpetual.com.au.

A glossary of frequently used terms and abbreviations can be found at the end of the review.

1. REVIEW OF GROUP

1.1 BUSINESS MODEL

Perpetual Limited (Perpetual or the Group) is an Australian independent wealth manager operating in asset management, financial advice and trustee services. In each of these businesses, Perpetual earns the majority of revenue from fees charged on assets either under management, advice or administration. Revenue is influenced by movement in the underlying asset values, revenue margin and net client flows. The business model provides Perpetual with recurring revenue streams and leverage to movement in asset values.

As Perpetual is a provider of high quality financial services, employment costs comprise the largest component of expenses.

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

1.2 STRATEGY

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

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

The vision, businesses and foundations are illustrated below.

AUSTRALIA'S LARGEST INDEPENDENT WEALTH MANAGER OF CHOICE

ONE PERPETUAL

SPECIALISED ASSET MANAGEMENT	PERSONAL ADVISORY SERVICES TO TARGETED HIGH NET WORTH SEGMENTS	CORPORATE FIDUCIARY SERVICES

FOUNDATIONS

- Heritage of 128 years
- Perpetual brand
- Independence
- Fiduciary culture and client focus

- Multi-generational clients
- Leading client advocacy
- Proven investment process

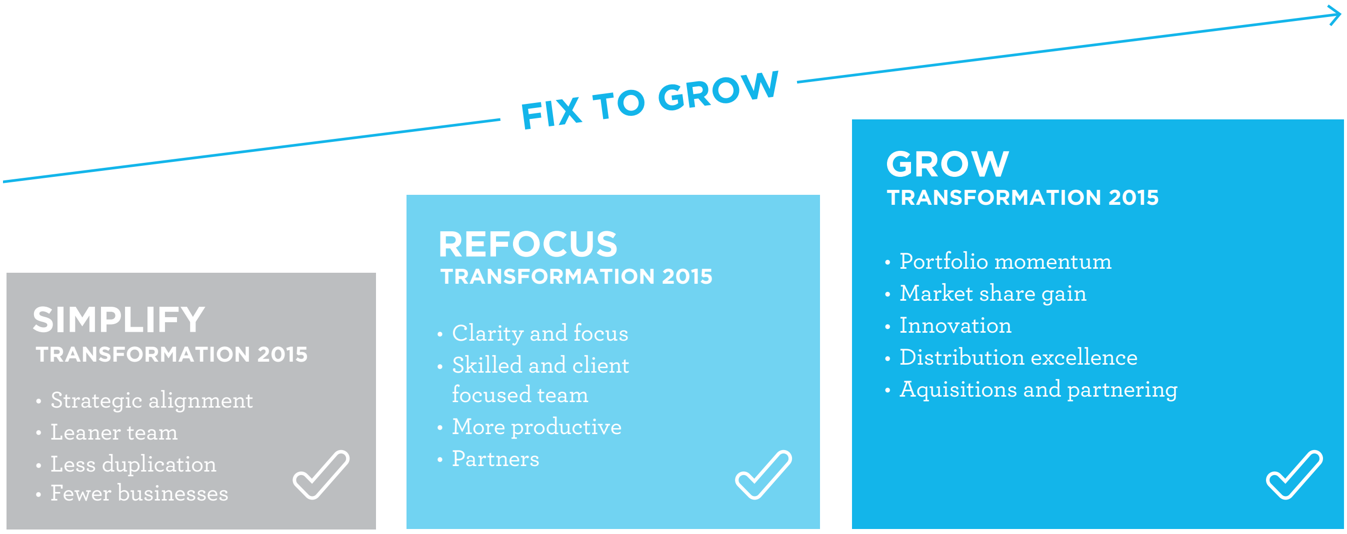
- Depth of money management talent
- Leading long-term investment performance

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

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

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

TRANSFORMATION 2015 STRATEGY



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

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

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

The growth phase continues to focus across three areas:

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

1.3 GROUP PERFORMANCE

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

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

1.3.1 FIVE YEAR PERFORMANCE

Five year performance

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

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

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

1.3.2 TRANSFORMATION 2015 SCORECARD

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

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

Transformation 2015 scorecard

	1H13	2H13	FY14
SIMPLIFY	✓ Reduced central cost ✓ Simplified structure ✓ New leadership team ✓ Sold PLMS	✓ Improved PP adviser productivity ✓ Reduced property footprint (stage 1) ✓ Simplified core processes ✓ Sold loan servicing	✓ Reduced property footprint (stage 2) ✓ Simplified investment middle/back office ✓ Reduce corporate entities
REFOCUS	✓ Signed IT outsourcing agreement ✓ Realigned advice model in PP ✓ Aligned PI/PP resources	✓ Outsourced IT (stage 1) ✓ Outsourced PP platform ✓ Refocused PI distribution	✓ Simplified IT applications and outsourcing (stages 2 and 3) ✓ Introduced tiered advice model in PP

ANNUALISED PRE-TAX AT PERIOD END	FY13 ACTUAL	1H14 ACTUAL	2H14 ACTUAL	FY15 GUIDANCE
P&L savings	$37m	$44m	$50m	$50m
Cost avoidance	$4m	$4m	$4m	$4m
Program benefits	$41m	$48m	$54m	$54m

OPERATING AND FINANCIAL REVIEW
CONTINUED

1.4 GROUP FINANCIAL PERFORMANCE

Financial summary

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

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

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

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

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

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

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

1.4.1 REVENUE

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

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

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

Management calculates the expected impact on revenue, across all its businesses, for each 1% movement in the All Ords. Based on the level of the All Ords at the end of June 2014, a 1% movement in the market changes annualised revenue by approximately $2.25 million to $2.75 million. It is worth noting this movement is not linear to the overall value of the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller effect on revenue as FUM and FUA are comprised of both equity market and non-equity market-sensitive asset classes.

Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to:

- equity funds under the Group's management and advice performing broadly in line with the All Ords;
- the impact of FUM and FUA flows, both inflows and outflows, and their timing; and
- changes in channel and product mix, and pricing policy can also affect the level of revenue earned from the Perpetual Investments and Perpetual Private businesses.

1.4.2 EXPENSES

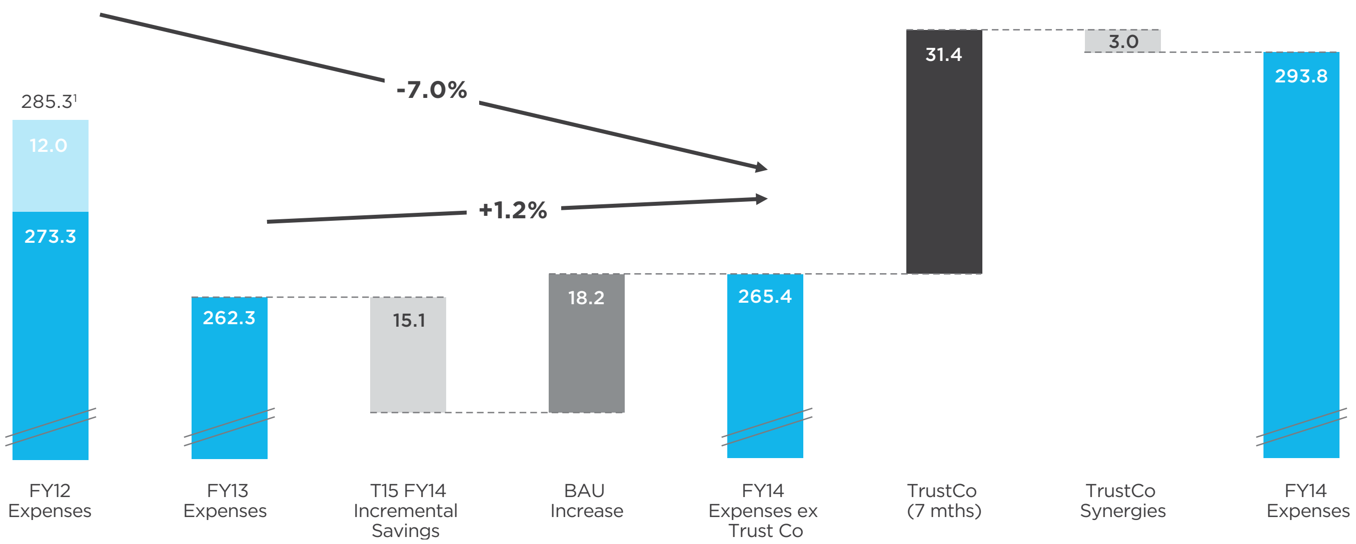
Total expenses incurred by Perpetual in FY14 including expenses relating to TrustCo's continuing operations were $293.8 million. TrustCo's continuing operation's expenses were $28.4 million net of synergies. Perpetual's total expenses in FY14 excluding expenses relating to TrustCo's continuing operations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

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

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

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

Group Expenses FY12 – FY14



1. Normalised FY12 expenses.

1.4.3 SIGNIFICANT ITEMS

Significant items

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

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

The significant items of note in FY14 were as follows:

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

1.5 SHAREHOLDER RETURNS AND DIVIDENDS

Shareholder returns

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

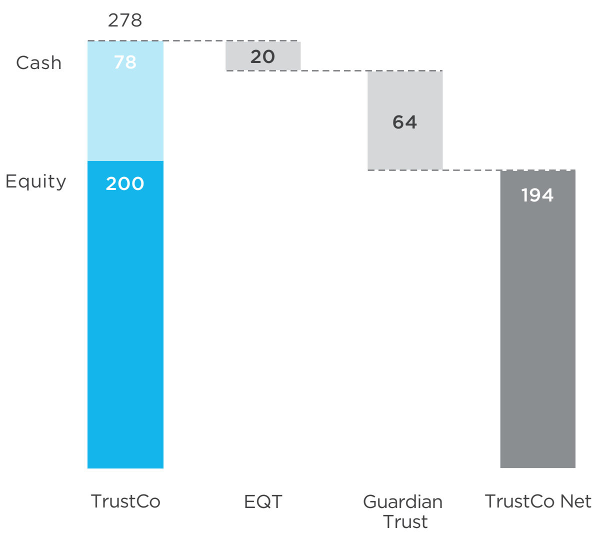
Dividends

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

1. 1H14 earnings per share on UPAT restated to reflect the sale of Guardian Trust on 7 April 2014 and the subsequent reclassification of its earnings as a discontinued operation.
2. Diluted EPS is calculated using the weighted average number of ordinary and potential ordinary shares on issue.
3. The returns on equity quoted in the above table are an annualised rate of return based on actual results for each period. ROE is calculated using the NPAT or UPAT attributable to Perpetual Limited to equity holders for the period divided by average equity attributable to the equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE.
4. Dividend payout ratio is calculated using dividend(s) paid or resolved to be paid for the relevant period divided by the diluted earnings per share.
5. Based on ordinary fully paid shares at the end of each reporting period.

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

TRUSTCO CONSIDERATION, $M



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

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

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

A dividend history table can be found at Appendix E.

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

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

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

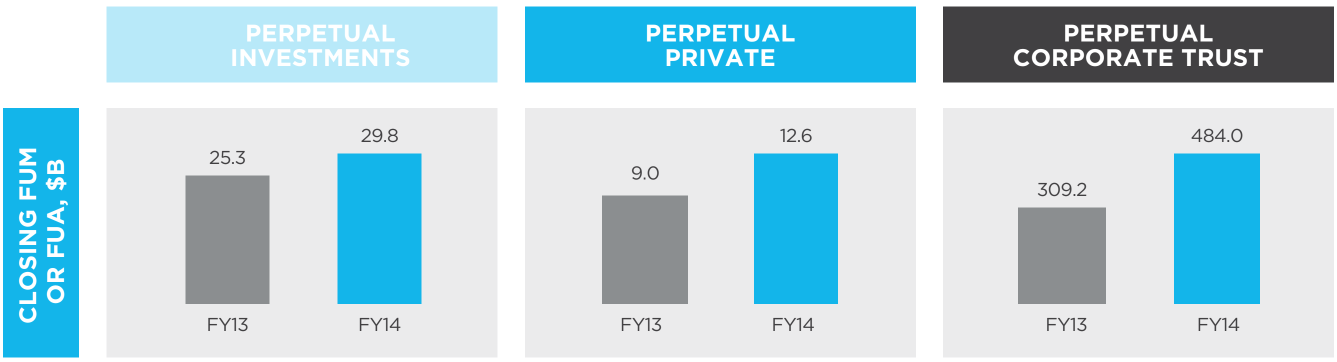
The ability to distribute the franking account balance is effectively constrained by the level of retained earnings in the parent company.

As at 30 June 2014:

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

1.6 SEGMENT RESULTS SUMMARY

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



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

SEGMENT RESULTS SUMMARY

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

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

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

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

1.7 GROUP INITIATIVES

1.7.1 TRANSFORMATION 2015

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

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

1.7.2 INTEGRATION OF THE TRUST COMPANY

Integration program

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

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

The Trust Company Integration Scorecard

OUTCOMES	FY14 PROTECT	1H15 ALIGN	2H15 ONE COMPANY
SIMPLIFY	✓ Single Executive Team ✓ New organisation structure in place ✓ All staff notified of impact to their role ✓ Divested EQT holding	**On Track:** Reduce central cost (HR, Finance, Marketing) **On Track:** Combine and simplify core processes and policies for Group functions	**On Track:** Reduce property footprint **On Track:** Consolidate and reduce corporate entities and structures
REFOCUS	✓ Single client service offering for all **new** PCT clients ✓ Design brand strategy and commence execution ✓ Detailed integration planning across all Business Units ✓ Single product and wrap offering in place for all **new** PP advice clients	**On Track:** Migrate IT infrastructure to outsource provider **On Track:** Integrated investment/product suite in PP **On Track:** Single client service offering for all PCT clients in place	**On Track:** Consolidate and simplify IT applications **On Track:** Single platform and client service offering for **all** clients in PP in place ☐ Integrated Personal Trustee and Philanthropy operations ☐ Brand strategy complete
GROW	**Ongoing:** Accelerate PCT growth in Singapore	**On Track:** PI FUM increase through the Trust Company integration via PP **On Track:** PCT outsourced RE service compliance frameworks aligned **On Track:** PCT Asia product offering finalised	☐ Increase revenue in PP due to scale benefits of combined FUA ☐ PCT FUA increase through expanded service offering

Note: PCT = Perpetual Corporate Trust, PP = Perpetual Private, PI = Perpetual Investments
☐ Not commenced

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

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

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

Financial impact of TrustCo

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

Impact of TrustCo pro forma

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

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

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

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

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

Indicative pre-tax impact of TrustCo synergies and integration costs, $M

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

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

Note: A = Actual, G = Guidance

1.8 GROUP FINANCIAL POSITION

1.8.1 SUMMARY CONSOLIDATED BALANCE SHEET

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

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

1.8.2 BALANCE SHEET ANALYSIS

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

Cash

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

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

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

Liquid investments

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

Structured products – PPI loans to clients and finance facilities

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

Goodwill

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

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

Other assets and liabilities

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

Loans

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

Contributed equity

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

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

Reserves

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

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

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

1.8.3 GOODWILL AND INTANGIBLES

Goodwill

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

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

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

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

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

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

1.9 CAPITAL MANAGEMENT

1.9.1 CAPITAL MANAGEMENT APPROACH

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

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

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

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

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

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

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

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

1.9.2 CASH FLOW

Cash flow

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

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

Inflows:

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

Outflows:

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

1.9.3 DEBT

Debt

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

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

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

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

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

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

Hedging: The Group actively manages liquidity risk by preparing cash flow forecasts for future periods, reviewing them regularly with senior management, maintaining a committed credit facility, and engaging regularly with its debt providers.

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

1.10 REGULATORY ENVIRONMENT

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

REGULATION	OVERVIEW	IMPACT/MANAGEMENT
The Future of Financial Advice (FOFA)	The FOFA package of legislation amended the Corporations Act and introduced key reforms from 1 July 2013 seeking to address conflicts of interest associated with the provision of personal financial advice. FOFA introduced bans on conflicted remuneration, a ban on shelf space fees and a new 'best interests duty'.	The majority of the FOFA reforms commenced on 1 July 2013 and throughout FY14 Perpetual implemented the remaining reforms including fee disclosure statements and changes to grandfathering for new clients after 1 July 2014. We continue to monitor developments in this area.
Stronger Super	The Stronger Super reforms are designed to improve Australia's superannuation system by removing unnecessary costs and by better safeguarding the retirement savings of all Australians. The reform package includes low cost MySuper, Super Stream, new APRA Prudential Standards and APRA Reporting and continues to evolve.	In FY14 key implementation aspects for the Group included the new APRA Prudential Standards, Super Stream, APRA Reporting, launching a MySuper product and obtaining an authorisation to continue to operate the Australian Eligible Rollover Fund. Although the Stronger Super reforms are largely in place, it is likely that ongoing changes from the regulators and implementation issues will impact the Group into FY15.
US Foreign Account Tax Compliance Act (FATCA)	FATCA is a US law imposing obligations on foreign financial institutions to identify and report on US citizen holdings. The Australian and US Governments finalised an Intergovernmental Agreement on FATCA compliance.	The Group was impacted by FATCA and throughout FY14 implemented changes required to achieve compliance by 1 July 2014. Some project activities will carry over to FY15.
ASIC Policy	ASIC continues to influence the regulatory landscape through changes to various ASIC Regulatory Guides.	In FY14 key ASIC Policy changes impacting the Group included changes to Hedge Fund Disclosure (impacting several Perpetual funds), Custodian Capital requirements (impacting the combined Group) and Platform Operator Requirements (impacting the Perpetual Private administration platform). These changes are largely implemented, with further streamlining of the Group's regulatory capital requirements expected in FY15.
Privacy	Following a review of existing privacy laws, reforms were made to the Privacy Act 1998 to strengthen privacy protection.	In FY14 changes to policies and processes across the Group were implemented to achieve compliance with the privacy reforms which commenced on 12 March 2014.

