Perpetual Limited ABN 86 000 431 827

# OPERATING AND FINANCIAL REVIEW

For the 6 months ended 31 December 2014

# Disclaimer

The following information should be read in conjunction with the Group's unaudited consolidated financial statements and associated notes for the 6 months ended 31 December 2014 and should also be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report for the financial year ended 30 June 2014 (FY14).The Group's unaudited consolidated financial statements were subject to independent review by KPMG.

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

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

# Notes

Note in this review:

- 1H14 refers to the financial reporting period for the six months ended 31 December 2013
- 2H14 refers to the financial reporting period for the six months ended 30 June 2014
- 1H15 refers to the financial reporting period for the six months ended 31 December 2014
- With similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 6 months ended 31 December 2014 (1H15). It also includes a review of its financial position as at 31 December 2014.

The following information should be read in conjunction with the Group's unaudited consolidated financial statements and associated notes for 6 months ended 31 December 2014.

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

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

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

# Operating and Financial Review

## For the 6 months ended 31 December 2014

## Table of Contents

# 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 its revenue from fees charged on assets either under management, advice or administration. Revenue is influenced by movement in the underlying asset values, margin on assets and net client flows. The business model provides Perpetual with recurring revenue streams and leverage to movement in asset values.

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

Factors that affect the performance of the business include, amongst others, the performance of the global and Australian economies and 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 was 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 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

**Strategy: Transformation 2015 and beyond**

In 2012, the Group announced its Transformation 2015 (T15) strategy which comprised of three phases that looked to "Simplify", "Refocus" and "Grow" the business. The Group also announced targeted cost savings as part of the T15 strategy.

At the end of FY14, Perpetual's original target of $50 million of annualised cost savings was achieved. In FY14, T15 initiatives resulted in cumulative programme savings of $39.8 million before tax. 1H15 saw a further $5.1 million of incremental savings come through bringing cumulative savings to date to $44.9 million before tax.

Perpetual has completed the "Simplify" and "Refocus" phases of its T15 strategy with the "Grow" phase accelerated by the acquisition of TrustCo which was completed in December 2013.

Perpetual Investments' new growth initiatives – the Global Share Fund and the successful launch of Perpetual Equity Investment Company Limited – will add to the underlying momentum in the business unit.

In August 2014, Perpetual launched its Global Share Fund and targeted $1 billion of Funds Under Management (FUM) in three years. As at 26 February 2015 the Perpetual Global Share Fund had FUM of approximately $630 million. This was made up of approximately $480 million of a Perpetual international equities mandate being transferred from an external fund manager to Perpetual, together with the approximately $150 million of FUM sourced from clients. To achieve the $1 billion target Perpetual continues to target additional FUM of approximately $850 million in three years.

In 1H15, the Group announced the successful initial public offering (IPO) and subsequent listing on the Australian Securities Exchange on 18 December 2014 of Perpetual Equity Investment Company Limited (PEIC), ASX code: PIC. The PEIC raised more than $250 million making it the largest capital raising for a listed investment company since the global financial crisis.

Perpetual Private will focus on its differentiated and segmented – business owners, established wealthy and professionals – high net worth strategy. It expects to achieve growth by building leading referral channels, transforming the client experience and deepening client relationships. It continues to attract net new high net worth clients with higher average Funds Under Advice (FUA) per client.

Perpetual Corporate Trust has two distinct business lines – Trust Services and Fund Services. Trust Services will focus on maintaining its leading position and providing compelling new client offerings such as enhanced data services. These enhanced data service requirements are as a result of the changes mandated by the RBA to standardise and enhance the reportable data for repurchase eligibility in the Australian securitisation market. In Fund Services, the focus will be on leveraging the track record and market share gained with the acquisition of TrustCo and through more specific initiatives such as providing responsible entity services to managed investment schemes.

The Group's strategic focus now is to be leading in all its chosen areas and growing profitably to deliver higher earnings and returns to shareholders, and maintaining its strong client focus. This is a natural evolution of the T15 strategy and will focus on specific growth initiatives as well as extensions to the existing business.

Perpetual will provide a further update with the full year results in August.

## 1.3 Group financial performance

The following table summarises the Group's performance over the last three periods. It should be noted that the Group's performance for 1H14 included one month of TrustCo while 2H14 and 1H15 included the full six months of TrustCo.

FINANCIAL SUMMARY

| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| Operating revenue | 244.5 | 238.5 | 202.1 | 3% | 21% |
| Total expenses | (156.6) | (158.8) | (135.0) | 1% | (16%) |
| Underlying profit before tax (UPBT) | 87.9 | 79.7 | 67.1 | 10% | 31% |
| Underlying profit after tax (UPAT)[(1)(2)] | 62.1 | 56.4 | 47.7 | 10% | 30% |
| Significant items | (3.5) | (8.1) | (14.4) | 57% | 76% |
| Net profit after tax (NPAT) | 58.6 | 48.3 | 33.3 | 21% | 76% |
| UPBT Margin on revenue (%) | 36 | 33 | 33 | 3 | 3 |
| Diluted EPS[(3)] on UPAT (cps) | 134.4 | 122.8 | 114.7 | 9% | 17% |
| Diluted EPS on NPAT (cps) | 126.8 | 105.1 | 80.1 | 21% | 58% |
| Dividends (cps) | 115.0 | 95.0 | 80.0 | 21% | 44% |
| Return on Equity[(4)] on UPAT (%) | 22 | 21 | 23 | 1 | (1) |

(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) Effective tax rate is 29%.

(3) Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue of 46,200,056 for 1H15 (1H14: 41,594,904 shares).

(4) 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.

For the 6 months to 31 December 2014, Perpetual's UPAT was $62.1 million and NPAT was $58.6 million, which were 30% and 76% higher than 1H14 and 10% and 21% higher than 2H14 respectively. The result reflects the focused delivery of the Group's strategy with operating leverage continuing to improve over 1H14 and 2H14.

The key drivers behind the improvement in earnings included the incremental cost savings of the T15 strategy, synergies from the acquisition of TrustCo, higher average levels of equity markets and an increase in average funds under management and advice.

The Perpetual Board determined a 1H15 fully franked interim dividend of 115 cents per share, up 35 cents per share or 44% on 1H14, and 20 cents per share or 21% on 2H14. The interim dividend is payable on 27 March 2015. Refer to Section 1.4 for details.

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

### 1.3.1 Revenue

The main drivers of total revenue are the value of FUM in Perpetual Investments and FUA in Perpetual Private, which are primarily influenced by the level of the Australian equity market.

The S&P/ASX All Ordinaries Price Index (All Ords) closed at 5,388.6 on 31 December 2014, up 0.12% on the closing level on 30 June 2014 and 0.7% on the closing level on 31 December 2013. The average All Ords in 1H15 was up 4.8% on the average All Ords in 1H14 and up 0.8% on the average All Ords in 2H14. At the end of 1H15, Perpetual Investments' FUM and Perpetual Private's FUA were around 80% and 58% exposed to equity markets respectively.

In 1H15, Perpetual generated $244.5 million of total operating revenue, which was $42.4 million or 21% higher than 1H14, and $6 million or 3% higher than 2H14. TrustCo is estimated to have contributed approximately $29.6 million in 1H15, $31.6 million in 2H14 and $4.7 million in 1H14. Other drivers of revenue were higher levels of FUM and FUA, performance fees and organic growth in the business units.

Management has calculated the expected impact on revenue, across the business, for a 1% movement in the All Ords: based on the level of the All Ords at the end of December 2014, a 1% movement impacts annualised revenue by approximately $2.25 million to $2.75 million. It is worth noting that this impact is not linear to the movement in 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 impact 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: the performance of funds under the Group's management and advice; the impact and timing of flows on FUM and FUA – inflows, outflows and distributions; and changes in pricing policy, channel and product mix.

### 1.3.2 Expenses

Total expenses in 1H15 were $156.6 million, down 1.4% or $2.2 million on 2H14. T15 initiatives resulted in savings of $5.1 million on the prior half and TrustCo synergies were $3 million in the half. These were offset by expenses relating to both Perpetual Investments' growth initiatives and performance fees paid to fund managers of $5.5 million.

Other business related expenses were $0.4 million in the half resulting in total expenses in 1H15 being $2.2 million lower than in 2H14.

Total expenses in 1H15 were up 16% or $21.6 million on 1H14. The main driver of the increase in expenses on the prior corresponding period was the contribution of TrustCo's continuing operations' expenses net of synergies of $17.1 million. T15 savings were $5.7 million and additionally, the increase in the cost of Perpetual Investments' growth initiatives and performance fees paid were $5.5 million in the period from 1H14 to 1H15.

Other business related expenses were up $4.7 million or 3.5% on the prior corresponding period, broadly in line with inflation.

The Group remains focused on keeping general business related expense increases in line with inflation.

### 1.3.3 Significant Items

Significant items were lower in 1H15 primarily due to expenses no longer being incurred in respect of the T15 strategy cost out program.

| SIGNIFICANT ITEMS | Profit/(Loss) After Tax | | |
|---|---|---|---|
| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M |
| Significant items: | | | |
| 1. Trust Company integration costs | (6.9) | (3.8) | (6.2) |
| 2. TrustCo due diligence and transaction costs | - | (0.3) | (4.1) |
| 3. Transformation costs | - | (7.4) | (6.9) |
| 4. Non recurring tax benefits items | - | - | 1.2 |
| 5. Operating income from discontinued operations | - | 1.6 | 0.4 |
| 6. Gain on disposal of businesses | 0.1 | 1.0 | - |
| 7. Gain on disposal/impairment of investments & associates | 3.3 | 0.8 | 1.2 |
| Total significant items | (3.5) | (8.1) | (14.4) |

The significant items of note in 1H15 were as follows:

- **TrustCo Integration costs:** Integration costs and restructuring expenses of $6.9 million in relation to the TrustCo acquisition were incurred during 1H15.
- **Gain on disposal of investments:** In 1H15 the Group made a gain of $3.3 million after tax on disposal of investments and associates. Profit on investments relates predominantly to the gains on the sale of underlying seed fund investments.

## 1.4 Shareholder returns and dividends

| SHAREHOLDER RETURNS FOR THE PERIOD | | 1H15 | 2H14 | 1H14 | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|---|
| Diluted earnings per share (EPS) on UPAT [(1)] | cents | 134.4 | 122.8 | 114.7 | 9% | 17% |
| Diluted EPS on NPAT | cents | 126.8 | 105.1 | 80.1 | 21% | 58% |
| Annualised return on average equity (ROE) on UPAT [(2)] | % | 22.3 | 21.1 | 22.8 | 1 | (1) |
| Annualised ROE on NPAT [(2)] | % | 21.1 | 18.1 | 18.9 | 3 | 2 |

| DIVIDENDS FOR THE PERIOD | | 1H15 | 2H14 | 1H14 | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|---|
| Fully franked dividends paid/payable | $m | 53.6 | 44.2 | 37.2 | 21% | 44% |
| Fully franked dividends per ordinary share | cents | 115.0 | 95.0 | 80.0 | 21% | 44% |
| Dividend payout ratio [(3)] | % | 90.7 | 90.0 | 100.0 | 1 | (9) |
| Dividends paid/payable as a proportion of NPAT [(4)] | % | 91.5 | 91.6 | 111.7 | - | (20) |

(1) Diluted EPS is calculated using the weighted average number of ordinary and potential ordinary shares on issue.
(2) The returns on equity quoted in the above table are an annualised rate of return based on actual results for each period. ROE is calculated using the NPAT 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.
(3) 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.
(4) Based on ordinary fully paid shares at the end of each reporting period.