1.11 BUSINESS RISKS

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

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

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

RISK	RISK DESCRIPTION/IMPACT	RISK MANAGEMENT
Market	Exposure to, or reliance on, revenue streams linked to equity markets resulting in potentially volatile returns	• Diversification of revenue sources • Disciplined and active management of the cost base
Integration/Acquisition	Impact of not realising intended benefits or incurring unforeseen costs from acquisitions and subsequent business integration	• Established due diligence and approval processes • Strong planning, governance and project management processes
Investment	The risk of loss resulting from ineffective investment strategies, management or structures resulting in sustained under performance relative to peers and benchmarks	• Well defined and disciplined investment processes and philosophy for selection. • Established investment governance structure in place • Independent mandate monitoring and reporting
People	Exposure to changes in personnel, particularly in key investment management roles	• Succession planning and talent identification programs, reporting to the People & Remuneration Committee • Alignment of remuneration with long term investment performance. • Remuneration Benchmarking • Engagement monitoring
Strategic	Adverse strategic decisions, ineffective implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect market position	• Considered strategic and business planning processes • Strategic measures cascaded through performance management • Application of risk appetite statement in strategic decision making
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	• Clearly defined policies, procedures, roles and responsibilities • Controls Testing in the form of Control Self Assessment • Independent Assurance
Financial	Risk of inappropriate use of funds, financial performance not managed to expectations or financial results inappropriately accounted for or disclosed	• Budget planning process • Reconciliation and review processes • Regular income and expense reviews
Compliance and legal	The risk that Perpetual breaches its compliance and legal obligations leading to reputation damage, litigation, fines, breach of contract or regulatory intervention and sanctions.	• Independent Legal and Compliance team, and training across teams • Compliance obligations are documented and monitored • Independent issues assessment
Outsourcing	The risk that services performed by external service providers are not managed in line with the servicing contract or the operational standards required resulting in potential negative impacts to shareholders and/or customers.	• Partnered with well regarded and proven strategic partners • Outsourced relationships are managed at a senior level • Outsourcing and vendor management framework, with legal contracts • Service level standards monitored

1.12 OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

1.13 EVENTS SUBSEQUENT TO BALANCE DATE

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

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

2. REVIEW OF BUSINESSES

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

2.1 PERPETUAL INVESTMENTS

2.1.1 BUSINESS OVERVIEW

Perpetual Investments is one of Australia's most highly regarded investment fund managers, offering a broad range of products for personal investment, superannuation and retirement savings. The business covers a range of asset classes, including Australian and global equities, fixed income and multi-sector strategies, and it services a diverse range of client types, from large institutional investors through to smaller retail investors.

2.1.2 FINANCIAL PERFORMANCE

Perpetual Investments financial results

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

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

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

2.1.3 DRIVERS OF PERFORMANCE

Revenue

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

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

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

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

Average FUM revenue margins were slightly lower in FY14 at 76 basis points (bps). Movements in average margins are mainly brought about by changes in the mix of FUM between lower margin institutional and higher margin retail investors as well as changes in the mix of asset classes such as cash (generally lower margin) and equities (generally higher margin) and the contribution from performance related fees.

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

Revenue by asset class

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

Performance fees

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

Revenue margin

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

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

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

Expenses

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

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

2.1.4 FUNDS UNDER MANAGEMENT

FUM and flows

FUM summary

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

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

Net flows

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

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

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

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

Investment performance

Excess/(under) investment performance p.a. – gross as at end of June 2014[1]

PERIOD	AUSTRALIAN SHARE FUND	INDUSTRIAL SHARE FUND	SMALLER COMPANIES FUND	CONCEN-TRATED EQUITY FUND	SHARE PLUS FUND	ETHICAL SHARE FUND	DIVERSIFIED INCOME FUND	PERPETUAL ACTIVE FIXED INTEREST FUND
1 year	2.0%	2.7%	13.9%	3.2%	6.8%	2.5%	3.7%	1.4%
3 years	3.9%	1.2%	14.5%	5.7%	10.1%	10.6%	3.4%	1.7%
5 years	4.1%	0.6%	14.6%	4.3%	8.4%	11.1%	4.8%	1.8%
7 years	3.9%	2.4%	10.6%	5.3%	7.3%	6.4%	0.9%	1.0%
10 years	2.9%	1.6%	7.4%	3.4%	4.8%	5.7%	–	–

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

Perpetual Investments continued to deliver investment outperformance across its portfolio in FY14. As illustrated above, Perpetual Investments' main funds outperformed over the short, medium and long term horizons. The majority of the Group's core funds were again represented in the first or second quartile of performance rankings over a five year period[1].

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

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

2.2 PERPETUAL PRIVATE

2.2.1 BUSINESS OVERVIEW

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

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

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

1. Mercer wholesale surveys, quartile rankings, June 2014.

2.2.2 FINANCIAL PERFORMANCE

Perpetual Private financial results

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

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

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

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

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

2.2.3 DRIVERS OF PERFORMANCE

Revenue

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

- TrustCo contributed $19.7 million of revenue to Perpetual Private over seven months;
- FUA increased by $3.6 billion during the 12 months to 30 June 2014, reflecting the addition of TrustCo, as well as positive net flows, and improvements in equity markets over the year; and
- Multi manager investment revenue contributed $3.5 million, including $2.0 million in performance fees, following the transfer of the Multi Manager team from Perpetual Investments to Perpetual Private in July 2013.

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

Expenses

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

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

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

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

2.2.4 FUNDS UNDER ADVICE

Funds under advice

AT END OF	FY14 $B	NET FLOWS $B	OTHER[1] $B	FY13 $B
Financial advisory:				
> Superannuation	4.4	(0.1)	0.7	3.8
> Non-superannuation	3.3	0.1	1.1	2.1
	7.7	**–**	**1.8**	**5.9**
Fiduciary services:[2]				
> Philanthropic	2.1	0.1	0.8	1.2
> Trusts and estates	2.8	0.1	0.8	1.9
	4.9	**0.2**	**1.6**	**3.1**
Total funds under advice (FUA)	**12.6**	**0.2**	**3.4**	**9.0**

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

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

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

2.3 PERPETUAL CORPORATE TRUST

2.3.1 BUSINESS OVERVIEW

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

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

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

2.3.2 FINANCIAL PERFORMANCE

Perpetual Corporate Trust financial results

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

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

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

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

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

2.3.3 DRIVERS OF PERFORMANCE

Revenue

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

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

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

Expenses

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

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

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

2.3.4 FUNDS UNDER ADMINISTRATION

Funds under administration

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

1. Includes warehouse and liquidity finance facilities.

Trust Services

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

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

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

Fund Services

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

2.4 GROUP SUPPORT SERVICES

2.4.1 OVERVIEW

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

2.4.2 FINANCIAL PERFORMANCE

Group Support Services financial results

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

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

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

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

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

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

3. APPENDICES

3.1 APPENDIX A: SEGMENT RESULTS

PERIOD ENDING	FY14					2H14
	PERPETUAL INVESTMENTS $M	PERPETUAL PRIVATE $M	PERPETUAL CORPORATE TRUST $M	GROUP SUPPORT SERVICES $M	TOTAL $M	PERPETUAL INVESTMENTS $M
Operating revenue	222.5	143.8	67.4	6.9	440.6	113.0
Operating expenses	(97.3)	(111.2)	(38.2)	(17.8)	(264.5)	(49.2)
EBITDA	**125.2**	**32.6**	**29.2**	**(10.9)**	**176.1**	**63.8**
Depreciation and amortisation	(1.5)	(8.1)	(2.7)	(0.1)	(12.4)	(0.7)
Equity remuneration	(10.1)	(2.9)	(0.8)	(0.5)	(14.3)	(5.7)
EBIT	**113.6**	**21.6**	**25.7**	**(11.5)**	**149.4**	**57.4**
Interest expense	–	–	–	(2.6)	(2.6)	–
UPBT	**113.6**	**21.6**	**25.7**	**(14.1)**	**146.8**	**57.4**

PERIOD ENDING	FY13					2H13
	PERPETUAL INVESTMENTS $M	PERPETUAL PRIVATE $M	PERPETUAL CORPORATE TRUST $M	GROUP SUPPORT SERVICES $M	TOTAL $M	PERPETUAL INVESTMENTS $M
Operating revenue	195.9	115.7	49.8	8.3	369.7	102.3
Operating expenses	(97.7)	(98.3)	(29.8)	(13.3)	(239.1)	(49.3)
EBITDA	**98.2**	**17.4**	**20.0**	**(5.0)**	**130.6**	**53.0**
Depreciation and amortisation	(1.8)	(5.9)	(1.3)	(0.1)	(9.1)	(0.8)
Equity remuneration	(9.2)	(2.3)	(0.4)	(0.4)	(12.3)	(4.8)
EBIT	**87.2**	**9.2**	**18.3**	**(5.5)**	**109.2**	**47.4**
Interest expense	–	–	–	(1.8)	(1.8)	–
UPBT	**87.2**	**9.2**	**18.3**	**(7.3)**	**107.4**	**47.4**

2H14				1H14				
PERPETUAL PRIVATE $M	**PERPETUAL CORPORATE TRUST $M**	**GROUP SUPPORT SERVICES $M**	**TOTAL $M**	**PERPETUAL INVESTMENTS $M**	**PERPETUAL PRIVATE $M**	**PERPETUAL CORPORATE TRUST $M**	**GROUP SUPPORT SERVICES $M**	**TOTAL $M**
81.3	40.2	4.0	238.5	109.5	62.5	27.2	2.9	202.1
(58.9)	(22.8)	(10.4)	(141.3)	(48.1)	(52.3)	(15.4)	(7.4)	(123.2)
22.4	**17.4**	**(6.4)**	**97.2**	**61.4**	**10.2**	**11.8**	**(4.5)**	**78.9**
(4.4)	(2.1)	(0.1)	(7.3)	(0.8)	(3.7)	(0.6)	–	(5.1)
(1.7)	(0.6)	(0.4)	(8.4)	(4.4)	(1.2)	(0.2)	(0.1)	(5.9)
16.3	**14.7**	**(6.9)**	**81.5**	**56.2**	**5.3**	**11.0**	**(4.6)**	**67.9**
–	–	(1.8)	(1.8)	–	–	–	(0.8)	(0.8)
16.3	**14.7**	**(8.7)**	**79.7**	**56.2**	**5.3**	**11.0**	**(5.4)**	**67.1**

2H13				1H13				
PERPETUAL PRIVATE $M	**PERPETUAL CORPORATE TRUST $M**	**GROUP SUPPORT SERVICES $M**	**TOTAL $M**	**PERPETUAL INVESTMENTS $M**	**PERPETUAL PRIVATE $M**	**PERPETUAL CORPORATE TRUST $M**	**GROUP SUPPORT SERVICES $M**	**TOTAL $M**
59.2	24.5	4.3	190.3	93.6	56.5	25.3	4.0	179.4
(49.9)	(14.0)	(6.7)	(119.9)	(48.4)	(48.4)	(15.8)	(6.6)	(119.2)
9.3	**10.5**	**(2.4)**	**70.4**	**45.2**	**8.1**	**9.5**	**(2.6)**	**60.2**
(3.3)	(0.6)	–	(4.7)	(1.0)	(2.6)	(0.7)	(0.1)	(4.4)
(1.2)	(0.2)	(0.2)	(6.4)	(4.4)	(1.1)	(0.2)	(0.2)	(5.8)
4.8	**9.7**	**(2.6)**	**59.3**	**39.8**	**4.4**	**8.6**	**(2.9)**	**49.9**
–	–	(0.9)	(0.9)	–	–	–	(0.9)	(0.9)
4.8	**9.7**	**(3.5)**	**58.4**	**39.8**	**4.4**	**8.6**	**(3.8)**	**49.0**

3.2 APPENDIX B: BRIDGE FOR FY14 STATUTORY ACCOUNTS AND OFR

	FY14 STAT ACCOUNTS	OFR UPAT ADJUSTMENTS	FY14 OFR PRESENTATION
Total revenue from continuing operations	450,070	(9,447)	440,623
Staff related expenses excluding equity remuneration expense	(176,387)	12,765	(163,622)
Occupancy expenses	(21,667)	2,867	(18,800)
Administrative and general expenses	(104,848)	22,782	(82,066)
Distributions and expenses relating to structured products	(9,450)	9,450	–
Financing costs	(2,631)	–	(2,631)
Equity remuneration expense	(14,647)	382	(14,265)
Depreciation and amortisation expense	(12,471)	44	(12,427)
Proceeds from sale of investments	34,971	(34,971)	–
Cost of investments disposed of	(29,451)	29,451	–
Impairment of assets	(308)	308	–
(Loss)/gain on sale of business	(403)	403	–
Net profit before tax from continuing operations	**112,778**	**34,034**	**146,812**
Income tax expense	(33,455)	(9,242)	(42,697)
Net profit after tax from continuing operations	79,323	24,792	104,115
Net profit after tax from discontinued operations	3,036	(3,036)	–
Net profit after tax consolidated entity	**82,359**	**21,756**	**104,115**
Profit after tax attributable to non-controlling interests	(741)	741	–
Net profit after tax attributable to equity holders of Perpetual Limited	**81,618**	**22,497**	**104,115**
Transformation Costs			(14,350)
Trust Company integration costs			(10,020)
Cost relating to Trust Company transactions			(4,429)
Gain on disposal of businesses			1,020
Non recurring tax benefit items			1,218
Operating income from discontinued operations			2,016
Gain on disposal/impairment of investments			2,048
Net profit after tax attributable to equity holders			**81,618**

EMCF	OPERATING INCOME FROM DISCONTINUED OPERATIONS	NON-RECURRING TAX BENEFIT ITEMS	GAIN ON DISPOSAL OF BUSINESSES	GAIN ON DISPOSAL/ IMPAIRMENT OF INVESTMENTS	TRANS-FORMATION COSTS	TRUST COMPANY INTEGRATION COSTS	COST RELATING TO TRUST COMPANY TRANSACTIONS	TOTAL ADJUSTMENTS
(9,450)				3				**(9,447)**
					4,377	8,388		**12,765**
					2,735	131	1	**2,867**
					12,506	5,640	4,636	**22,782**
9,450								**9,450**
								-
					276	106		**382**
					30	14		**44**
				(34,971)				**(34,971)**
				29,451				**29,451**
				308				**308**
					403			**403**
-	**-**	**-**	**-**	**(5,209)**	**20,327**	**14,279**	**4,637**	**34,034**
		(1,218)		2,420	(5,977)	(4,259)	(208)	**(9,242)**
-		(1,218)		(2,789)	14,350	10,020	4,429	**24,792**
	(2,016)		(1,020)					**(3,036)**
-	**(2,016)**	**(1,218)**	**(1,020)**	**(2,789)**	**14,350**	**10,020**	**4,429**	**21,756**
				741				**741**
-	**(2,016)**	**(1,218)**	**(1,020)**	**(2,048)**	**14,350**	**10,020**	**4,429**	**22,497**

3.3 APPENDIX C: AVERAGE FUNDS UNDER MANAGEMENT

Average FUM by asset class

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

3.4 APPENDIX D: FULL TIME EQUIVALENT EMPLOYEES (FTE'S)

Total FTE employees

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

1. In FY14 the fund administration and support function was transferred from Group Support Services to Perpetual Investments. FTEs in both 1H13 and 2H13 in the previous table have been restated to enable comparison with 1H14.

3.5 APPENDIX E: DIVIDEND HISTORY

In February 2009 Perpetual announced that it had revised its dividend policy to a payout ratio range of between 80–100 per cent of net profit after tax on an annualised basis.