In 1H15, Perpetual's diluted EPS on a UPAT and NPAT basis increased by 17% and 58% respectively on 1H14, and by 9% and 21% respectively on 2H14, reflecting higher operating leverage and underlying profitability. ROE on a UPAT basis in 1H15 was 22.3%, which was lower than in 1H14 due to an increase in average equity relating to the acquisition of TrustCo but improved on 2H14 due to increased underlying profitability. ROE on a NPAT basis increased from 18.9% in 1H14 to 21.1% in 1H15 reflecting improved profitability.

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 interim dividend for 1H15 of 115 cents per share will be payable on 27 March 2015 which represents a dividend payout of 91.5% of 1H15 NPAT.

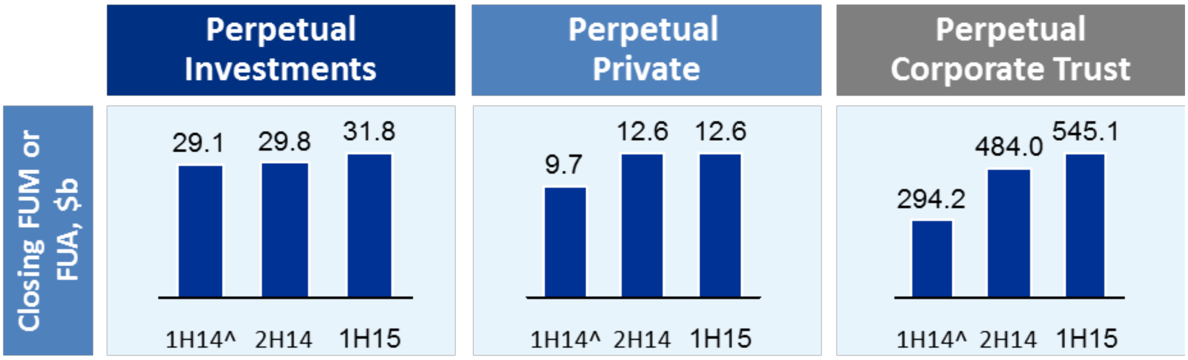
The Dividend Reinvestment Plan (DRP) will be operational for the interim dividend. No discount will apply and the DRP will be met by existing shares acquired on market. The 10 day Volume Weighted Average Price (VWAP) pricing period for the final dividend commences on 9 March 2015 and ends on 20 March 2015. A broker will be appointed to acquire existing shares to satisfy the DRP.

The Group's franking credit balance at the end of 1H15, prior to the payment of the FY15 interim dividend, was $41.4 million. This will enable $53.6 million of cash dividends or around 115 cents per share to be fully franked. After payment of the interim dividend for 1H15, the franking balance is capable of fully franking a further $42.9 million of cash dividends, or around 92 cents per share.

As at 31 December 2014, Perpetual Limited, the Group's parent entity, had retained earnings of $76.9 million (equivalent to around 165.2 cents per share).

## 1.5 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 Investment and FUA for Perpetual Private and Perpetual Corporate Trust. As illustrated below, in 1H15, FUM and FUA increased, reflecting market and business growth, as well as the addition of TrustCo.




^ Excludes financial information relating to TrustCo

The key segment results for 1H15 are summarised in the table below.

| SEGMENT RESULTS SUMMARY | OPERATING REVENUE | | | EBITDA (1) | | | PROFIT BEFORE/ AFTER TAX | | |
|---|---|---|---|---|---|---|---|---|---|
| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 $M | 2H14 $M | 1H14 $M |
| Perpetual Investments | 119.3 | 113.0 | 109.5 | 66.1 | 63.8 | 61.4 | 60.3 | 57.4 | 56.2 |
| Perpetual Private | 82.3 | 81.3 | 62.5 | 24.8 | 22.4 | 10.2 | 18.9 | 16.3 | 5.3 |
| Perpetual Corporate Trust | 39.3 | 40.2 | 27.2 | 16.8 | 17.4 | 11.8 | 14.3 | 14.7 | 11.0 |
| Group Support Services | 3.6 | 4.0 | 2.9 | (3.5) | (6.4) | (4.5) | (5.6) | (8.7) | (5.4) |
| Totals before tax and significant items | 244.5 | 238.5 | 202.1 | 104.2 | 97.2 | 78.9 | 87.9 | 79.7 | 67.1 |
| Income tax expense | | | | | | | (25.8) | (23.3) | (19.4) |
| Underlying profit after tax (UPAT) before significant items | | | | | | | 62.1 | 56.4 | 47.7 |
| Significant items after tax: | | | | | | | | | |
| 1. Trust Company integration costs | | | | | | | (6.9) | (3.8) | (6.2) |
| 2. TrustCo due diligence and transaction costs | | | | | | | - | (0.3) | (4.1) |
| 3. Transformation costs | | | | | | | - | (7.4) | (6.9) |
| 4. Non recurring tax benefits items | | | | | | | - | - | 1.2 |
| 5. Operating income from discontinued operations | | | | | | | - | 1.6 | 0.4 |
| 6. Gain on disposal of businesses | | | | | | | 0.1 | 1.0 | - |
| 7. Gain on disposal/impairment of investments & associates | | | | | | | 3.3 | 0.8 | 1.2 |
| Statutory net profit after tax (NPAT) attributable to equity holders of Perpetual Limited | | | | | | | 58.6 | 48.3 | 33.3 |

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

- In 1H15, Perpetual Investments' profit before tax was $60.3 million, which was $4.1 million or 7% higher than 1H14, and $2.9 million or 5% higher than 2H14, driven by equity market gains, positive net inflows in the period and higher performance fees earned;
- Perpetual Private's profit before tax was $18.9 million, which was $13.6 million or 257% higher than 1H14, and $2.6 million or 16% higher than 2H14, boosted by the contribution from the TrustCo acquisition, as well as equity market gains and growth in new clients; and
- Perpetual Corporate Trust's profit before tax was $14.3 million, which was $3.3 million or 30% higher than 1H14 due to the TrustCo acquisition and growth in the underlying business but $0.4 million or 3% lower than 2H14 primarily due to the non-recurrence of establishment fees earned in 2H14 for a data services solution to securitisation clients.

The impact of the TrustCo acquisition on the Group and business unit results is detailed in Section 1.6.1.

# 1.6 Group initiatives

## 1.6.1 Integration of The Trust Company

### Integration program

On 18 December 2013, Perpetual acquired TrustCo, as it had a strong strategic fit with Perpetual's existing business, an attractive expected investment return and provided accelerated growth options for the Group. The governance framework for integration adopted the key principles that enabled Perpetual's successful delivery of its T15 strategy, with a dedicated project team and detailed delivery plans.

The integration of TrustCo is currently on time, on budget and expected to deliver the forecasted synergies.

The Trust Company Integration Scorecard

| | FY14 PROTECT | 1H15 ALIGN | 2015 ONE COMPANY |
|---|---|---|---|
| SIMPLIFY | ☑ Single Executive Team<br>☑ New organisation structure in place<br>☑ All staff notified of impact to their role<br>☑ Divested EQT holding | ☑ Reduce central cost (HR, Finance, Marketing)<br>☑ Combine and simplify core processes and policies for Group functions | **On Track:** Reduce property footprint<br>☑ Consolidate and reduce corporate entities and structures |
| REFOCUS | ☑ Single client service offering for all **new** PCT clients<br>☑ Design brand strategy and commence execution<br>☑ Detailed integration planning complete across all Business Units<br>☑ Single product and wrap offering in place for all **new** PP advice clients | ☑ Migrate IT infrastructure to outsource provider<br>☑ Integrated investment / product suite in PP<br>☑ Single client service offering for all PCT clients in place | ☑ Consolidate and simplify IT applications<br>**On Track:** Single platform and client service offering for all clients in PP in place<br>**Ongoing:** Integrated Personal Trustee and Philanthropy operations<br>☑ Brand strategy complete |
| GROW | **Ongoing:** Accelerate PCT growth in Singapore | ☑ PI FUM increase through The Trust Company integration via PP<br>☑ PCT outsourced RE service compliance frameworks aligned<br>☑ PCT Asia product offering finalised<br>**Ongoing:** Accelerate PCT growth in Singapore | **On Track:** Increased revenue in PP due to scale benefits of combined FUA<br>**On Track:** PCT FUA increase through expanded service offering<br>**Ongoing:** Accelerate PCT growth in Singapore |

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

### Financial impact of TrustCo pro forma

The financial impact of TrustCo's continuing operations (excluding Guardian Trust) on the 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 6 months' earnings to Perpetual in 1H15.

| IMPACT OF TRUSTCO PRO FORMA | OPERATING REVENUE | | | EBITDA | | | PROFIT BEFORE/ AFTER TAX | | |
|---|---|---|---|---|---|---|---|---|---|
| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 $M | 2H14 $M | 1H14 $M |
| Perpetual Investments | 0.8 | - | - | 0.7 | - | - | 0.7 | - | - |
| Perpetual Private | 16.6 | 17.4 | 2.3 | 7.1 | 6.2 | 0.4 | 6.4 | 5.4 | 0.4 |
| Perpetual Corporate Trust | 11.8 | 13.4 | 2.3 | 4.5 | 5.2 | 0.5 | 2.9 | 3.4 | 0.4 |
| Group Support Services | 0.4 | 0.8 | 0.1 | (1.1) | (0.7) | (0.2) | (1.7) | (1.4) | (0.3) |
| Totals before tax | 29.6 | 31.6 | 4.7 | 11.2 | 10.7 | 0.7 | 8.3 | 7.4 | 0.5 |
| Income tax expense | | | | | | | (2.4) | (2.2) | (0.1) |
| Underlying profit after tax (UPAT) | | | | | | | 5.9 | 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 and is estimated to have added $16.6 million and $11.8 million of revenue respectively to those businesses in 1H15. As indicated with the FY14 results, following confirmation of the integration plans and the reallocation of FUM and revenue between Perpetual Investments and Perpetual Private, TrustCo's estimated contribution to Perpetual Investments' revenue in 1H15 was $0.8 million. TrustCo's estimated contribution to the Group's UPAT in 1H15 was $5.9 million.

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 and $20 million per annum before tax. The estimated cost of the integration program remains unchanged at approximately $30 million.

This pro forma impact of TrustCo will not be provided going forward.

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 | 1H15A | 2H15G | 1H16G | 2H16G |
|---|---|---|---|---|---|---|
| Indicative P&L impact | - | 3 | 6 | 7 | 8-9 | 9-10 |
| Annualised period end | - | 10 | 14 | 15 | 18-20 | 18-20 |

| PRE-TAX INTEGRATION COSTS | 1H14A | 2H14A | 1H15A | 2H15G | 1H16G | 2H16G |
|---|---|---|---|---|---|---|
| Indicative P&L impact | (9) | (5) | (10) | (6) | - | - |
| Cumulative period end | (9) | (14) | (24) | (30) | (30) | (30) |

Note: A = Actual, G = Guidance

## 1.7 Group financial position

Perpetual acquired 100% of the issued share capital in TrustCo on 18 December 2013.

The Purchase Price Allocation (PPA) and fair value assessment of identifiable assets arising on acquisition disclosed in the 30 June 2014 financial statements was provisional. The applicable accounting standard, AASB 3 Business Combinations, provides for a measurement period not to exceed a year, in which the acquirer can reassess or recognise additional assets or liabilities.

During 1H15 Perpetual has finalised the PPA using new information obtained on matters which existed at the acquisition date and fair value adjustments amounting to $9.5 million have been attributed to goodwill.

**Restatement of prior year comparatives**

The Business Combinations accounting standard requires an acquirer to revise comparative information for prior periods presented in financial statements if amendments are made to the PPA during a period. As a result, the 2H14 comparatives in the consolidated balance sheet have been restated to reflect the fair value adjustments to the PPA during the measurement period.