YEAR	DIVIDEND	DATE PAID	DIVIDEND PER SHARE	FRANKING RATE	COMPANY TAX RATE	DRP PRICE
FY14	Final	3 Oct 2014	95 cents	100%	30%	Not determined at time of publication
FY14	Interim	4 Apr 2014	80 cents	100%	30%	$50.32
FY13	Final	4 Oct 2013	80 cents	100%	30%	$38.66
FY13	Interim	5 Apr 2013	50 cents	100%	30%	$40.71
FY12	Final	5 Oct 2012	40 cents	100%	30%	$27.00
FY12	Interim	29 Mar 2012	50 cents	100%	30%	$24.34
FY11	Final	27 Sep 2011	90 cents	100%	30%	$22.40
FY11	Interim	30 Mar 2011	95 cents	100%	30%	$28.44
FY10	Final	28 Sep 2010	105 cents	100%	30%	$29.60
FY10	Interim	1 Apr 2010	105 cents	100%	30%	$35.21
FY09	Final	30 Sep 2009	60 cents	100%	30%	$37.78
FY09	Interim	13 Mar 2009	40 cents	100%	30%	N/A
FY08	Final	12 Sep 2008	141 cents	100%	30%	N/A
FY08	Interim	14 Mar 2008	189 cents	100%	30%	N/A
FY07	Final	14 Sep 2007	187 cents	100%	30%	N/A
FY07	Interim	16 Mar 2007	173 cents	100%	30%	N/A
FY06	Special	12 Sep 2006	100 cents	100%	30%	N/A
FY06	Final	12 Sep 2006	164 cents	100%	30%	N/A
FY06	Interim	17 Mar 2006	162 cents	100%	30%	N/A
FY05	Special	12 Sep 2005	100 cents	100%	30%	N/A
FY05	Final	12 Sep 2005	130 cents	100%	30%	N/A
FY05	Interim	18 Mar 2005	130 cents	100%	30%	N/A
FY04	Special	17 Sep 2004	200 cents	100%	30%	N/A
FY04	Final	17 Sep 2004	80 cents	100%	30%	N/A
FY04	Special	23 Jun 2004	50 cents	100%	30%	N/A
FY04	Interim	19 Mar 2004	70 cents	100%	30%	N/A
FY03	Final	3 Sep 2003	70 cents	100%	30%	N/A
FY03	Special	25 Jun 2003	50 cents	100%	30%	N/A
FY03	Interim	21 Mar 2003	60 cents	100%	30%	N/A

3.6 GLOSSARY

ABS	Asset backed securities
AICD	Australian Institute of Company Directors
APRA	Australian Prudential Regulation Authority
ASX	Australian Securities Exchange
b	Billion
bps	Basis point (0.01 of 1%)
CMBS	Commercial mortgage backed securities
cps	Cents per share
DPS	Dividend(s) per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation of intangible assets, equity remuneration expense, and significant items
EMCF	Perpetual Exact Market Cash Fund
EPS	Earnings per share
Finsia	Financial Services Institute of Australasia
FOFA	The Future of Financial Advice
FTE	Full Time Equivalent Employees
FUA	Funds under advice or funds under administration
FUM	Funds under management
Group	Perpetual Limited and its controlled entities (the consolidated entity) and the consolidated entity's interests in associates
m	Million
MARQ	Marq Services Management Pty Ltd
NPAT	Net profit after tax
PLMS	Perpetual Lenders Mortgage Services
PPI	Perpetual Protected Investments
RBA	Reserve Bank of Australia
RMBS	Residential mortgage backed securities
ROE	Return on equity
T15	Transformation 2015
TrustCo	The Trust Company Limited
UPAT	Underlying profit after tax
UPBT	Underlying profit before tax

FINANCIAL REPORT

FINANCIAL REPORT
FINANCIAL STATEMENTS OF PERPETUAL LIMITED AND ITS CONTROLLED ENTITIES

For the year ended 30 June 2014

TABLE OF CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
Continuing operations			
Revenue from the provision of services		430,304	353,391
Income from structured products		12,405	35,899
Investment income		7,361	8,188
Total revenue	3	450,070	397,478
Staff related expenses excluding equity remuneration expense	4	(176,387)	(161,011)
Occupancy expenses		(21,667)	(17,668)
Administrative and general expenses		(104,848)	(81,954)
Distributions and expenses relating to structured products		(9,450)	(28,273)
Financing costs		(2,631)	(1,764)
Equity remuneration expense	4	(14,647)	(12,727)
Depreciation and amortisation expense	4	(12,471)	(9,092)
Proceeds from sale of investments		34,971	38,802
Cost of investments disposed of		(29,451)	(37,511)
Impairment of assets	5	(308)	(3,348)
(Loss)/gain on sale of business		(403)	145
Share of loss of equity accounted investments	18	-	(704)
Net profit before tax from continuing operations		112,778	82,373
Income tax expense	9	(33,455)	(24,864)
Net profit after tax from continuing operations		**79,323**	**57,509**
Discontinued operation			
Net profit after tax from discontinued operation	7	3,036	2,876
Net profit after tax		**82,359**	**60,385**
Profit/(loss) after tax attributable to non-controlling interests		741	(583)
Net profit after tax attributable to equity holders of Perpetual Limited		**81,618**	**60,968**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 97 to 152.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME CONTINUED

For the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
Net profit after tax		**82,359**	**60,385**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve			
Effective portion of changes in fair value of cash flow hedges		250	140
Foreign currency reserve			
Foreign currency translation differences – foreign operations		66	5,313
Available-for-sale reserve			
Net increase in fair value of available-for-sale financial assets		5,441	10,898
Impairment of available-for-sale financial assets reclassified to profit or loss		308	2,108
Loss on previously impaired available-for-sale financial assets reclassified to profit or loss upon disposal		(2,900)	(5,218)
Income tax on items that may be reclassified to profit or loss	9(b)	(716)	(1,982)
Other comprehensive income/(expense), net of income tax		2,449	11,259
Total comprehensive income		84,808	71,644
Total comprehensive income is attributable to:			
Non-controlling interests		1,602	626
Equity holders of Perpetual Limited		83,206	71,018
Total comprehensive income		84,808	71,644
Earnings per share			
Basic earnings per share – cents per share	12	196.2	158.2
Diluted earnings per share – cents per share	12	186.4	148.7
Earnings per share – continuing operations			
Basic earnings per share – cents per share	12	188.9	150.7
Diluted earnings per share – cents per share	12	179.5	141.7

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 97 to 152.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTE	2014 $'000	2013 $'000
Assets			
Cash and cash equivalents	13	282,585	217,119
Receivables	14	85,037	62,020
Assets held for sale	15(a),(b)	1,119	803
Other financial assets	16	–	40
Structured products – EMCF assets	30(i)	271,825	427,006
Structured products – receivable from investors	29 & 30(ii)	37,864	34,882
Prepayments	21	7,881	6,927
Total current assets		686,311	748,797
Other financial assets	16	45,255	35,415
Structured products – loans receivable from investors	29 & 30(ii)	–	41,859
Property, plant and equipment	19	15,670	18,289
Intangibles	20	321,978	129,267
Deferred tax assets	10	29,591	30,345
Prepayments	21	8,033	396
Total non-current assets		420,527	255,571
Total assets		1,106,838	1,004,368
Liabilities			
Payables	22	43,135	37,911
Liabilities held for sale	15	111	–
Structured products – EMCF liabilities	30(i)	268,345	423,848
Structured products – interest-bearing liabilities	29	37,117	36,231
Structured products – income received in advance	23	2,678	5,468
Derivative financial instruments	17	191	423
Current tax liabilities	9(d)	14,695	13,308
Employee benefits	27	49,431	41,534
Provisions	24	3,649	2,779
Total current liabilities		419,352	561,502
Interest-bearing liabilities	28	87,000	45,000
Structured products – interest-bearing liabilities	29	–	42,418
Deferred tax liabilities	10	20,743	8,071
Employee benefits	27	3,613	2,402
Provisions	24	19,728	21,237
Total non-current liabilities		131,084	119,128
Total liabilities		550,436	680,630
Net assets		556,402	323,738
Equity			
Contributed equity	25	460,807	239,801
Reserves	26	32,263	37,124
Retained earnings		51,701	37,415
Total equity attributable to equity holders of Perpetual Limited		544,771	314,340
Non-controlling interest		11,631	9,398
Total equity		556,402	323,738

The Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 97 to 152.

FINANCIAL REPORT
STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

$'000	GROSS CONTRIBUTED EQUITY	TREASURY SHARE RESERVE	TOTAL CONTRIBUTED EQUITY	AVAILABLE-FOR-SALE RESERVE	GENERAL RESERVE
Balance at 1 July 2013	356,317	(116,516)	239,801	4,269	103
Total comprehensive income/(expense)	–	–	–	1,346	–
Movement on treasury shares	(4,061)	22,027	17,966	–	–
Equity remuneration expense	–	–	–	–	–
Dividends paid to shareholders	–	–	–	–	–
Issue of ordinary shares	203,040	–	203,040	–	–
Non-controlling interest	–	–	–	–	–
Balance at 30 June 2014	**555,296**	**(94,489)**	**460,807**	**5,615**	**103**
Balance at 1 July 2012	379,567	(143,037)	236,530	(370)	103
Total comprehensive income/(expense)	–	–	–	4,639	–
Movement on treasury shares	(23,250)	26,521	3,271	–	–
Equity remuneration expense	–	–	–	–	–
Dividends paid to shareholders	–	–	–	–	–
Non-controlling interest	–	–	–	–	–
Balance at 30 June 2013	**356,317**	**(116,516)**	**239,801**	**4,269**	**103**

The Statement of Changes in Equity is to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 97 to 152.

FOREIGN CURRENCY TRANSLATION RESERVE	EQUITY COMPENSATION RESERVE	CASH FLOW HEDGE RESERVE	TOTAL RESERVES	RETAINED EARNINGS	EQUITY HOLDERS OF PERPETUAL	NON-CONTROLLING INTEREST	TOTAL
(66)	33,215	(397)	37,124	37,415	314,340	9,398	323,738
66	–	176	1,588	81,618	83,206	1,602	84,808
–	(21,281)	–	(21,281)	3,476	161	–	161
–	14,832	–	14,832	–	14,832	–	14,832
–	–	–	–	(70,808)	(70,808)	–	(70,808)
–	–	–	–	–	203,040	–	203,040
–	–	–	–	–	–	631	631
–	**26,766**	**(221)**	**32,263**	**51,701**	**544,771**	**11,631**	**556,402**
(5,379)	30,369	(495)	24,228	7,440	268,198	12,263	280,461
5,313	–	98	10,050	60,968	71,018	626	71,644
–	(9,899)	–	(9,899)	6,789	161	–	161
–	12,745	–	12,745	–	12,745	–	12,745
–	–	–	–	(37,782)	(37,782)	–	(37,782)
–	–	–	–	–	–	(3,491)	(3,491)
(66)	**33,215**	**(397)**	**37,124**	**37,415**	**314,340**	**9,398**	**323,738**

FINANCIAL REPORT
CASH FLOW STATEMENT

For the year ended 30 June 2014

	NOTE	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		472,141	395,560
Cash payments in the course of operations		(354,867)	(285,204)
Dividends received		683	955
Interest received		6,138	7,259
Interest paid		(2,631)	(1,764)
Income taxes paid		(26,812)	(11,228)
Net cash from operating activities	39	94,652	105,578
Cash flows from investing activities			
Payments for property, plant, equipment and software		(6,569)	(14,225)
Payments for investments		(38,854)	(33,779)
Repayments of advances made under the Employee Share Purchase Plan		130	136
Payment for acquisition of business		(61,519)	(599)
Proceeds from sale of property, plant and equipment		–	1,881
Proceeds from sale of businesses		60,004	8,399
Proceeds from the sale of investments		54,740	38,802
Net cash from investing activities		7,932	615
Cash flows from financing activities			
Proceeds from issue of shares		3,100	–
Net proceeds from borrowings		32,000	–
Sale of units in seed funds to non-controlling interests		(1,410)	(4,349)
Dividends paid		(70,808)	(37,782)
Net cash used in financing activities		(37,118)	(42,131)
Net increase in cash and cash equivalents		65,466	64,062
Cash and cash equivalents at 1 July		217,119	153,057
Cash and cash equivalents at 30 June	13	282,585	217,119

The Cash Flow Statement is to be read in conjunction with 'Notes to the Financial Statements' set out on pages 97 to 152.

NOTE 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 2014 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 28 August 2014.

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 of and for the year ended 30 June 2014 is available at www.perpetual.com.au.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and derivative financial instruments 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

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.

(A) JUDGEMENTS

Information about critical judgements in applying accounting policies in accordance with Australian Accounting Standard AASB 10 Consolidated Financial Statements is included in Note 34. 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 2014 are included in the following notes:

- Note 10. Deferred tax assets/(liabilities)
- Note 17. Derivative financial instruments
- Note 20. Intangibles
- Note 24. Provisions
- Note 27. Employee benefits
- Note 30. Structured products assets and liabilities
- Note 38. Business combinations.

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 (ie. as prices) or indirectly (ie. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

II. BASIS OF PREPARATION CONTINUED

(B) ASSUMPTIONS AND ESTIMATION UNCERTAINTIES CONTINUED

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:

- Note 27. Employee benefits
- Note 29. Financial risk management
- Note 30. Structured products assets and liabilities.

III. BASIS OF CONSOLIDATION

(A) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the consolidated entity. In assessing control, the consolidated entity takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 July 2009

For acquisitions on or after 1 July 2009, the consolidated entity measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the consolidated entity incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and related to past services, then all or a portion of the amount of the acquirer's replacement award is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 July 2004 and 1 July 2009

For acquisitions between 1 July 2004 and 1 July 2009, goodwill represents the excess of the cost of the acquisition over the consolidated entity's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the consolidated entity incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 July 2004 (date of transition to IFRS)

As part of its transition to IFRS, the consolidated entity elected to restate only those business combinations that occurred on or after 1 July 2003. In respect of acquisitions prior to 1 July 2003, goodwill represents the amount recognised under the consolidated entity's previous accounting framework, Australian Generally Accepted Accounting Practices. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(B) SUBSIDIARIES AND SHARE PLAN ENTITIES

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.

The consolidated entity reassessed the control conclusion for its investees at 30 June 2014. No changes have resulted.

(C) ASSOCIATES

Associates are those entities in which the consolidated entity has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the consolidated entity's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations to make payments on behalf of an associate.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

III. BASIS OF CONSOLIDATION CONTINUED

(D) 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.

IV. FOREIGN CURRENCY TRANSLATION

(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.

V. INTANGIBLE ASSETS

(A) GOODWILL

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 20.

Measurement

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 on acquisition of subsidiaries is presented with intangible assets and on acquisition of associates is included in investment in associates. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. When impaired, goodwill is carried at cost less accumulated impairment losses (see accounting policy xx). A discount upon acquisition is recognised directly in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any assets, including goodwill, that forms part of the carrying amount of the associate. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(B) SOFTWARE

Certain internal and external costs directly incurred in acquiring and developing software have been capitalised and are amortised over their useful life. 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.

(C) OTHER INTANGIBLE ASSETS

Other intangible assets acquired by the consolidated entity, which have finite useful lives, are stated at cost less accumulated amortisation (refer to accounting policy v(e)) and impairment losses (see accounting policy xx).

(D) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

V. INTANGIBLE ASSETS CONTINUED

(E) 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.

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

- capitalised software costs: 2.5–7 years
- customer contracts and relationships acquired: 5–10 years.

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

VI. REVENUE AND INCOME RECOGNITION

Revenue is recognised at fair value of consideration received or receivable net of goods and services tax payable to the taxation authority.

(A) 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.

(B) INCOME FROM STRUCTURED PRODUCTS

Refer to accounting policy xi for details on income from structured products.

(C) INVESTMENT INCOME

Interest income is recognised as it accrues taking into account the effective yield of the financial asset. Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date.

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

(D) PROCEEDS FROM SALE OF INVESTMENTS

Net gains or losses on disposal of non-current assets are included in profit or loss. The gain or loss arising from disposal of an item of property, plant and equipment is determined as the difference between net disposal proceeds, being the cash price equivalent where payment is deferred, and the carrying amount of the item.

Profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

VII. SEGMENT REPORTING

The consolidated entity determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO), who is the consolidated entity's chief operating decision maker.

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, and income tax expenses, assets and liabilities.

VIII. INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between initial carrying amount and redemption value being recognised in the profit or loss over the period of the borrowings using the effective interest method.

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

IX. INCOME TAX

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 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 sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IX. INCOME TAX CONTINUED

Deferred tax assets and liabilities are offset 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.

The Company and its wholly owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Perpetual Limited.

X. INVESTMENTS

(A) HELD-TO-MATURITY INVESTMENTS

Investments are classified as held-to-maturity if the consolidated entity has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(B) 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. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy xx), 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.

(C) 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.

XI. STRUCTURED PRODUCTS

Structured products comprise products sold to investors where there is residual risk taken by the Company. Currently, structured products comprise products such as the Exact Market Cash Funds (the EMCF product) and Perpetual Protected Investments (PPI).

(A) EXACT MARKET CASH FUNDS

The EMCF product consisting of two Funds (EMCF 1 and EMCF 2) is consolidated as the consolidated entity is deemed to control the EMCF Funds since it retains the residual risks and benefits through the swap agreements. 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 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 shown separately on the Statement of Comprehensive Income 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.

(B) PERPETUAL PROTECTED INVESTMENTS

Loans to investors which are held as non-current assets at amortised cost on the Statement of Financial Position (refer to structured products – loan receivables) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets 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 any impairment losses.

Loans to investors are subject to recurring review and assessment for possible impairment. Provisions for loan losses are based on an incurred loss model, which recognises a provision where there is objective evidence of impairment at each balance sheet date, and are calculated based on the discounted values of expected future cash flows.

The incurred loss model makes specific provisions where specific loan impairment is identified. For individual loans not impaired, assets with similar risk profiles are pooled and collectively assessed for losses that may have been incurred but not yet identified. Bad debts are written off in the period in which they are identified.