### 1.7.1 Summary consolidated balance sheet

| AT END OF | 1H15 [(1)] $M | 2H14 [(1)(2)] $M | 1H14 [(1)] $M |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | 265.8 | 282.6 | 203.2 |
| Liquid investments | 50.2 | 45.3 | 45.3 |
| Asset held for sale | - | 1.1 | - |
| Structured products - PPI loans to clients | 36.0 | 37.9 | 65.7 |
| Goodwill and other intangibles | 307.4 | 310.4 | 357.2 |
| Software | 22.3 | 21.1 | 24.1 |
| Other assets | 159.8 | 154.4 | 168.0 |
| Total assets | 841.5 | 852.8 | 863.5 |
| Liabilities | | | |
| Corporate loan facility | 87.0 | 87.0 | 97.0 |
| Liabilities held for sale | - | 0.1 | - |
| Structured products - PPI finance facilities | 37.0 | 39.8 | 71.3 |
| Other liabilities | 150.2 | 169.5 | 161.0 |
| Total liabilities | 274.2 | 296.4 | 329.3 |
| Net assets | 567.3 | 556.4 | 534.2 |
| Shareholder funds | | | |
| Contributed equity | 482.1 | 460.8 | 457.3 |
| Reserves | 19.2 | 32.3 | 28.8 |
| Retained earnings | 66.0 | 51.7 | 37.3 |
| Total shareholder funds | 567.3 | 544.8 | 523.4 |
| Non-controlling interest | - | 11.6 | 10.8 |
| Total equity | 567.3 | 556.4 | 534.2 |

(1) Note: excludes the asset and liability for the EMCF structured product
(2) Note: prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement period.

### 1.7.2 Balance sheet analysis

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

**Cash**

Cash and cash equivalents decreased from $282.6 million at the end of 2H14 to $265.8 million at the end of 1H15, a decrease of $16.8 million or 6%. The movement in the cash balance during 1H15 was primarily due to the following:

- Net cash inflows from operations of $45.7 million;
- Net cash used in investing activities of $12.4 million for property, plant, equipment and software, and investments;
- Cash dividends paid of $44.2 million; and
- Proceeds from the sale of units in seed funds paid to non-controlling interests of $5.8 million.

Further detail can be found in Section 1.8.2, 'Cash flow'.

**Liquid investments**

Liquid investments increased to $50.2 million at the end of 1H15 from $45.3 million at the end of 2H14. This was due to appreciation in market valuations as well as further investment in products to hedge against the future cost of certain deferred incentives of the asset managers that have been notionally invested in those products.

**Structured products – Perpetual Protected Investments loans to clients and finance facilities**

Perpetual Protected Investments (PPI) loans to clients continued to decline in 1H15 as clients continued to exit their investments in the product. The PPI balance at the end of 1H15 was $36 million, which was $1.9 million lower than at the end of 2H14. These products will expire in June of this year.

**Goodwill**

There has been no movement in goodwill and a $3.0 million decrease in other intangibles.

Further detail can be found in Section 1.7.3, 'Goodwill and intangibles'.

**Other assets & liabilities**

'Other assets' increased to $159.8 million from $154.4 million at the end of 1H15 and 'Other liabilities' decreased to $150.2 million from $169.5 million at the end of 2H14. The increase in other assets is primarily attributable to timing differences on accrued income. The decrease in other liabilities is predominantly due to the payment of short term incentives to employees.

**Loans**

Movements in loans balances are described in Section 1.8.3, 'Debt'.

**Contributed Equity**

Contributed Equity increased by $21.3 million since 2H14. This increase is primarily attributable to the vesting of shares under Employee Share Plans.

**Reserves**

Total reserves have decreased by $13.1 million to $19.2 million in 1H15 due primarily to a decrease in the Equity Compensation Reserve.

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 1H15 equity remuneration expense.

### 1.7.3 Goodwill and intangibles

| AT END OF | 1H15 $M | 2H14 [1] $M | 1H14 $M |
|---|---|---|---|
| Goodwill | 267.0 | 267.0 | 294.5 |
| Other intangibles | 40.4 | 43.4 | 62.7 |
| Capitalised software | 16.0 | 18.4 | 22.9 |
| Project work in progress | 6.3 | 2.7 | 1.2 |
| **Total intangibles including goodwill** | 329.7 | 331.5 | 381.3 |

(1) Note: prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement period.

The TrustCo PPA was finalised in 1H15. This resulted in a fair value adjustment of $9.5 million increasing the goodwill balance. In line with accounting standards, the prior year balance at 2H14 was also restated to reflect this adjustment.

Other intangibles decreased by $3.0 million to $40.4 million and capitalised software decreased by $2.4 million to $16.0 million as at 31 December 2014 due to amortisation charged in 1H15.

Project work in progress has increased by $3.6 million to $6.3 million due to ongoing technology projects.

## 1.8 Capital management

### 1.8.1 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 maximising returns to shareholders.

Perpetual continues to operate its DRP. No discount will be applied to the 2015 interim 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 1H15, total base capital requirements were $192 million ($174 million for operational risk including regulatory capital requirements, $13 million for credit risk and $5 million for market risk), compared to $309 million of available liquid funds.

During 1H15, the Group has continued to focus on a number of initiatives to strengthen its balance sheet, including:

- rationalising the number of licenses maintained and reducing the amount of capital required to be held by licensed entities within the Group;
- 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 31 December 2014; and
- focusing on ensuring strong discretionary expense discipline across each business unit and support group.

### 1.8.2 Cash flow

| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M |
|---|---|---|---|
| Net cash from operating activities | 45.7 | 70.4 | 24.3 |
| Net cash (used in)/provided by investing activities | (12.4) | 55.4 | (47.5) |
| Net cash (used in)/provided by financing activities | (50.1) | (46.4) | 9.3 |
| Net (decrease)/increase in cash and cash equivalents | (16.8) | 79.4 | (13.9) |

In 1H15, cash and cash equivalents decreased by $16.8 million compared to a decrease of $13.9 million in 1H14. This represented a net decrease in cash flow of $2.9 million, principally due to:

Inflows:

- $22.7 million increase in net operating cash flows;
- $12.5 million increase due to net proceeds from sale of investments;
- $1.5 million increase from the sale of a business;
- There were no borrowings in 1H15 compared to $42.0 million of borrowings in 1H14 which were used to finance the TrustCo acquisition; and

Outflows:

- $1.9 million increase in tax payments;
- $3.7 million increase in payments for property, plant, equipment and software;
- $36.8 million increase due to payments for purchases of investments;
- $10.7 million increase in dividend payments to shareholders;
- There were no payments made for acquisitions in 1H15 compared to $61.5 million in payments made to acquire TrustCo in 1H14.

### 1.8.3 Debt

| AT END OF | | 1H15 | 2H14 | 1H14 |
|---|---|---|---|---|
| Corporate debt | $m | (87.0) | (87.0) | (97.0) |
| Corporate debt to capital ratio (corporate debt/(corporate debt + equity)) (1) | % | 13.3 | 13.5 | 15.4 |
| Interest coverage calculation for continuing operations (EBIT/interest expense) | times | 48x | 37x | 60x |
| Net tangible assets per share (2) | $ | 4.88 | 4.55 | 3.19 |

(1) Excludes structured product debt, which is operational debt used to fund PPI loans.
(2) Note: prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement period.

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

**Debt level:** At the end of 1H15 Perpetual's gross corporate debt was $87 million. The Group's gearing ratio at the end of 1H15 was 13.3%, compared to 13.5% at the end of 2H14. 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 1H15, the Group had a committed bank corporate debt facility of $130 million and $87 million was drawn. The facility has greater than 12 months to expiry. The next review date is 31 October 2016.

**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 1H15, 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.

## 1.9 Regulatory environment

The financial services industry continues 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 |
|---|---|---|
| Financial System Inquiry | The Inquiry's Final Report was released on 7 December 2014 and contains recommendations across a range of industries, including superannuation, banking, managed investment schemes, financial advice and insurance. | We continue to monitor potential changes arising from the Inquiry. Any impact on the Group will become clearer when the government releases its recommendations in response to the Inquiry's Final Report at the end of March 2015. |
| The Future of Financial Advice (FOFA) | The FOFA legislation amended the Corporations Act and introduced key reforms from 1 July 2013 seeking to address conflicts of interest associated with the provision of personal financial advice. | The majority of FOFA reforms have been implemented by the Group. However, changes made by the government in June 2014 were recently disallowed by the senate, changing the FOFA landscape. Perpetual anticipates further work will be required to comply with the revised FOFA laws, including the 'opt in' and fee disclosure statement requirements. |
| 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. | Although the Stronger Super reforms are largely in place, we are working through the implications of the remaining implementation issues. |
| Foreign Account Tax Compliance Act (FATCA) | FATCA is a United States (US) law imposing obligations on financial institutions to identify and report on the holdings of US citizens. Australia and the US have signed an intergovernmental agreement to implement FATCA and corresponding legislation has been introduced for Australian financial institutions. | The Group's FATCA compliance project will continue implementation activities throughout FY15. Impacted Perpetual entities have registered with the US Inland Revenue Service and the required customer on-boarding processes have been implemented. |

| Regulation | Overview | Impact / Management |
|---|---|---|
| ASIC Policy | ASIC continues to influence the regulatory landscape through changes to various ASIC Regulatory Guides. | ASIC changes to the custodian capital requirements had a significant impact on the Group. These changes are largely implemented, with further streamlining of the Group's regulatory capital requirements expected in FY15. ASIC changes to disclosure rules for managed investment schemes and superannuation funds will continue to impact the Group in FY15. |
| Over The Counter (OTC) Derivatives Reporting | The ASIC Derivative Trade Rules (Reporting) Act 2013 enacts recommendations by APRA, ASIC and RBA for improved visibility of the OTC derivatives market. | The Act requires reporting on OTC derivative credit and interest rate transactions and positions. The start date for some reporting entities (including entities within the Group) has been deferred. We continue to monitor developments in this area. |
| Anti-Money Laundering / Counter-Terrorism Financing Customer Due Diligence Reforms | In May 2014, AUSTRAC made a range of changes to customer due diligence obligations, focusing on beneficial ownership. Subject to certain conditions, AUSTRAC will allow reporting entities to implement these changes by December 2015. | The changed customer due diligence obligations will continue to impact the Group throughout FY15. Implementation is being managed by a Group compliance project. |

## 1.10 Business risks

Perpetual's approach to risk management is based on a Risk Appetite Statement set by the Perpetual Board, which outlines the risk boundaries and minimum expectations of Perpetual management. 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 provides 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<br>• 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<br>• 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.<br>• Established investment governance structure in place<br>• 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<br>• Alignment of remuneration with long term investment performance.<br>• Remuneration Benchmarking<br>• Engagement monitoring |

| Risk | Risk Description / Impact | Risk Management |
|---|---|---|
| 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<br>• Strategic measures cascaded through performance management<br>• 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<br>• Controls Testing in the form of Control Self Assessment<br>• 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<br>• Reconciliation and review processes<br>• 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<br>• Compliance obligations are documented and monitored<br>• 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<br>• Outsourced relationships are managed at a senior level<br>• Outsourcing and vendor management framework, with legal contracts<br>• Service level standards monitored |

## 1.11 Outlook

There remains some uncertainty regarding the strength of the global economic recovery. This uncertainty and the policy responses from governments and central banks are likely to cause increased investment market volatility. However, the fundamentals of the Group are strong. Perpetual is well placed to benefit from the mandated growth in Australia's superannuation system and an ageing population with retirement and savings needs given its investment record, specialist advice capability and fiduciary heritage.

The T15 strategy has delivered all its targeted annualised savings and will complete in June. The business will continue to benefit from the changes implemented. The Group is now focused on leading in all its chosen areas and growing profitably to deliver higher earnings and returns to shareholders, and maintaining its strong client focus.

Given the sensitivity of Perpetual's revenue to Australian equity markets, this outlook is subject to significant variability.