Management makes judgements whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that correlate with defaults on assets in that group.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

XII. PROPERTY, PLANT AND EQUIPMENT

(A) RECOGNITION AND MEASUREMENT

Property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy xx).

Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost of self-constructed assets includes cost of materials, direct labour, an appropriate proportion of overheads and where relevant, the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(B) SUBSEQUENT COSTS

The consolidated entity recognises the cost of replacing part of an item of property, plant and equipment in the carrying amount of that item when the cost is incurred, it is probable that future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in profit or loss as an expense when incurred.

(C) DEPRECIATION

Depreciation is recognised in the Statement of Comprehensive Income 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: 4–10 years
- leasehold improvements: 3–15 years.

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

XIII. LOANS AND RECEIVABLES

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets 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 (see accounting policy xx).

Loans and receivables comprise trade and other receivables. Refer to accounting policy xi(b) for structured products–loan receivables.

XIV. EXPENSES

(A) 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 in the Statement of Financial Position (see accounting policy xvi). The provision is expected to be realised over the term of the underlying leases.

(B) FINANCING COSTS

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

XV. 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.

XVI. PROVISIONS

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.

(A) ONEROUS LEASES AND MAKE GOOD

A provision for onerous leases is recognised when the expected benefits to be derived by the consolidated entity from a lease contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the consolidated entity recognises any impairment loss on the assets associated with that contract. A provision for make good is recognised when the consolidated entity is responsible for the make good of leased premises on termination of operating leases.

(B) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

XVI. PROVISIONS CONTINUED

(C) OPERATIONAL PROCESS REVIEW

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

(D) SELF-INSURANCE

Provision for self-insurance recognises incurred but not reported claims. These provisions are measured at the cost that the consolidated entity expects to incur in settling the claim, discounted using a government bond rate with a maturity date approximating the term of the obligation.

(E) 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.

(F) 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.

(G) EMPLOYEE BENEFITS

Refer to accounting policy xxiii for details on employee benefits provisions.

XVII. FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. 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.

XVIII. SHARE CAPITAL

(A) 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.

(B) 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.

(C) DIVIDENDS

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

XIX. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank balances, deposits at call and short-term deposits.

XX. 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.

In assessing collective impairment the consolidated entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 and 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

XX. IMPAIRMENT CONTINUED

(A) FINANCIAL ASSETS (INCLUDING RECEIVABLES) CONTINUED

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.

(B) NON-FINANCIAL ASSETS

The carrying amounts of the consolidated entity's non-financial assets, other than deferred tax assets (see accounting policy ix), 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 balance sheet 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.

XXI. RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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.

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 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.

Financial assets and liabilities are offset and the net amount presented in the 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.

XXII. DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated entity holds derivative financial instruments within structured products and 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. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

XXII. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(A) CASH FLOW HEDGES

To the extent that the hedge is effective, changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are recognised in the cash flow hedge reserve. To the extent that the hedge is ineffective, changes in fair value are recognised in the net profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the net profit or loss in the same period that the hedged item affects profit or loss.

(B) OTHER DERIVATIVES

When a derivative financial instrument is not designated in a qualifying hedge relationship, any changes in fair value are recorded in profit and loss.

XXIII. EMPLOYEE BENEFITS

(A) DEFINED CONTRIBUTION SUPERANNUATION FUNDS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the periods during which services are rendered by employees.

(B) LONG SERVICE LEAVE

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(C) WAGES, SALARIES, ANNUAL LEAVE, SICK LEAVE AND NON-MONETARY BENEFITS

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating benefits, such as sick leave, are not provided for but are expensed as the benefits are taken by the employees.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term bonus or profit-sharing plans 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.

XXIV. SHARE-BASED PAYMENT TRANSACTIONS

(A) 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.

(B) 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 Executive Share Plan, Deferred Share Plan or the Global Employees Share Trust.

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.

(C) PERFORMANCE RIGHTS

Performance rights are issued for the benefit of Perpetual employees pursuant to the Perpetual Limited Long-term Incentive 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 equity compensation reserve based on the fair value of the performance rights at the grant date.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

XXIV. SHARE-BASED PAYMENT TRANSACTIONS CONTINUED

(C) PERFORMANCE RIGHTS CONTINUED

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.

XXV. EARNINGS PER SHARE

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.

XXVI. 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.

These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the consolidated entity other than the following:

(A) AASB 9 FINANCIAL INSTRUMENTS (2010), AASB 9 FINANCIAL INSTRUMENTS (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets. AASB 9 (2013) introduces new requirements for hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2017. The effective date is subject to review pending the finalisation of the outstanding phases of the standard. However, early adoption is permitted. The adoption of this standard is not expected to have a material impact on the consolidated entity's financial assets or financial liabilities. The consolidated entity has not yet determined the impact on its hedging arrangements.

XXVII. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the consolidated entity has consistently applied the accounting policies set out in Note 2(ii) – (xxv) to all periods presented in these consolidated financial statements.

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

(a) Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)
(b) AASB 10 Consolidated Financial Statements
(c) AASB 12 Disclosure of Interests in Other Entities
(d) AASB 13 Fair Value Measurement.

The nature and effects of the changes are explained below.

(A) OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As a result of the amendments to AASB 7, the consolidated entity has expanded its disclosures about the offsetting of financial assets and financial liabilities (see Note 29. Financial risk management).

(B) SUBSIDIARIES

As a result of AASB 10, the consolidated entity has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 introduces a new control model that focuses on whether the consolidated entity has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of AASB 10, the consolidated entity reassessed the control conclusion for its investees at 30 June 2014. No changes have resulted.

(C) DISCLOSURE OF INTERESTS IN OTHER ENTITIES

As a result of AASB 12, the consolidated entity has expanded its disclosures about its interests in subsidiaries (see Note 34. Controlled entities, Note 35. Unconsolidated structured entities, Note 36. Non-controlling interest and Note 18. Equity accounted investee).

(D) FAIR VALUE MEASUREMENT

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7. As a result, the consolidated entity has included additional disclosures in this regard (see Note 29. Financial risk management). In accordance with the transitional provisions of AASB 13, the consolidated entity has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the consolidated entity's assets and liabilities.

NOTE 3. REVENUE FROM CONTINUING OPERATIONS

	2014 $'000	2013 $'000
Revenue from the provision of services		
Gross revenue from fees and commissions	430,304	353,391
Other income		
Income from structured products	12,405	35,899
Investment income		
Dividends	789	938
Interest and unit trust distribution	6,572	7,250
Total investment income	7,361	8,188
	450,070	397,478

NOTE 4. NET PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Net profit before tax has been arrived at after charging/(crediting) the following items:

	2014	2013
Depreciation of property, plant and equipment:		
– Leasehold improvements	2,641	2,969
– Plant and equipment	801	1,007
	3,442	3,976
Amortisation of intangible assets:		
– Capitalised software	4,681	3,290
– Other intangible assets	4,348	1,826
	9,029	5,116
Total depreciation and amortisation expense	12,471	9,092
Rental charges – operating leases	15,720	12,869
Net loss on sale of property, plant and equipment	2,279	343
Net movements in provision for:		
– Employee benefits	9,108	89
– Bad and doubtful debts	1,018	(272)
– Credit losses on structured products	(125)	(234)
Net foreign exchange gain – operational	(430)	(103)
Total staff related expenses:		
– Staff related expenses	176,387	161,011
– Equity remuneration expense	14,647	12,727
	191,034	173,738

NOTE 5. INDIVIDUALLY SIGNIFICANT ITEMS INCLUDED IN PROFIT FOR THE YEAR

	2014 $'000	2013 $'000
Transformation and restructuring costs	(20,327)	(15,324)
Income tax benefit applicable	5,977	4,592
	(14,350)	(10,732)
Gain on disposal of investments	5,520	1,291
Impairment of investments	(308)	(3,204)
Income tax (expense)/benefit applicable	(2,420)	1,652
Total gain on disposal of investments after tax	2,792	(261)
Investments profit after tax attributable to non-controlling interests	(744)	(568)
	2,048	(829)
Gain on the sale of businesses/discontinued operations**	1,020	2,595
	1,020	2,595
Impairment of intangible assets	–	(144)
Income tax benefit applicable	–	41
Total impairment of assets after tax	–	(103)
Foreign currency translation costs*	–	(5,207)
	–	(5,207)
Research and development tax incentives	1,262	1,865
Tax expense on forfeited treasury shares in equity	(44)	(1,478)
Net tax benefit on non-recurring capital/equity items	1,218	387
Trust Co due diligence and transaction costs	(4,637)	(1,463)
Income tax benefit applicable	208	–
	(4,429)	(1,463)
Trust Co integration costs	(14,279)	–
Income tax benefit applicable	4,259	–
	(10,020)	–

* No income tax benefit recognised.
** Tax losses not previously recognised have been utilised.

NOTE 6. SEGMENT INFORMATION

	PERPETUAL INVESTMENTS[1] $'000	PERPETUAL PRIVATE[2] $'000	CORPORATE TRUST[2,3] $'000	TOTAL $'000
30 June 2014				
External revenues	230,347	151,832	70,848	453,027
Interest revenue	1,605	123	72	1,800
Total revenue for reportable segment	231,952	151,955	70,920	454,827
Depreciation and amortisation	(1,388)	(7,967)	(2,725)	(12,080)
Reportable segment net profit before tax	113,570	22,244	27,105	162,919
Reportable segment assets	354,058	208,826	176,062	738,946
Reportable segment liabilities	(338,368)	(17,268)	(5,006)	(360,642)
Capital expenditure	357	1,266	1,155	2,778
30 June 2013				
External revenues	221,061	116,815	53,715	391,591
Inter-segment revenue/(expense)	1,210	(1,210)	–	–
Interest revenue	1,924	135	33	2,092
Total revenue for reportable segment	224,195	115,740	53,748	393,683
Depreciation and amortisation	(1,880)	(5,877)	(1,223)	(8,980)
Reportable segment net profit before tax	87,210	9,227	18,908	115,345
Reportable segment assets	548,276	136,341	27,358	711,975
Reportable segment liabilities	(530,076)	(15,406)	(3,248)	(548,730)
Capital expenditure	408	11,930	165	12,503

1. Perpetual Investments includes the Exact Market Cash Funds.
2. Perpetual Private and Corporate Trust includes discontinued operations, The New Zealand Guardian Trust Company for the year ended 30 June 2014. Further information is provided in Note 7.
3. Corporate Trust includes discontinued operations, Perpetual Lenders Mortgage Services for the year ended 30 June 2013. Further information is provided in Note 7.

NOTE 6. SEGMENT INFORMATION CONTINUED

	NOTE	2014 $'000	2013 $'000
Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities			
Revenues			
Total revenue for reportable segments		454,827	393,683
Less: Revenue from discontinued operation	7	(11,788)	(3,271)
Add: Group and Support Services revenue		7,031	7,066
Total revenue from continuing operations		450,070	397,478
Net profit before tax			
Total net profit before tax for reportable segments		162,919	115,345
Less: Net profit before tax from discontinued operation	7	(2,862)	(609)
Financing costs		(2,631)	(1,764)
Profit on disposal of investments		5,520	1,291
Impairment of assets		(308)	(3,348)
(Loss)/gain on sale of business		(403)	145
Transformation office and restructuring costs		(19,924)	(15,324)
Foreign currency translation costs		–	(5,207)
Trust Co due diligence and transaction costs		(4,637)	(1,463)
Trust Co integration costs		(14,279)	–
Group and Support Services expense		(10,617)	(6,693)
Net profit before tax from continuing operations		112,778	82,373
Total assets			
Total assets for reportable segments		738,946	711,975
Group and Support Services assets		367,892	292,393
Total assets		1,106,838	1,004,368
Total liabilities			
Total liabilities for reportable segments		360,642	548,730
Group and Support Services liabilities		189,794	131,900
Total liabilities		550,436	680,630

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

A. SERVICES PROVIDED

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

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

NOTE 6. SEGMENT INFORMATION CONTINUED

B. GEOGRAPHICAL INFORMATION

The consolidated entity operates in Australia and Singapore. Following the disposal on 7 April 2014 of the business in New Zealand (The New Zealand Guardian Trust Company Limited), the majority of the consolidated entity's revenue and non-current assets relate to operations in Australia. The Singapore operation is not material.

C. MAJOR CUSTOMER

The consolidated entity does not rely on any major customer.

NOTE 7. DISCONTINUED OPERATIONS

A. GAIN ON SALE OF GUARDIAN TRUST

On 7 April 2014, Perpetual completed the sale of The New Zealand Guardian Trust Company Limited (Guardian Trust) in New Zealand to Complectus Limited.

The sale follows Perpetual's acquisition of The Trust Company Limited (Trust Co), who owned Guardian Trust, in December 2013. The New Zealand business was considered non-core to Perpetual's strategy and best placed with an experienced local owner to take the business forward.

The operation was classified as held for sale and the identifiable assets and liabilities acquired in the acquisition of Trust Co referred to in Note 38. Business combinations. The results of the discontinued operation have been shown separately from continuing operations.

	PERIOD FROM 4 DEC 2013 TO 7 APRIL 2014 $'000
Results of discontinued operation	
Revenue	11,788
Expenses	(8,926)
Profit before tax	2,862
Income tax expense	(846)
Profit from a discontinued operation	2,016
Realised foreign currency gain on sale of business	1,020
Net profit after tax from a discontinued operation	3,036
Earnings per share:	
Basic profit for the year, from discontinued operation – cents per share	7.3
Diluted profit for the year, from discontinued operation – cents per share	6.9
Cash flows from/(used in) discontinued operation	
Net cash from operating activities	2,803
Net cash used in investing activities	35
Net cash used in financing activities	–
Net cash flows for the year	2,838

	2014 $'000
Effect of disposal on the financial position of the consolidated entity	
Assets held for sale	58,984
Consideration received, satisfied in cash	64,282
Cash and cash equivalents disposed of	(4,278)
Net cash inflow	60,004

NOTE 7. DISCONTINUED OPERATIONS CONTINUED

B. GAIN ON SALE OF PERPETUAL LENDERS MORTGAGE SERVICES (PLMS)

On 1 August 2012, Perpetual Lenders Mortgage Services (PLMS) was sold to FAF International Property Services (Australia) Pty Limited, an affiliate of First Mortgage Services (FMS).

A gain on sale of the business of $2,450,000 was recognised in the year ended 30 June 2013.

	2013 $'000
Results of discontinued operation	
Revenue	3,271
Expenses	(2,662)
Profit before tax	609
Income tax expense	(183)
Profit from a discontinued operation	426
Gain on sale of business	2,450
Net profit after tax from a discontinued operation	2,876
Earnings per share:	
Basic profit for the year, from discontinued operation – cents per share	7.5
Diluted profit for the year, from discontinued operation – cents per share	7.0
Cash flows from/(used in) discontinued operation	
Net cash from operating activities	(309)
Net cash used in investing activities	2,450
Net cash used in financing activities	(2,141)
Net cash flows for the year	–
Effect of disposal on the financial position of the consolidated entity	
Intangibles	5,648
Property, plant and equipment	1,091
Trade and other receivables	1,158
Other asset	813
Deferred tax assets	149
Trade and other payables	(736)
Employee benefits	(1,938)
Lease provision	(236)
Net assets	5,949
Proceeds from disposal	(8,399)
Gain on sale	(2,450)

NOTE 8. AUDITOR'S REMUNERATION

	2014 $	2013 $
Audit and review services		
Auditor of the Company		
KPMG Australia:		
Audit and review of the consolidated and subsidiary financial statements	757,974	474,012
Audit services in accordance with other regulatory services	309,967	191,128
Other assurance services	89,847	63,100
Total audit and review fees to Perpetual Limited	1,157,788	728,240
Audit and review services for non-consolidated managed funds, superannuation funds and DIY superannuation funds:		
KPMG Australia:		
Audit and review of managed funds and superannuation funds for which the consolidated entity acts as responsible entity[1]	1,509,355	1,566,700
Audit of DIY superannuation funds for which Perpetual acts as administrator or trustee[1]	849,582	797,264
Audit services in accordance with other regulatory audit services	394,390	272,426
Total audit fee attributable to the audit of non-consolidated funds	2,753,327	2,636,390
	3,911,115	3,364,630

1. These fees were paid for the audit and review of 345 managed funds (2013: 358 managed funds) and 1,049 (2013: 1,062) DIY superannuation funds and which contained assets totalling $28.8 billion (2013: $25.3 billion). These fees are incurred by the consolidated entity and are effectively recovered from the funds via management fees.

	2014 $	2013 $
Non-audit services		
KPMG Australia:		
Trust Co. acquisition	30,000	115,000
Transformation 2015	–	113,000
	30,000	228,000

Non-audit services paid to KPMG in the current year were incurred in relation to the review of the Company's scheme of arrangement with Trust Co and are in accordance with the Company's auditor independence policy as outlined in Perpetual's Corporate Responsibility Statement.