## 1.12 Events subsequent to balance date

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 1H15 for the three Perpetual business units are described in the following sections. 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 | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| Revenue | 119.3 | 113.0 | 109.5 | 6% | 9% |
| Operating expenses | (53.2) | (49.2) | (48.1) | (8%) | (11%) |
| EBITDA | 66.1 | 63.8 | 61.4 | 4% | 8% |
| Depreciation and amortisation | (0.6) | (0.7) | (0.8) | 14% | 25% |
| Equity remuneration expense | (5.2) | (5.7) | (4.4) | 9% | (18%) |
| Profit before tax | 60.3 | 57.4 | 56.2 | 5% | 7% |
| Average FUM revenue margin (revenues/average FUM) | 76bps | 75bps | 78bps | 1bps | (2)bps |
| Average FUM | $31.2b | $29.6b | $27.7b | 5% | 13% |

In 1H15 profit before tax for the Perpetual Investments was $60.3 million, $4.1 million or 7% higher than 1H14, and $2.9 million or 5% above 2H14. The solid result was driven by positive net flows and higher performance fees which offset some revenue margin decline. The profit margin on revenue (calculated as profit before tax divided by revenue) in 1H15 remains around 51%.

### 2.1.3 Drivers of performance

#### Revenue

Perpetual Investments generated revenue of $119.3 million in 1H15, $9.8 million or 9% above 1H14, and $6.3 million or 6% above 2H14. The key drivers of revenue in 1H15 included:

- positive net inflows mainly from the institutional channel;
- higher average FUM with the average All Ords increasing by 4.8% on 1H14 and 0.8% on 2H14; and
- higher performance related fees in 1H15.

The positive net flows and equity market growth resulted in average FUM of $31.2 billion in 1H15, 13% higher than 1H14, and 5% higher than 2H14.

Average FUM revenue margins in 1H15 were 76 basis points (bps), 2 bps lower than 1H14 but 1 bps higher than 2H14. 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. In 1H15, higher performance fees have contributed to the average FUM revenue margin.

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 | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| By asset class: | | | | | |
| > Equities | 101.9 | 96.5 | 93.5 | 6% | 9% |
| > Cash and fixed income | 11.7 | 11.2 | 10.4 | 4% | 13% |
| > Other FUM related | 4.4 | 3.9 | 3.8 | 13% | 16% |
| > Other non-FUM related | 1.3 | 1.4 | 1.8 | (7%) | (28%) |
| Revenues | 119.3 | 113.0 | 109.5 | 6% | 9% |

## PERFORMANCE FEES

| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| By asset class: | | | | | |
| > Equities | 6.8 | 1.1 | 1.8 | 518% | 278% |
| > Cash and fixed income | 1.1 | 1.5 | 1.4 | (27%) | (21%) |
| Total performance fees | 7.9 | 2.6 | 3.2 | 204% | 147% |

## REVENUE MARGIN

| FOR THE PERIOD | 1H15 BPS | 2H14 BPS | 1H14 BPS | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| By asset class: | | | | | |
| > Equities | 84 | 81 | 84 | 3 | - |
| > Cash and fixed income | 40 | 46 | 50 | (6) | (10) |
| > Other FUM related | 85 | 71 | 63 | 14 | 22 |
| Average revenue margin | 76 | 75 | 78 | 1 | (2) |

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

- **Equities:** Revenues represent fees earned on Australian and Global equities products. Revenue in 1H15 was $101.9 million, an increase of 9% on 1H14 and 6% on 2H14. The average margin in 1H15 was 84bps, flat on 1H14 but 3 bps above 2H14, mainly due to higher performance fees received in 1H15.
- **Cash and fixed income:** Revenues are derived from cash and fixed income products. Revenue in 1H15 was $11.7 million, $1.3 million or 13% higher than 1H14 and $0.5 million or 4% higher than 2H14. The increase was primarily due to higher FUM from increased flows. Both channel and mix contributed to the decline in margins.
- **Other FUM related:** Revenue includes management fees for sub-advisory mandates, external funds on the WealthFocus platform and administration fees on PPI structured products. 1H15 revenue of $4.4 million was $0.6 million or 16% higher than 1H14 and $0.5 million or 13% higher than 2H14, mainly due to higher average market levels.
- **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 1H15 on 1H14 and 2H14 was mainly due to lower fees earned from the PPI structured products, which have been in run off since 2009. The PPI structured products are expected to run off completely by the end of this financial year.

### Expenses

In 1H15 total expenses for Perpetual Investments, comprising operating expenses, depreciation, amortisation and equity remuneration, of $59 million were $5.7 million and $3.4 million higher than 1H14 and 2H14 respectively. The increase in expenses was primarily due to:

- costs relating to the global equities initiative and the IPO of PEIC; and
- higher remuneration and incentives in line with outperformance on performance fee earning strategies.

## 2.1.4 Funds under management

### FUM and flows

FUM SUMMARY

| AT END OF | 1H15 $B | Net flows $B | Other [1] $B | 2H14 $B | 1H14 $B |
|---|---|---|---|---|---|
| Institutional | 11.0 | 0.8 | 0.2 | 10.0 | 9.4 |
| Intermediary (master fund and wrap) | 15.0 | 0.7 | 0.3 | 14.0 | 14.0 |
| Retail | 5.6 | (0.1) | 0.2 | 5.5 | 5.7 |
| Listed Investment Company | 0.2 | 0.2 | - | - | - |
| All distribution channels excl TrustCo Cash | 31.8 | 1.6 | 0.7 | 29.5 | 29.1 |
| TrustCo Cash | - | - | (0.3) | 0.3 | - |
| All distribution channels | 31.8 | 1.6 | 0.4 | 29.8 | 29.1 |
| | | | | | |
| Australian equities | 23.3 | 0.8 | 0.4 | 22.1 | 22.2 |
| Global equities | 1.3 | - | 0.1 | 1.2 | 1.3 |
| Listed Investment Company | 0.2 | 0.2 | - | - | - |
| Equities | 24.8 | 1.0 | 0.5 | 23.3 | 23.5 |
| Cash & fixed income | 5.9 | 0.6 | (0.2) | 5.5 | 4.4 |
| Other | 1.1 | - | 0.1 | 1.0 | 1.2 |
| All asset classes | 31.8 | 1.6 | 0.4 | 29.8 | 29.1 |

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

**Note**: As previously indicated, TrustCo FUM excluding the Cash Fund has been reassigned to the intermediary channel, including restating the $0.7 billion in 2H14. (See FY14 results update and first quarter 2015 FUM update.)