NOTE 9. INCOME TAX EXPENSE

A. INCOME TAX EXPENSE

	2014 $'000	2013 $'000
Current tax expense	29,603	28,213
Deferred tax expense/(benefit)	6,398	(918)
Over provided in prior years	(438)	(383)
Research and Development tax incentives from prior years	(1,262)	(1,865)
Total	34,301	25,047
Continuing operations	33,455	24,864
Discontinued operation	846	183
Total	34,301	25,047
Deferred income tax included in income tax expense comprises:		
(Decrease)/Increase in deferred tax assets	(5,955)	287
(Increase)/Decrease in deferred tax liabilities	(443)	631
Total	(6,398)	918

The above movements in deferred tax assets and deferred tax liabilities are net of movements recognised directly in profit or loss. They exclude movements recognised in other comprehensive income of $716,000 (30 June 2013: $1,982,000).

B. INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

	2014 $'000	2013 $'000
Cash flow hedge	(101)	42
Available-for-sale financial assets	817	1,940
Total	**716**	**1,982**

NOTE 9. INCOME TAX EXPENSE CONTINUED

C. RECONCILIATION OF EFFECTIVE TAX RATE

	2014 $'000	2013 $'000
Profit before tax for the year from continuing operations	112,778	82,373
Profit before tax from discontinued operations	3,882	609
Gain on sale of business	–	2,450
Profit before tax	116,660	85,432
Prima facie income tax expense calculated at 30% (2013: 30%) on profit for the year	34,998	25,630
Increase in income tax expense due to:		
– Accounting loss on disposal of investments	(1,656)	(387)
– Accounting impairment on assets	92	961
– Foreign currency (gains)/losses from offshore subsidiaries operations	(288)	1,553
– Net accounting (gains) from disposal of businesses	–	(568)
– Acquisition/disposal costs	1,220	82
– Imputation gross-up on dividends received	58	63
– Other non-deductible expenditure	2,232	631
Decrease in income tax expense due to:		
– Write back of deferred tax liability arising from business combinations	(460)	(460)
– Franking credits on dividends received	(195)	(210)
Income tax expense attributable to profit before tax	36,001	27,295
Less: Income tax over provided in prior years	(438)	(383)
Less: Research and Development tax credits from prior years	(1,262)	(1,865)
Income tax expense attributable to profit for the year	34,301	25,047

The recognition of the deferred tax assets relating to the realised and unrealised capital losses is dependent on future capital gains being in excess of the losses shown in Note 10.

D. CURRENT TAX LIABILITIES

	2014 $'000	2013 $'000
Current tax liabilities	(14,695)	(13,308)

The current tax liabilities for the consolidated entity at 30 June 2014 represent income taxes payable in respect of the current financial year. In accordance with tax consolidation legislation, the Company, as head entity of the Australian tax consolidated group, has assumed the current tax liabilities recognised by members in the tax consolidated group.

NOTE 10. DEFERRED TAX ASSETS/(LIABILITIES)

A. MOVEMENT IN DEFERRED TAX BALANCES

2014	BALANCE 1 JULY 2013 $'000	RECOGNISED IN PROFIT OR LOSS $'000	RECOGNISED IN OTHER COMPRE-HENSIVE INCOME $'000	ACQUIRED IN BUSINESS COMBIN-ATIONS $'000	BALANCE 30 JUNE 2014 $'000
Deferred tax assets					
Provisions and accruals	9,312	(8,152)	–	5,302	6,462
Capital expenditure deductible over five years	952	1,497	–	–	2,449
Structured products – interest received in advance	1,738	(877)	–	–	861
Employee benefits	13,445	2,469	–	–	15,914
Property, plant and equipment	343	394	–	–	737
Realised net capital losses	3,946	(1,435)	–	–	2,511
Unrealised net capital losses	196	4	(101)	–	99
Other items	413	145	–	–	558
Deferred tax assets from continuing operations	30,345	(5,955)	(101)	5,302	29,591
Deferred tax liabilities					
Intangible assets	(5,723)	(636)	–	(11,614)	(17,973)
Unrealised net capital gains	(2,199)	407	(615)	–	(2,407)
Other items	(149)	(214)	–	–	(363)
	(8,071)	(443)	(615)	(11,614)	(20,743)
Net deferred tax assets	22,274	(6,398)	(716)	(6,312)	8,848

2013	BALANCE 1 JULY 2012 $'000	RECOGNISED IN PROFIT OR LOSS $'000	RECOGNISED IN OTHER COMPRE-HENSIVE INCOME $'000	ACQUIRED IN BUSINESS COMBIN-ATIONS $'000	BALANCE 30 JUNE 2013 $'000
Deferred tax assets					
Provisions and accruals	8,900	412	–	–	9,312
Capital expenditure deductible over five years	658	294	–	–	952
Structured products – interest received in advance	2,229	(491)	–	–	1,738
Employee benefits	13,478	(33)	–	–	13,445
Property, plant and equipment	291	52	–	–	343
Realised net capital losses	2,294	1,652	–	–	3,946
Unrealised net capital losses	2,365	(418)	(1,751)	–	196
Other items	605	(192)	–	–	413
Deferred tax assets from continuing operations	30,820	1,276	(1,751)	–	30,345
Deferred tax assets for discontinued operation reclassified to held for sale assets	989	(989)	–	–	–
Total	31,809	287	(1,751)	–	30,345
Deferred tax liabilities					
Intangible assets	(5,920)	197	–	–	(5,723)
Unrealised net capital gains	(1,562)	(406)	(231)	–	(2,199)
Other items	(989)	840	–	–	(149)
	(8,471)	631	(231)	–	(8,071)
Net deferred tax assets	23,338	918	(1,982)	–	22,274

NOTE 10. DEFERRED TAX ASSETS/(LIABILITIES) CONTINUED

B. CAPITAL TAX (GAINS)/LOSSES IN AUSTRALIA

	30 JUN 2014 $'000		30 JUN 2013 $'000	
	GROSS	TAX @ 30%	GROSS	TAX @ 30%
i. Realised tax capital losses				
Recognised in deferred tax assets	8,371	2,511	13,152	3,946
Not recognised in deferred tax assets	106,515	31,955	17,537	5,261
Total	114,886	34,466	30,689	9,207

The total realised tax capital losses of $114,886,000 (30 June 2013: $30,689,000) is net of realised tax capital gains and losses incurred in the current and/or prior years. The tax benefits of $34,466,000 (30 June 2013: $9,207,000) are available to be utilised by the Australian income tax consolidated group in future years.

The realised tax capital losses not recognised in deferred tax assets of $106,515,000 (tax benefits of $31,955) includes $88,798,000 (tax benefits of $26,639,000) realised capital losses arising from the voluntary liquidation of PI Investment Management Limited, the controlled entity incorporated in Ireland. The foreign tax losses from PI Investment Management Limited were converted to realised capital losses in Australia upon completion of the voluntary liquidation on 5 May 2014.

	30 JUN 2014 $'000		30 JUN 2013 $'000	
	GROSS	TAX @ 30%	GROSS	TAX @ 30%
ii. Unrealised capital tax losses recognised in deferred tax assets				
Recognised in profit and loss	13	4	–	–
Recognised in other comprehensive income	317	95	653	196
Total	330	99	653	196
iii. Unrealised capital tax (gains) recognised in deferred tax liabilities				
Recognised in profit and loss	(3)	(1)	(1,360)	(408)
Recognised in other comprehensive income	(8,020)	(2,406)	(5,970)	(1,791)
Total	(8,023)	(2,407)	(7,330)	(2,199)

NOTE 11. DIVIDENDS

A. DIVIDENDS PAID

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

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
2014				
Final 2013 ordinary	80	33,585	Franked	4 Oct 2013
Interim 2014 ordinary	80	37,223	Franked	4 Apr 2014
Total amount	160	70,808		
2013				
Final 2012 ordinary	40	16,792	Franked	5 Oct 2012
Interim 2013 ordinary	50	20,990	Franked	5 Apr 2013
Total amount	90	37,782		

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.

NOTE 11. DIVIDENDS CONTINUED

B. SUBSEQUENT EVENTS

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

	CENTS PER SHARE	TOTAL AMOUNT[1] $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
Final 2014 ordinary	95	44,246	Franked	3 Oct 2014

1. Calculation based on the ordinary shares on issue as at 30 June 2014.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

C. AMOUNT OF DIVIDEND FRANKING ACCOUNT

	2014 $'000	2013 $'000
Amount of franking credits available to shareholders for subsequent financial years	40,534	36,273

The above available amounts are based on the balance of the dividend franking account at 30 June 2014 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 sheet date, but not recognised as a liability, is to reduce it to $21,571,000 (2013: $21,879,000).

NOTE 12. EARNINGS PER SHARE

	CENTS PER SHARE	
	2014	2013
Earnings per share		
Basic earnings per share	196.2	158.2
Diluted earnings per share	186.4	148.7
Earnings per share – continuing operations		
Basic earnings per share	188.9	150.7
Diluted earnings per share	179.5	141.7

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

	2014 $'000	2013 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	81,618	60,968
Net profit after tax from discontinued operation	3,036	2,876
Net profit after tax from continuing operations attributable to equity holders of Perpetual Limited	78,582	58,092

NOTE 12. EARNINGS PER SHARE CONTINUED

	NUMBER OF SHARES 2014	2013
Weighted average number of ordinary shares used in the calculation of basic earnings per share	41,607,140	38,538,247
Effect of dilutive securities:		
Weighted average number of dilutive potential ordinary shares (including those subject to performance rights)	2,176,770	2,472,193
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	43,783,910	41,010,440

NOTE 13. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Bank balances	246,901	177,974
Deposits at call	6,508	14,965
Short-term deposits	29,176	24,180
	282,585	217,119

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

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

NOTE 14. RECEIVABLES

	2014 $'000	2013 $'000
Current		
Trade receivables	81,621	57,268
Less: Provision for doubtful debts	(1,591)	(573)
	80,030	57,055
Other receivables	5,007	4,965
	85,037	62,020
Movements in the provision for doubtful debts are as follows:		
Balance as at beginning of the year	573	845
Balance acquired as part of business combinations	964	–
Provision for impairment recognised during the year	572	273
Receivables written off during the year as uncollectible	(50)	(424)
Reclassified to Assets held for sale	(104)	–
Unused amount reversed	(364)	(121)
Balance as at end of the year	1,591	573

Movements in the provision for bad and doubtful debts have been recognised in Administrative and general expenses in the Consolidated Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

This note should be read in conjunction with Note 29(i)(c).

NOTE 15. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale at 30 June 2014 comprise the assets and liabilities of The Trust Company (Superannuation) Limited (TTCSL) Retirement Services business.

	NOTE	2014 $'000	2013 $'000
Assets classified as held for sale			
The Trust Company (Superannuation) Limited	15(a)	1,119	–
IT and outsourcing	15(b)	–	803
		1,119	803
Liabilities classified as held for sale			
The Trust Company (Superannuation) Limited	15(a)	(111)	–
		(111)	–

A. SALE OF THE TRUST COMPANY (SUPERANNUATION) LIMITED (TTCSL)

Following a review of the Retirement Services business and the services it provides, a view was taken that the interests of the various funds members would be better placed with an established company that is specifically focussed on the outsourced superannuation trustee sector. On 1 July 2014, Perpetual agreed to sell this business to Diversa Limited who owns CCSL Limited, a company that specialises in the provision of trustee services to superannuation and pension funds.

	2014 $'000	2013 $'000
Assets classified as held for sale		
Receivables	608	–
Intangibles	511	–
	1,119	–
Liabilities classified as held for sale		
Payables	(73)	–
Employee benefits	(38)	–
	(111)	–

B. IT AND OUTSOURCING

Intangibles – capitalised software	–	778
Property, plant and equipment	–	25
	–	803

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

Consideration of $400,000 was received for the assets transferred and a loss on sale of $403,000 was recognised in net profit before tax for the year ended 30 June 2014.

NOTE 16. OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Current		
Government, municipal and other public securities held to maturity	–	40
Non-current		
Listed equity securities available-for-sale – at fair value	32,457	30,217
Unlisted unit trusts available-for-sale – at fair value	12,419	4,750
Government, municipal and other public securities held-to-maturity	2	102
Secured loans	377	346
	45,255	35,415

This note should be read in conjunction with Note 29.

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS

Current liabilities		
Swap contracts	191	423

This note should be read in conjunction with Note 29(iii)(b).

SWAP CONTRACTS

Swap contracts are held for hedging purposes associated with the PPI structured product as disclosed in Note 30(ii).

NOTE 18. EQUITY ACCOUNTED INVESTEE

Perpetual has a 45% interest (2013: 45%) in one associate with a carrying amount of $nil (2013: nil) due to it being fully impaired in the prior year (2013: $1,096,000). The share of further losses in the year ended 30 June 2014 have not been recognised.

The associate is not material to the consolidated entity.

	2014 $'000	2013 $'000
Consolidated entity share of profit/(loss)	–	(704)
Provision for impairment	–	(1,096)
Carrying amount	–	–
Consolidated entity share of net assets	–	–

NOTE 19. PROPERTY, PLANT AND EQUIPMENT

	2014 $'000	2013 $'000
Plant and equipment – at cost	8,207	8,840
Accumulated depreciation	(4,771)	(5,583)
	3,436	3,257
Leasehold improvements – at cost	28,867	31,421
Accumulated depreciation	(16,633)	(16,389)
	12,234	15,032
	15,670	18,289
Depreciation		
Depreciation is recognised in the following line items in the Statement of Profit or Loss:		
Depreciation expense from continuing operations	3,442	3,976

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	PLANT AND EQUIPMENT $'000	LEASEHOLD IMPROVE-MENTS $'000	PROJECT WORK IN PROGRESS $'000	TOTAL $'000
Balance as at 1 July 2013	3,257	15,032	–	18,289
Acquisitions through business combinations	442	–	–	442
Additions	777	1,502	–	2,279
Depreciation	(801)	(2,641)	–	(3,442)
Disposals	(239)	(1,659)	–	(1,898)
Balance as at 30 June 2014	3,436	12,234	–	15,670
Balance as at 1 July 2012	3,448	16,167	53	19,668
Additions	780	1,326	–	2,106
Depreciation	(1,007)	(2,969)	–	(3,976)
Reclassification from assets held for sale	83	579	–	662
Disposals	(47)	(71)	(53)	(171)
Balance as at 30 June 2013	3,257	15,032	–	18,289

NOTE 20. INTANGIBLES

	2014 $'000	2013 $'000
Goodwill – at cost	257,483	97,308
	257,483	97,308
Customer contracts and other intangibles – at cost	55,726	17,887
Accumulated amortisation	(11,859)	(7,511)
	43,417	10,376
Capitalised software – at cost	35,459	35,684
Accumulated amortisation	(17,026)	(15,059)
	18,433	20,625
Project work in progress – at cost	2,645	958
	321,978	129,267
Amortisation		
Amortisation is recognised in the following line items in the Profit or Loss:		
Amortisation expense from continuing operations	9,029	5,116

Reconciliations of the carrying amounts for each class of intangibles are set out below:

	GOODWILL $'000	OTHER INTANGIBLES $'000	CUSTOMER CONTRACTS $'000	CAPITALISED SOFTWARE $'000	PROJECT WORK IN PROGRESS $'000	TOTAL $'000
Balance as at 1 July 2013	97,308	252	10,124	20,625	958	129,267
Acquisitions through business combinations	160,175	–	37,900	–	–	198,075
Additions	–	–	–	115	4,175	4,290
Transfers from work in progress	–	–	–	2,374	(2,374)	–
Amortisation for the year	–	(192)	(4,156)	(4,681)	–	(9,029)
Reclassification to assets held for sale	–	–	(511)	–	–	(511)
Disposals	–	–	–	–	(114)	(114)
Balance as at 30 June 2014	257,483	60	43,357	18,433	2,645	321,978
Balance as at 1 July 2012	97,308	447	11,755	7,968	5,213	122,691
Additions	–	–	–	–	12,119	12,119
Transfers from work in progress	–	–	–	16,222	(16,222)	–
Amortisation for the year	–	(195)	(1,631)	(3,290)	–	(5,116)
Disposals	–	–	–	(275)	(152)	(427)
Balance as at 30 June 2013	97,308	252	10,124	20,625	958	129,267

NOTE 20. INTANGIBLES CONTINUED

	2014 $'000	2013 $'000
Impairment tests for cash-generating units containing goodwill		
The following cash-generating units have significant carrying amounts of goodwill:		
Perpetual Private	133,220	77,159
Perpetual Corporate Trust	120,767	16,653
Australian Equities	3,496	3,496
	257,483	97,308

Impairment testing of these goodwill balances is based on each cash-generating unit's value in use, calculated as the present value of forecast future cash flows from those cash-generating units using discount rates of between 12.2% and 13.7% (2013: discount rates of between 12.5% and 15%). The forecast future cash flows used in the impairment testing are based on assumptions as to the level of profitability for each business over a forecast period. Forecast future cash flows have been projected for three years based on the 2015-2017 Operating Plan which has been approved by the Board and then projected for an indefinite period by including a terminal value with a growth rate in perpetuity of 2.5%.

NOTE 21. PREPAYMENTS

	2014 $'000	2013 $'000
Current		
Prepayments	7,881	6,927
Non-current		
Prepayments	8,033	396

NOTE 22. PAYABLES

Current		
Trade payables	39,076	33,850
Other payables and accruals	4,059	4,061
	43,135	37,911

This note should be read in conjunction with Note 29(iii)(b).

NOTE 23. STRUCTURED PRODUCTS – INCOME RECEIVED IN ADVANCE

Current		
Interest received in advance	2,678	5,468

Income received in advance consists of deferred interest income received in association with the PPI structured product. The PPI structured product is disclosed in Note 29(i)(a).

NOTE 24. PROVISIONS

	2014 $'000	2013 $'000
Current		
Internal insurance and legal provision	1,493	626
Operational process review provision	733	116
Lease expense provision	1,423	2,037
	3,649	2,779
Non-current		
Internal insurance and legal provision	800	800
Lease expense provision	18,928	20,437
	19,728	21,237

The internal insurance and legal provision includes the provision for self insurance and the provision for litigation. The provision for self-insurance recognises incurred but not reported claims. The provision for litigation claims includes provisions for legal cost and settlement amounts. These provisions are measured at the cost that the entity expects to incur in defending and/or settling the claim.

Reconciliations of the carrying amounts of each class of provision are set out below:

	2014 $'000	2013 $'000
Internal insurance and legal provision		
Carrying amount at beginning of year	1,426	1,521
Additional provision made during the year	3,840	993
Payments made during the year	(2,713)	(981)
Unused amounts reversed during the year	(260)	(107)
Carrying amount at end of year	2,293	1,426
Operational process review provision		
Carrying amount at beginning of year	116	170
Additional provision made during the year	731	298
Unused amounts reversed during the year	(14)	(338)
Payments made during the year	(100)	(14)
Carrying amount at end of year	733	116
Lease expense provision		
Carrying amount at beginning of year	22,474	21,676
Additional provision made during the year	26,603	15,693
Payments made during the year	(13,264)	(14,720)
Unused amounts reversed during the year	(15,462)	(175)
Carrying amount at end of year	20,351	22,474

NOTE 25. CONTRIBUTED EQUITY

	2014 $'000	2013 $'000
Share capital		
46,574,426 (2013: 41,980,678) ordinary shares, fully paid	460,807	239,801

	2014		2013	
	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Movements in share capital				
Balance at beginning of year	38,778,390	239,801	38,106,316	236,530
Shares issued:				
– Issue of ordinary shares	4,593,748	203,040	–	–
– Movement on treasury shares	674,831	17,966	672,074	3,271
Balance at end of year	44,046,969	460,807	38,778,390	239,801
Ordinary shares fully paid (excluding unvested shares from share plans)	44,046,969	460,807	38,778,390	239,801
Unvested shares from share plans	2,527,457	94,489	3,202,288	116,516
Ordinary shares fully paid	46,574,426	555,296	41,980,678	356,317

4,526,446 ordinary shares were issued as a result of The Trust Company Limited acquisition (see Note 38) and 67,302 issued due to the dividend reinvestment plan.

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 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.

NOTE 26. RESERVES

	2014 $'000	2013 $'000
General	103	103
Available-for-sale reserve	5,615	4,269
Equity compensation reserve	26,766	33,215
Cash flow hedge reserve	(221)	(397)
Foreign currency translation reserve	–	(66)
	32,263	37,124

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/loss that had been recognised directly in equity is recycled to profit or loss.

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.

The cash flow hedge reserve is used to record gains or losses on hedging instruments designated as cash flow hedges as described in accounting policy Note 2(xxii)(a). Amounts are recognised in the Statement of Other Comprehensive Income when the associated hedged transaction affects profit and loss.

NOTE 26. RESERVES CONTINUED

The Foreign Currency Translation Reserve (FCTR) records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

During the previous financial year, $5.2 million was reclassified from the FCTR to net profit after tax as a result of the closure of the business in Dublin which has ceased operations. This reclassification was a non-cash expense item. The legal entity through which the business operated has been liquidated and deregistered.

NOTE 27. EMPLOYEE BENEFITS

I. AGGREGATE LIABILITY FOR EMPLOYEE BENEFITS, INCLUDING ON-COSTS

	2014 $'000	2013 $'000
Current		
Provision for annual leave	5,220	4,722
Provision for long service leave	4,324	3,364
Other employee benefits[1]	31,740	27,200
Restructuring provision	8,147	6,248
	49,431	41,534
Non-current		
Provision for long service leave	2,954	2,402
Other employee benefits[2]	659	–
	3,613	2,402

1. Includes Short-term Incentives (STI).
2. Includes Deferred STI.

	2014	2013
Restructuring provision		
Carrying amount at beginning of year	6,248	17,227
Additional provision made during the year	9,437	–
Payments made during the year	(6,445)	(10,578)
Unused amounts reversed during the year	(1,093)	(401)
Carrying amount at end of year	8,147	6,248

The non-current portion of the long service leave provision has been discounted using a rate of 3.9 per cent (2013: 4.3 per cent) which is based on the ten year corporate bond rate.

The number of full time equivalent employees at 30 June 2014 was 972 (2013: 838).

II. EQUITY BASED PLANS

(A) PERFORMANCE RIGHTS

During the year, the Company granted $7,264,000 (30 June 2013: $2,990,000) performance rights in accordance with Perpetual Limited's Long-term Incentive Plan.

The performance rights are granted as part of the Perpetual Limited Long-term Incentive Plan (LTI). 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. Refer to accounting policy xxiv(c).

NOTE 27. EMPLOYEE BENEFITS CONTINUED

II. EQUITY BASED PLANS CONTINUED

(A) PERFORMANCE RIGHTS CONTINUED

					MOVEMENT IN NUMBER OF PERFORMANCE RIGHTS GRANTED				
GRANT DATE	VEST DATE	EXPIRY DATE	TSR HURDLE OR NON-TSR HURDLE	ISSUE PRICE	1 JULY 2013	GRANTED	FORFEITED	VESTED	OUTSTANDING AT 30 JUNE 2014
Jul 2012	Jul 2015	Jul 2019	Non-TSR	$20.36	73,529	–	(8,088)	–	65,441
Oct 2012	Oct 2014	Oct 2019	TSR	$14.26	2,655	–	–	–	2,655
Oct 2012	Oct 2014	Oct 2019	Non-TSR	$23.54	2,655	–	–	–	2,655
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
Jul 2013	Jul 2016	Jul 2016	Non-TSR	$30.56	–	49,083	–	–	49,083
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	–	–	34,651
Oct 2013	Oct 2016	Oct 2020	Non-TSR	$34.57	–	139,981	–	–	139,981
Mar 2014[1]	Feb 2016	Mar 2021	Non-TSR	$34.57	–	1,446	–	–	1,446
					150,959	227,764	(8,088)	–	370,635

1. Valuation date 1 October 2013.

					MOVEMENT IN NUMBER OF PERFORMANCE RIGHTS GRANTED				
GRANT DATE	VEST DATE	EXPIRY DATE	TSR HURDLE OR NON-TSR HURDLE	ISSUE PRICE	1 JULY 2012	GRANTED	FORFEITED	VESTED	OUTSTANDING AT 30 JUNE 2013
Jul 2012	Jul 2015	Jul 2019	Non-TSR	$20.36	–	73,529	–	–	73,529
Oct 2012	Oct 2014	Oct 2019	TSR	$14.26	–	2,655	–	–	2,655
Oct 2012	Oct 2014	Oct 2019	Non-TSR	$23.54	–	2,655	–	–	2,655
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
					–	150,959	–	–	150,959

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 JULY 2012	VALUATION DATE 1 OCT 2012	VALUATION DATE 1 JUL 2013	VALUATION DATE 1 OCT 2013
Performance period	3 years	2–3 years	3 years	3 years
Share price ($)	23.14	26.34	35.70	39.63
Dividend yield (%)	4.35	4.2	5.32	4.57
Expected volatility (%)	N/A	35	N/A	30
Risk free interest rate (%)	N/A	2.53/2.41	N/A	2.78

NOTE 27. EMPLOYEE BENEFITS CONTINUED

II. EQUITY BASED PLANS CONTINUED

(B) LONG-TERM INCENTIVE PLAN (LTI)

In February 2011, the Board approved the introduction of a new plan, the Perpetual Limited Long-term Incentive Plan, for the purpose of making future long-term incentive grants to executives.

The new plan was introduced to modernise terms and conditions in light of significant changes to market practice and regulation of employee equity plans over the past decade. A single set of rules enables grants of performance shares or rights. Having these included under a single plan ensures consistency and additional flexibility.

The issue price of performance share 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. The issue price of performance rights with no performance conditions (apart from services) is the same as for performance shares, however discounted for dividends foregone over the vested period. The issue price for performance rights with performance conditions is determined as described in (a) above.

(C) 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.

(D) THE 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.

(E) 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.

(F) EXECUTIVE SHARE PLAN (ESP)

Until February 2011, the ESP was the main plan used for LTI grants to eligible employees. No further issues have been made under this since this time.

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 either purchased on market or 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.

(G) EMPLOYEE SHARE PURCHASE PLAN (ESPP)

This plan was discontinued on 10 December 2004 and no further issues have been made under this plan.

The ESPP provided eligible employees with a non-recourse interest free loan, for a period not exceeding ten 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.

NOTE 27. EMPLOYEE BENEFITS CONTINUED

II. EQUITY-BASED PLANS CONTINUED

(H) DETAILS OF THE MOVEMENT IN EMPLOYEE SHARES

Of share grants under the DSP, LTI, TESP and TDSP in the 2014 financial year, all shares were reissued from the forfeited share pool at market price. As a result of changes in the employee share scheme rules enacted in 2009, dividends that were being reinvested in Perpetual shares on long-term incentive schemes are either now being received directly by the employees or held in the share plan bank account depending on the likelihood of the shares vesting.

Amounts were recognised in the financial statements of the consolidated entity in relation to the share plans referred to above. During the year, $14,832,000 (2013: $12,745,000) of amortisation relating to performance shares 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 OF SHARES	
	2014	**2013**
Unvested shares from Share Plans		
Opening balance 1 July	3,202,288	3,874,362
Vested shares	(674,289)	(671,158)
Forfeited shares	(187,299)	(502,751)
Granted shares	186,757	501,835
Closing balance 30 June	2,527,457	3,202,288

(I) NON-EXECUTIVE DIRECTORS' SHARE PURCHASE PLAN

A share purchase plan for non-executive directors was approved by shareholders at the annual general meeting in October 1998, under which 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 ten 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.

NOTE 28. NON-CURRENT INTEREST-BEARING LIABILITIES

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

	2014 $'000	2013 $'000
Facilities utilised		
Floating rate bank facility	87,000	45,000
Facilities not utilised		
Floating rate bank facility	43,000	25,000

BILL FACILITIES

The floating rate bank bill facility is unsecured and has a floating interest rate of 4.14 per cent at 30 June 2014 (30 June 2013: 3.61 per cent). Repayment of the existing facility is due on 31 October 2015.

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 2014. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

Bank facilities associated with the PPI structured product are disclosed in Note 30(ii).

This note should be read in conjunction with Note 29(iii)(b).

NOTE 29. 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 Committee. 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 have 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 Fund (EMCF) are disclosed in Note 30.

The following discussion relates to financial risks exposure of the consolidated entity in its own right.

I. CREDIT RISK

Credit risk is the risk of financial loss from a counterparty failing to meet its contractual commitments. The consolidated entity is predominantly exposed to credit risk on its Perpetual Protected Investments (PPI) loans which are issued only in Australia to retail customers, derivative financial instruments and deposits with banks and financial institutions, outstanding receivables and committed transactions.

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.

	2014 $'000	2013 $'000
Cash and cash equivalents	282,585	217,119
Trade receivables	80,030	57,055
Structured products – loans receivable (PPI)	37,864	76,741
Other loan receivables	5,384	5,311
Available-for-sale listed equity securities and unlisted unit trusts	44,876	34,967
Held-to-maturity securities	2	142

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 is also exposed to credit risk on its exposure to the $272 million (2013: $427 million) of underlying investments held by the EMCF. This maximum exposure would only be realised in the unlikely event that the recoverable value of all of the underlying investments held by the EMCF decline to $nil. Further details of the credit risk relating to the EMCF are disclosed in Note 30.

(A) STRUCTURED PRODUCTS – PERPETUAL PROTECTED INVESTMENT LOANS

In order to manage the credit risk arising from lending to investors in PPI structured product offerings, the consolidated entity has in place a Credit Office reporting to the General Manager, Service and Operations. The Credit Office is governed by the Credit Risk Policy which stipulates the criteria that investors are required to meet prior to being granted a loan, and hence ensures that all investors under this arrangement possess the desired level of credit worthiness. The Credit Risk Policy is reviewed periodically by the General Manager Legal and Risk to ensure its continued compliance with the consolidated entity's Risk Management Framework. All loans are secured by the investor's investment in the structured product and the consolidated entity has recourse to the investor and the investment in the event of default. A charge over additional collateral may be required for loans greater than $2 million. As at 30 June 2014, loans for which Perpetual holds additional collateral amounted to $nil (30 June 2013: $nil).

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

I. CREDIT RISK CONTINUED

(A) STRUCTURED PRODUCTS – PERPETUAL PROTECTED INVESTMENT LOANS CONTINUED

The Credit Office monitors the loan portfolio on a daily basis and provides reports on a monthly basis to Group Finance and the Risk Group for review. Arrears above 30 days are reviewed on a quarterly basis by the Credit Committee, and are followed up and managed by the Credit Officer and recovery initiatives can include litigation if required.

The consolidated entity minimises concentrations of credit risk by imposing a limit on the exposure it can have with each investor. The maximum standard exposure per borrower is set at $1 million. For amounts greater than $1 million, approval from both the General Manager, Legal and Risk and the Chief Financial Officer (CFO) is required.

There were no PPI loans that were past due but not impaired as at the reporting date. Further information on the risk management approach to and exposures arising from the PPI structured product offerings is disclosed below in this note and in Note 30.

(B) 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 manager 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.

(C) OTHER FINANCIAL ASSETS

The consolidated entity's exposure to trade debtors 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.

Credit risk arising from cash investments is mitigated by ensuring they have a Standard & Poor's rating of 'A' or higher, and transactions involving derivatives are limited to high credit quality financial institutions.

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 as at the reporting date.

	30 JUNE 2014					30 JUNE 2013				
	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 receivables	757	538	385	870	2,550	1,001	598	258	176	2,033
Other receivables	–	146	10	2,743	2,899	1,641	140	–	750	2,531
	757	684	395	3,613	5,449	2,642	738	258	926	4,564

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

	2014 $'000	2013 $'000
Trade receivables	1,591	573
Structured products – loans receivable	3,423	3,298
	5,014	3,871

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

I. CREDIT RISK CONTINUED

(C) OTHER FINANCIAL ASSETS CONTINUED

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 receivables. Collateral held in respect of PPI loans is discussed in Note 29(i)(a) above, appropriate provisions have been raised. For details of the provisions for impairment refer to Note 14 and Note 30(ii).

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 Capital Management disclosed below in Note 29(iv) for further details).

At 30 June 2014, total base capital requirements were $239 million ($221 million for operational risk, $13 million for credit risk and $5 million for market risk), compared to $278 million of available liquid funds.

The $221 million operational risk requirement supports regulatory capital which is mainly held in cash and cash equivalents as referred to in Note 13.

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 (refer to Note 28) is due on 31 October 2015.

The $43 million unutilised bank facility may be drawn at any time at the discretion of the consolidated entity. The consolidated entity's bank facilities are subject to annual review and management intends to refinance the existing facility for a further period after the due date.

MATURITIES OF FINANCIAL LIABILITIES

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

	30 JUNE 2014				30 JUNE 2013			
	LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL $'000	LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	TOTAL $'000
Liabilities								
Trade and other payables	43,135	–	–	43,135	37,911	–	–	37,911
Interest-bearing liabilities	–	87,000	–	87,000	–	45,000	–	45,000
Structured products – interest-bearing liabilities	37,117	–	–	37,117	36,231	42,418	–	78,649
	80,252	87,000	–	167,252	74,142	87,418	–	161,560
Derivatives								
Net settled – *Swap contracts*	9	–	–	9	210	118	–	328
Gross settled – other derivatives								
– outflow	809	–	–	809	689	–	–	689
– (inflow)	(693)	–	–	(693)	(679)	–	–	(679)
	125	–	–	125	220	118	–	338

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

III. MARKET RISK

The consolidated entity is subject to the following market risks:

(A) CURRENCY RISK

The exposure to currency risk, as defined in AASB 7 Financial Instruments: Disclosures, arises when financial instruments are denominated in a currency that is not the functional currency of the entity and are of a monetary nature. Hence the gains/(losses) arising from the translation of the controlled entities' financial statements into Australian dollars are not considered in this note.

A significant proportion of the monetary financial instruments held by the consolidated entity, being liquid assets, receivables, loans receivable, interest-bearing liabilities and payables, interest rate swaps, are denominated in Australian dollars. The consolidated entity was exposed to currency risk relating to the discontinued operations of New Zealand and the receivable for proceeds of the sale of The New Zealand Guardian Trust (refer to Note 7 for details) and is exposed to the Singapore operations.

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 as defined in AASB 7 Financial Instruments: Disclosures. 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.

(B) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The consolidated entity's exposure to interest rate risk arises predominantly on investor loans granted under the PPI structured product offering.

PPI structured product loans bear interest rates which are either fixed for the term of the product (seven years), fixed annually or variable. The consolidated entity has entered into fixed and variable rate banking facilities in order to finance loans provided to investors as a result of exposure to interest rate risk arising from:

(a) Fixed rate assets being financed with floating rate liabilities and
(b) Maturity or duration mismatches.

In order to manage the interest rate risk relating to PPI structured products, it is the consolidated entity's policy to hedge at least 95 per cent of its loan exposure by entering into floating-to-fixed interest rate swaps where the banking facilities have a variable interest rate. The hedging of interest rate exposure is managed by Group Finance.

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

			FIXED INTEREST RATE MATURING IN				
	NOTE	FLOATING INTEREST RATE $'000	6 MONTHS OR LESS $'000	6–12 MONTHS $'000	2–3 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
At 30 June 2014							
Financial assets							
Cash and cash equivalents	13	257,585	25,000	–	–	–	282,585
Receivables	14	1,341	–	–	–	83,696	85,037
Other financial assets	16	–	2	–	–	45,253	45,255
Structured products – loans receivable – current	30(ii)	3,585	–	34,279	–	–	37,864
		262,511	**25,002**	**34,279**	**–**	**128,949**	**450,741**
Financial liabilities							
Payables	22	–	–	–	–	43,135	43,135
Interest-bearing liabilities	28	87,000	–	–	–	–	87,000
Structured products – interest-bearing liabilities – current	29(ii)	23,453	–	13,664	–	–	37,117
Effect of interest rate swaps		(18,021)	–	18,021	–	–	–
		92,432	**–**	**31,685**	**–**	**43,135**	**167,252**

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

III. MARKET RISK CONTINUED

(B) INTEREST RATE RISK CONTINUED

	NOTE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 6 MONTHS OR LESS $'000	6–12 MONTHS $'000	2–3 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
At 30 June 2013							
Financial assets							
Cash and cash equivalents	13	197,119	20,000	–	–	–	217,119
Receivables	14	1,362	–	–	–	60,658	62,020
Other financial assets	16	–	142	–	–	35,313	35,455
Structured products – loans receivable – current	30(ii)	9,415	–	25,467	–	–	34,882
Structured products – loans receivable – non-current	29(v)	4,269	–	19,014	18,576	–	41,859
		212,165	**20,142**	**44,481**	**18,576**	**95,971**	**391,335**
Financial liabilities							
Payables	22	–	–	–	–	37,911	37,911
Interest-bearing liabilities	28	45,000	–	–	–	–	45,000
Structured products – interest-bearing liabilities – current	29(ii)	11,356	–	–	24,875	–	36,231
Structured products – interest-bearing liabilities – non-current	29(v)	27,599	–	1,029	13,790	–	42,418
Effect of interest rate swaps		(21,446)	–	16,600	4,846	–	–
		62,509	**–**	**17,629**	**43,511**	**37,911**	**161,560**

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

	30 JUNE 2014		30 JUNE 2013	
	IMPACT ON PROFIT AFTER TAX $'000	IMPACT ON EQUITY $'000	IMPACT ON PROFIT AFTER TAX $'000	IMPACT ON EQUITY $'000
Change in variable				
+ 1 per cent	1,191	1,344	1,039	1,328
- 1 per cent	(1,191)	(1,344)	(1,039)	(1,328)

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. The impact on equity would be mainly the result of an increase/(decrease) in the fair value of the cash flow hedges associated with variable interest rate borrowings.

(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 the All Ords at the end of 30 June 2014 (5,382.0), a 1 per cent movement in the market changes annualised revenue by approximately $2.25 million to $2.75 million. It is worth noting this movement is not linear to the overall value of the market. This means that as the market reaches higher or lower levels, a 1 per cent movement may have a larger or smaller effect on revenue as FUM and FUA are comprised of both equity market and non-equity market-sensitive asset classes.

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

III. MARKET RISK CONTINUED

(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 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, Legal and Risk.

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.

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 minimise 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 establishment of the Exact Market Cash Fund (EMCF). The fund was established with the purpose of providing an exact return utilising the UBS 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 Note 30.

IV. CAPITAL MANAGEMENT

A Capital Management Review is carried out on a semi-annual basis and is submitted to the Board for review and approval. The capital management policy 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.

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

IV. CAPITAL MANAGEMENT CONTINUED

(C) GEARING POLICY

The consolidated entity seeks to maintain a conservative financial management profile. Its gearing policy includes a maximum debt/debt and total equity ratio of 30 per cent and EBIT interest cover of more than ten times. Corporate debt (excluding product debt) has been maintained at between $45 million and $87 million throughout the year (2013: $45 million), and the consolidated entity is within its stated gearing policy at year end.

The gearing ratio for the consolidated entity as at 30 June 2014 is 13.5 per cent (2013: 12.2 per cent) and an EBIT interest cover ratio of 44 times (2013: 48 times) was achieved.

V. 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 2014. The different levels have been defined as follows:

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

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

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

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
At 30 June 2014				
Financial assets				
Available-for-sale listed equity securities	32,457	–	–	32,457
Available-for-sale unlisted unit trusts	–	12,419	–	12,419
Structured products – EMCF assets[1]	–	271,825	–	271,825
	32,457	284,244	–	316,701
Financial liabilities				
Swap contracts	–	34	–	34
Derivative financial instruments – forward exchange contracts and index futures	–	(1)	–	(1)
Derivative financial instruments	–	158	–	158
	–	191	–	191

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
At 30 June 2013				
Financial assets				
Available-for-sale listed equity securities	30,217	–	–	30,217
Available-for-sale unlisted unit trusts	–	4,750	–	4,750
Structured products – EMCF assets[1]	–	405,957	–	405,957
	30,217	410,707	–	440,924
Financial liabilities				
Swap contracts	–	34	–	34
Derivative financial instruments – forward exchange contracts and index futures	–	(15)	–	(15)
Derivative financial instruments	–	404	–	404
	–	423	–	423

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

NOTE 29. FINANCIAL RISK MANAGEMENT CONTINUED

V. FAIR VALUE CONTINUED

	2014 $'000	2013 $'000
Deferred acquisition consideration		
Opening balance	–	599
Payments made during the year	–	(599)
Closing balance	–	–

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

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

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

The consolidated entity's financial assets and liabilities included as current and non-current in the consolidated statement of financial position are carried at amounts in accordance with Notes 13, 14, 16, 22 and 30. 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.

	2014		2013	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Current				
Structured products – EMCF liabilities	268,345	271,825	423,848	427,006
Current and non-current				
Structured products – receivable from investors	37,864	37,478	76,741	76,060
Structured products – interest-bearing liabilities	37,117	37,114	78,649	78,201

NOTE 30. STRUCTURED PRODUCTS ASSETS AND LIABILITIES

I. EXACT MARKET CASH FUNDS

	2014 $'000	2013 $'000
Current assets		
Exact Market Cash Fund 1	165,749	116,930
Exact Market Cash Fund 2	106,076	310,076
	271,825	427,006
Current liabilities		
Exact Market Cash Fund 1	162,933	115,364
Exact Market Cash Fund 2	105,412	308,484
	268,345	423,848

The Exact Market Cash Funds current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds' investors under the swap agreements and reflect the net assets of the funds for unit pricing purposes. The difference between the current assets and current liabilities balance has been recorded in equity in the available-for-sale reserve.

The Exact Market Cash Fund 1 (EMCF 1) was established during the financial year ended 30 June 2005 with the purpose of providing an exact return that matched the UBS Bank Bill rate (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of $3 million in 2014 (2013: $3 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity, and credit risks.

In March 2009, the consolidated entity changed the swap agreement valuation methodology between the fund and the consolidated entity. The underlying investments are now valued on a hold to maturity basis for unit pricing purposes, which is consistent with the way in which Perpetual now manages the portfolio. The underlying assets were valued at their fair value at the date of change, which for many assets was at a discount to their maturity value. The discount to maturity value will be amortised over the remaining term of the assets. The change in valuation methodology will not affect the investment returns to investors in the EMCF 1.

The Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The EMCF 2 product invests directly into a variety of cash and debt securities, predominantly floating rate securities, cash deposits and fixed rate securities with a minimum credit rating band of 'BBB-' by Standard & Poor's or equivalent rating agency at the time of purchase. 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 $2.5 million (2013: $6 million) to be called upon in the event that Perpetual does not meet its obligations to the fund under the swap agreement.

The EMCF 1 product has been assigned a 'AAf' fund credit quality rating by Standard & Poor's and invests predominantly in the Perpetual Premium Treasury Fund and Cash Alpha Pool Fund of the consolidated entity. These funds cannot invest in securities which have a Standard & Poor's credit rating below 'BBB-'. They can invest in assets directly or indirectly by investing in other managed funds that have similar investment objectives and authorised investments. The underlying funds may invest in a variety of cash and debt securities, predominantly floating rate securities, cash deposits and fixed rate securities.

EMCF 1 and EMCF 2 (EMCF) use professional investment managers to manage the impact of these 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. 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.

NOTE 30. STRUCTURED PRODUCTS ASSETS AND LIABILITIES CONTINUED

I. EXACT MARKET CASH FUNDS CONTINUED

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 that meet Standard & Poor's 'AAf' fund credit quality rating criteria.

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 2014	AAA TO AA- $'000	A+ TO A- $'000	BBB+ TO BBB- $'000	TOTAL $'000
Corporate bonds	60,803	54,979	7,405	123,187
Mortgage and asset backed securities	133,076	–	–	133,076
Cash	16,206	–	–	16,206
	210,085	54,979	7,405	272,469

30 JUNE 2013	AAA TO AA- $'000	A+ TO A- $'000	BBB+ TO BBB- $'000	TOTAL $'000
Corporate bonds	8,984	51,919	8,375	69,278
Mortgage and asset backed securities	156,772	–	–	156,772
Cash	204,679	–	–	204,679
	370,435	51,919	8,375	430,729

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.

	2014 $'000	2013 $'000
1 per cent increase	2,725	4,307
1 per cent decrease	(2,725)	(4,307)

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 calculation of the swap agreement between the fund and the consolidated entity and 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 fund under the swap agreement. Conversely, if the fund's performance is higher than the benchmark, then the fund will make payments 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.

II. PERPETUAL PROTECTED INVESTMENTS

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

NOTE 30. STRUCTURED PRODUCTS ASSETS AND LIABILITIES CONTINUED

II. PERPETUAL PROTECTED INVESTMENTS CONTINUED

Structured products – loans receivable at reporting date consists of the following:

	2014 $'000	2013 $'000
Current		
Structured products – receivable from investors	41,297	36,892
Less: loan establishment fees	(10)	(24)
	41,287	36,868
Less: provision for credit losses	(3,423)	(1,986)
	37,864	34,882
Non-current		
Structured products – loans receivable from investors	–	43,202
Less: loan establishment fees	–	(31)
	–	43,171
Less: provision for credit losses	–	(1,312)
	–	41,859
Movements in the provision for credit losses are as follows:		
Current and non-current		
Balance as at 1 July	3,298	3,064
Provision utilised during the year	(376)	(192)
Provision for credit losses recognised during the year	501	426
Balance as at 30 June	3,423	3,298

The PPI Series 1 terminated on 31 May 2014 and the receivables from investors were repaid to the consolidated entity. A provision has been recognised for outstanding receivables from investors of the PPI Series 1. The remaining PPI Series 2 and 3 terminate on 30 April 2015 and 31 May 2015 respectively. As such, all receivables from investors and interest-bearing liabilities relating to the PPI Series 2 and 3 have been classified as current.

Investment and interest loans made to investors are funded by fixed and variable interest rate banking facilities. Total bank facilities available and utilised under these financial arrangements as at 30 June 2014 were $37.1 million (2013: $78.7 million).

It is the consolidated entity's policy to hedge variable rate facilities from exposure to fluctuating interest rates in accordance with its financial risk management policies. Accordingly, the consolidated entity has entered into interest rate swap contracts in order to hedge exposure to fluctuations in interest rates under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Details of the consolidated entity's exposure to risks arising from Perpetual Protected Investments are set out in Note 29.

The contracts are settled on a net basis. For the one year interest rate swap, the fixed rate payment is paid either annually in advance or monthly in arrears, and the floating rate payment is received monthly in arrears; for the seven year interest rate swap, the fixed rate leg is paid annually in advance, and the floating rate leg is received quarterly in arrears.

At year end, interest rate swap contracts entered into cover approximately 98.7 per cent (2013: 97.5 per cent) of the variable interest rate banking facilities and are timed to expire as each loan falls due. The fixed interest rates of these swaps range from 2.72 per cent to 7.37 per cent (2013: 2.56 per cent to 7.37 per cent) and the banking facilities' variable interest rates range from 3.66 per cent to 4.04 per cent (2013: 4.14 per cent to 4.32 per cent).

The interest rates under the fixed interest banking facilities range from 3.73 per cent to 7.77 per cent (2013: 2.98 per cent to 7.77 per cent). There were $13.7 million (2013: $39.7 million) fixed interest banking facilities at 30 June 2014.

Interest rate swaps have been both terminated and entered into in accordance with the consolidated entity's product interest rate risk policy.

NOTE 30. STRUCTURED PRODUCTS ASSETS AND LIABILITIES CONTINUED

II. PERPETUAL PROTECTED INVESTMENTS CONTINUED

The fair value of interest rate swap contracts outstanding as at reporting date and period of expiry are as follows:

	2014		2013	
	FAIR VALUE $'000	NOTIONAL AMOUNT $'000	FAIR VALUE $'000	NOTIONAL AMOUNT $'000
Less than 1 year	(158)	18,021	7	16,600
1-4 years	–	–	(440)	4,846
	(158)	18,021	(433)	21,446

The gain or loss from remeasuring interest rate swap contracts at fair value is deferred in other comprehensive income in the cash flow hedge reserve, to the extent that the hedge is effective, and reclassified into profit or loss when the hedged interest expense is recognised. The ineffective portion is recognised in profit or loss immediately.

As at 30 June 2014, an unrealised loss of $0.2 million (2013: loss of $0.4 million) was deferred in equity in the cash flow hedge reserve.

NOTE 31. COMMITMENTS

	2014 $'000	2013 $'000
Capital expenditure commitments		
Contracted but not provided for and payable within one year	8,510	–
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 1 year	17,775	17,901
Later than 1 year and not later than 5 years	54,179	63,368
Later than 5 years	62,869	30,777
	134,823	112,046

NOTE 32. CONTINGENCIES

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

A. CONTINGENT LIABILITIES

	2014 $'000	2013 $'000
Undertaking supporting the AFS licence requirements for subsidiaries[1]	25,000	–
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of Australian Prudential Regulation Authority in relation to the provision of superannuation services	5,000	–
Bank guarantee in favour of the Australian Securities and Investments Commission in relation to the provision of responsible entity services and custodial services	10,000	–
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,602	–
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	2,621	2,621
	45,223	3,621

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

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

AUSTRALIAN CAPITAL RESERVE

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

B. CONTINGENT ASSETS

The Trust Company Limited has an admitted claim against FAI General Insurance Company Limited (in liquidation) of $17.0 million. To date, 59.15 cents in the dollar ($10.2m of the admitted $17.0m) has been received in cash in financial years 2007 to 2014.

The scheme administrator has indicated that the estimate of total percentage payout is currently between 60 and 68 cents in the dollar but has not provided guidance as to timing of the payments.

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

NOTE 33. RELATED PARTIES

CONTROLLED ENTITIES AND ASSOCIATES

The consolidated entity has a related party relationship with its Key Management Personnel (see Note 41 and 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.

NOTE 34. CONTROLLED ENTITIES

NAME OF COMPANY	BENEFICIAL INTEREST 2014 %	BENEFICIAL INTEREST 2013 %	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS
Perpetual Limited			
Controlled Entities[1]			
Australian Trustees Limited	100	100	Australia
Commonwealth Trustees Pty. Ltd.	100	100	Australia
Financial Pursuit Pty Ltd	100	100	Australia
Fordham Business Advisors Pty Ltd[2]	100	100	Australia
Grosvenor Financial Services Pty Limited[2]	100	100	Australia
Investor Marketplace Limited	100	100	Australia
Perpetual Acquisition Company Limited[3]	100	100	Australia
Perpetual Assets Pty Ltd	100	100	Australia
Perpetual Australia Pty Limited	100	100	Australia
Perpetual Investment Management Limited	100	100	Australia
Perpetual Legal Services Pty Limited[2]	100	100	Australia
Perpetual Loan Company Limited	100	100	Australia
Perpetual Loan Company No. 2 Limited	100	100	Australia
Perpetual Mortgage Services Pty Limited	100	100	Australia
Perpetual Nominees Limited	100	100	Australia
Perpetual Services Pty Limited[2]	100	100	Australia
Perpetual Trust Services Limited	100	100	Australia
Perpetual Trustee Company (Canberra) Limited	100	100	Australia
Perpetual Trustee Company Limited	100	100	Australia
Perpetual Trustees Consolidated Limited	100	100	Australia
Perpetual Trustees Queensland Limited	100	100	Australia
Perpetual Trustees S.A. Limited	100	100	Australia
Perpetual Trustees Victoria Limited	100	100	Australia
Perpetual Trustees W.A. Ltd	100	100	Australia
PI Investment Management Limited[10]	–	100	Ireland
Queensland Trustees Pty. Ltd.	100	100	Australia
Perpetual Superannuation Limited[5]	100	100	Australia
Perpetual Resource Fund	70	64	Australia
Perpetual Pure Equity Yield Fund – Class X[11]	–	100	Australia
Global Equities UCITS Fund[12]	–	100	Ireland
Perpetual Pure Value 2 Fund	100	100	Australia
Perpetual Wholesale Dynamic Fixed Income Fund[8]	42	74	Australia
Perpetual Exact Market Cash Fund	100	100	Australia
Exact Market Cash Fund 2	100	100	Australia

NOTE 34. CONTROLLED ENTITIES CONTINUED

NAME OF COMPANY	BENEFICIAL INTEREST 2014 %	BENEFICIAL INTEREST 2013 %	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS
Entities under the control of Fordham Business Advisors Pty Ltd			
Fordham Investment Management Pty Ltd[2]	100	100	Australia
Garnet Investment Management Pty Ltd[2]	100	100	Australia
Garnet Superannuation Pty. Ltd.[2]	100	100	Australia
Entities under the control of Grosvenor Financial Services Pty Limited			
Perpetual Tax and Accounting Pty Ltd[2]	100	100	Australia
Entities under the control of Perpetual Assets Pty Ltd			
Perpetual Asset Management Ltd	100	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]	100	100	Australia
Entities under the control of P.T. Limited[1]			
Perpetrust Nominees Proprietary Limited[2]	100	100	Australia
Entities under the control of Perpetual Acquisition Company Limited			
The Trust Company Limited[6]	100	-	Australia
Entities under the control of The Trust Company Limited			
Henty Real Estate (NSW) Proprietary Limited[2]	100	-	Australia
Henty Real Estate (QLD.) Pty. Ltd.[2]	100	-	Australia
The Trust Company (Asia Holdings) Pte. Ltd.[7]	100	-	Singapore
The Trust Company (Australia) Limited	100	-	Australia
The Trust Company (FCNL) Pty Limited	100	-	Australia
The Trust Company (Real Estate) Pty Limited	100	-	Australia
The Trust Company (Superannuation) Limited[9]	100	-	Australia
The Trust Company (UTCCL) Limited	100	-	Australia
Trust Company (Hong Kong) Limited	100	-	Hong Kong
Trust Company Responsible Entity Services Limited	100	-	Australia
Entities under the control of The Trust Company (Australia) Limited			
The Trust Company (Nominees) Limited	100	-	Australia
The Trust Company (PTAL) Limited	100	-	Australia
The Trust Company (PTCCL) Limited	100	-	Australia
The Trust Company (RE Services) Limited	100	-	Australia

NOTE 34. CONTROLLED ENTITIES CONTINUED

NAME OF COMPANY	BENEFICIAL INTEREST 2014 %	BENEFICIAL INTEREST 2013 %	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS
Entities under the control of The Trust Company (Asia Holdings) Pte. Ltd.			
The Trust Company (Asia) Limited[7]	100	–	Singapore
Entities under the control of The Trust Company (RE Services) Limited			
Banano Pty Ltd[2]	100	–	Australia
The Trust Company (Sydney Airport) Limited	100	–	Australia
GPTA – 750 Collins Street Pty Limited[2]	100	–	Australia
Entities under the control of The Trust Company (Nominees) Limited			
The Trust Company (Legal Services) Pty Limited[2]	49	–	Australia
Associates			
Marq Services Management Pty. Ltd.[4]	45	45	Australia

1. Entities in bold are directly owned by Perpetual Limited with the exception of Perpetual Asset Management Ltd and P.T. Limited which are owned by Perpetual subsidiaries.
2. A small proprietary company as defined by the Corporations Act 2001 and is not required to be audited for statutory purposes.
3. Perpetual Acquisition Company Limited was incorporated on 6 May 2013.
4. In August 2012, Perpetual Limited entered into a joint venture agreement and holds 45% of Marq Services Management Pty. Ltd. The remaining 55% is shared between Morgij Holdings Pty Ltd and Oliver Wyman Pty Ltd.
5. Perpetual holds 75% of Perpetual Superannuation Limited's share capital directly, the remaining 25% is held by Perpetual Asset Management Ltd, a 100% wholly owned subsidiary of Perpetual Limited.
6. The Trust Company Limited and its controlled entities was acquired by Perpetual Acquisition Company Limited, effective control commenced on 4 December 2013.
7. The financial year end date of both The Trust Company (Asia Holdings) Pte. Ltd. and The Trust Company (Asia) Limited is 28 February 2014. This was the reporting date when Perpetual gained control of these entities during the year. Perpetual intends to align the reporting dates of these entities for 30 June 2015.
8. Perpetual Wholesale Dynamic Fixed Income Fund meets the IFRS 10 definition of control despite only 42% ownership. This is due to three factors. 1) Perpetual has full decision making authority over the fund. 2) No third party has the ability to remove Perpetual as fund manager. 3) Perpetual is exposed to variable returns.
9. An agreement to sell The Trust Company (Superannuation) Limited was entered into on 1 July 2014.
10. PI Investment Management Limited was liquidated on 6 May 2014.
11. Perpetual divested from this seed fund on 19 June 2014.
12. Perpetual divested from this seed fund on 22 July 2013.

NOTE 35. 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 2014 is as follows:

INVESTMENT FUNDS – COMPANY MANAGED	CARRYING AMOUNT $'000	MAXIMUM EXPOSURE TO LOSS[1] $'000
Statement of financial position line item		
Cash and cash equivalents	10,684	10,684
Other financial assets – non-current	5,567	5,567
	16,251	**16,251**

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.

NOTE 35. UNCONSOLIDATED STRUCTURED ENTITIES CONTINUED

COMPANY MANAGED INVESTMENT FUNDS

The Company has investments in managed investment funds through the 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 Note 3.

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 carrying amount of the investment in the fund. Investment funds are generally financed through the issuance of fund units.

NOTE 36. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the consolidated entity subsidiaries that has material non-controlling interest (NCI), before any intra-group eliminations.

	PERPETUAL RESOURCE FUND		PERPETUAL WHOLESALE DYNAMIC FIXED INCOME FUND	
CONSOLIDATED ENTITY	2014 $'000	2013 $'000	2014 $'000	2013 $'000
NCI percentage	29.8%	35.6%	58.1%	25.6%
Current assets	26,746	23,821	6,325	3,520
Current liabilities	(16)	(5)	(2)	(1)
Net assets	**26,730**	**23,816**	**6,323**	**3,519**
Carrying amount of NCI	7,958	8,486	3,674	901
Revenue	549	670	122	21
Profit	2,620	603	109	7
Other comprehensive income/(expense) (OCI)	2,127	2,291	(17)	(24)
Total comprehensive income	**4,747**	**2,894**	**92**	**(17)**
Profit/(loss) allocated to NCI	712	(599)	32	16
OCI allocated to NCI	861	1,220	(8)	(11)
Cash flows from/(used in) operating activities	1,203	(2,817)	65	(465)
Cash flows from investment activities	8	1,982	2	194
Cash flows from financing activities (dividends to NCI: nil)	–	–	–	–
Net increase/(decrease) in cash and cash equivalents	**1,211**	**(835)**	**67**	**(271)**

NOTE 37. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014 the parent entity of the consolidated entity was Perpetual Limited.

	2014 $'000	2013 $'000
Result of the parent entity		
Profit for the year	75,015	57,453
Other comprehensive income/(expense)	(2,046)	(2,637)
Total comprehensive income for the year	**72,969**	**54,816**
Financial position of the parent entity at year end		
Current assets	159,919	142,809
Total assets	**795,193**	**461,805**
Current liabilities	238,726	121,756
Total liabilities	**259,611**	**147,485**
Total equity of the parent entity comprising:		
Share capital	460,807	239,802
Reserves	29,414	37,907
Retained earnings	45,361	36,611
Total equity	**535,582**	**314,320**
Parent entity contingencies The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.		
Uncalled capital of the controlled entities	7,100	7,100
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.		
Operating lease commitments		
At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows.		
Not later than 1 year	9,611	12,079
Later than 1 year and not later than 5 years	31,765	48,741
Later than 5 years	58,453	30,777
	99,829	91,597

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 $130,000,000 bank facility ($87,000,000 is utilised) of a controlled entity amounting to $130,000,000 (2013: $70,000,000).
- Guarantees to secure lending associated with structured products amounting to $6,571,000 (2013: $7,135,000).
- 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.

NOTE 38. BUSINESS COMBINATIONS

THE TRUST COMPANY LIMITED

On 18 December 2013, the Company settled the acquisition of 100 per cent of the issued share capital of The Trust Company Limited (Trust Co), which specialises in providing advice and expertise in Personal Client Services including Estate Planning and Administration, Lifestyle and Executive Assist, Financial Planning, Personal Trusts, Charitable Trusts, Wealth Management and Health and Personal Injury services. Trust Co also provide Corporate Client Services in Australia and Singapore including Responsible Entity, Property and Infrastructure Custody, Superannuation Compliance and Trustee, Structured Finance Trustee and REIT Trustee services. The acquired entity is based in the Sydney CBD.

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

The effective date of control was 4 December 2013 when the Supreme Court approval of the Scheme of Arrangement was lodged with the Australian Securities and Investments Commission. The acquired business contributed revenue of $48.1 million and a net profit after tax of $7.6 million to the consolidated entity for the period from 4 December 2013, the effective date of acquisition, to 30 June 2014.

If this acquisition had occurred on 1 July 2013, the revenue and net profit after tax would have been $93.3 million and $12.3 million respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 July 2013.

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

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

The cash consideration was calculated based on the volume weighted average price of $44.95 which was based on the ten trading days up to the scheme meeting on 27 November 2013.

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

NOTE 38. BUSINESS COMBINATIONS CONTINUED

ACQUISITION-RELATED COSTS

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

IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	$'000
Intangible assets	37,900
Receivables	11,097
Cash and cash equivalents	16,136
Deferred tax assets	5,302
Other current assets	5,230
Other financial assets	19,700
Property, plant and equipment	442
Non-current prepayments	8,608
Net assets held for sale	58,652
Trade and other payables	(11,477)
Financial liabilities	(10,000)
Current tax liabilities	(1,478)
Deferred tax liabilities	(11,614)
Provisions	(11,085)
Total identifiable net assets	**117,413**

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

FAIR VALUES MEASURED ON A PROVISIONAL BASIS

At 30 June 2014 the acquisition accounting balances are provisional, whereby the accounting balances for the acquisition may be revised in accordance with Australian Accounting Standards Board AASB 3 Business Combinations.

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

GOODWILL	$'000
Goodwill arising from the acquisition has been recognised as follows:	
Total consideration transferred	277,588
Less value of identifiable net assets	(117,413)
Goodwill	160,175

NOTE 39. NOTES TO THE CASH FLOW STATEMENT

	2014 $'000	2013 $'000
Cash flows from operating activities		
Profit for the year	81,618	60,968
Add/(less) items classified as investing/financing activities:		
Profit on sale of investments	(5,520)	(1,291)
Reinvestment of dividends and unit distributions	(1,039)	(88)
Working capital acquired from business combinations	21,511	-
Leave liabilities acquired from business combinations	(3,448)	-
Deferred tax recognised on intangibles acquired	(11,614)	-
Gain from sale of businesses	(1,020)	(2,595)
Deferred acquisition consideration	-	599
Share of loss of equity accounted investees, net of income tax	-	704
Loss on sale of property, plant and equipment	403	598
Add/(less) non-cash items:		
Depreciation and amortisation expense	12,471	9,092
Equity remuneration expense	14,647	12,745
Impairment of software intangibles	-	144
Transfer to foreign currency translation reserve	66	5,313
Mark to market movements on available-for-sale including minority interest	(4,924)	(9,267)
Impairment of available-for-sale securities	308	2,108
Impairment of equity accounted investees	-	1,096
Net cash provided by operating activities before change in assets and liabilities	103,459	80,126
Change in assets and liabilities during the financial year:		
(Increase) in receivables	(23,017)	(3,783)
(Increase) in net structured products assets	(5,445)	(2,013)
(Decrease) in derivative liabilities	(232)	(346)
Increase in payables	5,224	6,626
(Increase)/decrease in prepayments	(8,591)	1,850
Increase in employee benefits	9,108	88
(Decrease)/increase in provisions	(639)	649
Increase in current tax liabilities	1,387	14,591
Decrease in deferred tax assets	754	475
Increase/(decrease) in deferred tax liabilities	12,672	(400)
(Increase)/decrease in assets held for sale	(316)	13,229
Increase/(decrease) in liabilities held for sale	111	(5,612)
Decrease in cash flow hedge reserve	177	98
Net cash provided by operating activities	94,652	105,578

NOTE 40. SUBSEQUENT EVENTS

Perpetual has entered into an agreement with Diversa Limited to sell The Trust Company (Superannuation) Limited. The agreed consideration is $2.65 million in cash and the acquisition is expected to settle on or before 1 September 2014.

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 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.

NOTE 41. REMUNERATION DETAILS PROVIDED AS PART OF THE FINANCIAL REPORT

TOTAL COMPENSATION OF KEY MANAGEMENT PERSONNEL (KMP)

	2014 $	2013 $
Short-term	6,242,219	7,148,203
Post-employment	127,216	163,862
Termination benefits	–	597,864
Share-based	2,140,640	1,171,362
Other long-term	26,837	12,911
Total	8,536,912	9,094,202

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 KMP's interests existing at year end.

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 91 to 152, 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 2014 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) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(i);
   (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
2. 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 2014.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 28th day of August 2014.

PETER B SCOTT
Director

GEOFF LLOYD
Director

Independent auditor's report to the members of Perpetual Limited

Report on the financial report

We have audited the accompanying financial report of Perpetual Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Consolidated Entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Consolidated Entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Consolidated Entity is 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 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 51 of the directors' report for the year ended 30 June 2014. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Perpetual Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Andrew Yates
Partner

Sydney

28 August 2014

SECURITIES EXCHANGE AND INVESTOR INFORMATION

2014 ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be held at Perpetual's Offices, Level 12, 123 Pitt Street, Sydney on 30 October 2014 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

Queensland Trustees Pty Limited (2,614,715 shares) and Vinva Investment Management[3] (2,817,586 shares) are substantial shareholders of Perpetual Limited as at 31 July 2014.

DISTRIBUTION SCHEDULE OF HOLDINGS AS AT 31 JULY 2014	NUMBER OF HOLDERS	NUMBER OF SHARES
1 – 1,000 shares	17,533	6,472,596
1,001 – 5,000 shares	4,369	9,197,274
5,001 – 10,000 shares	424	2,989,368
10,001 – 100,000 shares	278	5,903,992
100,001 and over shares	29	22,011,196
Total	22,633	46,574,426

Number of shareholders with less than a marketable parcel: 340

TWENTY LARGEST SHAREHOLDERS AS AT 31 JULY 2014

NAME	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ISSUED CAPITAL
JP Morgan Nominees Australia Limited[1]	4,728,857	10.15%
HSBC Custody Nominees (Australia) Limited[1]	3,468,058	7.45%
National Nominees Limited[1]	2,191,258	4.70%
Citicorp Nominees Pty Limited[1]	1,589,226	3.41%
Queensland Trustees Pty Ltd (Long Term Incentive Plan)[1,2]	1,379,631	2.96%
Milton Corporation Limited	1,359,278	2.92%
BNP Paribas Noms Pty Ltd[1]	1,097,485	2.36%
Australian Foundation Investment Company Limited	1,031,087	2.21%
Queensland Trustees Pty Ltd (Executive Share Plan)[1,2]	588,950	1.26%
Washington H Soul Pattinson & Co Ltd	529,598	1.14%
Queensland Trustees Pty Ltd (Deferred Share Plan)[1,2]	414,045	0.89%
Carlton Hotel Ltd	402,213	0.86%
HSBC Custody Nominees (Australia) Limited[1]	400,980	0.86%
Enbeear Pty Ltd	368,841	0.79%
AMP Life Limited	325,020	0.70%
Argo Investments Limited	238,905	0.51%
UBS Wealth Management Australia Nominees Pty Ltd[1]	208,665	0.45%
Josseck Pty Limited	207,416	0.45%
BKI Investment Company Limited	179,310	0.38%
J S Millner Holdings Pty Limited	166,300	0.36%
Total	20,875,123	44.81%

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 2,614,715 shares.
3. The shares held by Vinva Investment Management are held on their behalf by the following custodians – JP Morgan Nominees Australia Ltd, HSBC Custody Nominees (Australia) Limited, National Nominees Limited and BNP Paribas Nominees Pty Limited.

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
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 2014 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 95 cents per share will be paid on 3 October 2014 to shareholders entitled to receive dividends and registered on 11 September 2014 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 their website at www.linkmarketservices.com.au or email registrars@linkmarketservices.com.au

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

Perpetual Shareholder Information Line:
1300 732 806 or (02) 8280 7620
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.

PRINCIPAL REGISTERED OFFICE

Level 12
123 Pitt Street
Sydney NSW 2000

Tel: (02) 9229 9000
Fax: (02) 8256 1461

COMPANY SECRETARY

Joanne Hawkins

WEBSITE ADDRESS

www.perpetual.com.au

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