## NET FLOWS

| FOR THE PERIOD | 1H15 $B | 2H14 $B | 1H14 $B |
|---|---|---|---|
| Institutional | 0.8 | 0.6 | 0.5 |
| Intermediary (master fund and wrap) | 0.7 | 0.1 | 0.2 |
| Retail | (0.1) | (0.2) | (0.1) |
| Listed Investment Company | 0.2 | - | - |
| All distribution channels excl TrustCo Cash | 1.6 | 0.5 | 0.6 |
| TrustCo | - | - | - |
| All distribution channels | 1.6 | 0.5 | 0.6 |
| | | | |
| Australian equities | 0.8 | 0.2 | 0.4 |
| Global equities | - | (0.1) | - |
| Listed Investment Company | 0.2 | - | - |
| Equities | 1.0 | 0.1 | 0.4 |
| Cash & fixed income | 0.6 | 0.5 | 0.2 |
| Other | - | (0.1) | - |
| All asset classes | 1.6 | 0.5 | 0.6 |

Perpetual's FUM as at 31 December 2014 was $31.8 billion, with net inflows of $1.6 billion for the half year. In 1H15, Perpetual achieved consecutive quarters of positive net inflows and including FY14, Perpetual has achieved six consecutive quarters of net inflows.

Points of note in relation to the FUM and flows data for 1H15:

- As previously disclosed, as at 30 September 2014, approximately $650 million of the $1.0 billion of FUM from TrustCo was managed by Perpetual Investments. The remaining FUM, primarily cash, is managed and recorded in Perpetual Private and therefore excluded from FUM.
- Net inflows in the half were mainly from the institutional and intermediary channels in Australian equity and cash and fixed interest asset classes.
- Net flows also include the money raised with the PEIC.

### Investment performance

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

| Period | Australian Share Fund | Industrial Share Fund | Smaller Companies Fund | Concentrated Equity Fund | Share Plus Fund | Ethical Share Fund | Diversified Income Fund | Perpetual Active Fixed Interest Fund |
|---|---|---|---|---|---|---|---|---|
| 1 year | (2.7)% | (1.2)% | 9.0% | 1.5% | 7.1% | 1.5% | 3.1% | 1.0% |
| 3 years | 2.3% | 0.2% | 15.9% | 4.3% | 10.0% | 10.5% | 3.9% | 1.9% |
| 5 years | 3.6% | 0.8% | 13.8% | 4.7% | 9.3% | 8.1% | 3.8% | 1.6% |
| 7 years | 3.8% | 2.0% | 11.3% | 5.3% | 7.6% | 7.5% | 1.7% | 1.2% |
| 10 years | 2.5% | 1.2% | 7.2% | 3.5% | 4.9% | 5.6% | - | - |

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

As illustrated above, the bulk of Perpetual Investments' main funds outperformed over the short, medium and long term time 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].

[1] Mercer wholesale surveys, quartile rankings, December 2014

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 25 additional platforms, 17 additional financial adviser approved product lists and 18 additional models, as well as achieving new ratings and rating upgrades.

## 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'. It had $12.6 billion of FUA at the end of 1H15. Perpetual Private 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 and Perpetual is one of Australia's largest managers of philanthropic funds, with $2.2 billion in FUA for charitable trusts and endowment funds as at the end of 1H15.

Over the past two years, Perpetual has invested in the core portfolio administration platform and fiduciary activities, and is continuing to invest in improving service to the high net worth market.

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

### 2.2.2 Financial performance

PERPETUAL PRIVATE FINANCIAL RESULTS

| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| Market related revenue | 56.1 | 54.1 | 41.5 | 4% | 35% |
| Non-market related revenue | 26.2 | 27.2 | 21.0 | (4%) | 25% |
| Total revenues | 82.3 | 81.3 | 62.5 | 1% | 32% |
| Operating expenses | (57.5) | (58.9) | (52.3) | 2% | (10%) |
| EBITDA | 24.8 | 22.4 | 10.2 | 11% | 143% |
| Depreciation and amortisation | (4.5) | (4.4) | (3.7) | (2%) | (22%) |
| Equity remuneration expense | (1.4) | (1.7) | (1.2) | 18% | (17%) |
| Profit before tax | 18.9 | 16.3 | 5.3 | 16% | 257% |
| Closing funds under advice (FUA) | $12.6b | $12.6b | $12.6b | - | - |
| Average funds under advice (FUA) | $12.8b | $12.6b | $9.7b | 2% | 32% |
| Market related revenue margin | 88bps | 86bps | 85bps | 2bps | 3bps |

In 1H15, profit before tax for 1H15 was $18.9 million, an increase of $13.6 million or 257% on 1H14, and $2.6 million or 16% on 2H14. The inclusion of TrustCo is estimated to have contributed approximately $6.4 million in 1H15, $5.4 million in 2H14 and $0.4 million in 1H14 of profit before tax to Perpetual Private's result.

These results also reflect new client growth across the high net worth segments. The profit margin on revenue in 1H15 increased to 23.0% from 8.5% in 1H14 and 20.0% in 2H14 due to the acquisition of TrustCo and continued benefits of investments in scale.

### 2.2.3 Drivers of performance

**Revenue**

Perpetual Private generated $82.3 million of total revenue in 1H15, up $19.8 million or 32% on 1H14, and $1 million or 1% on 2H14. The main drivers of revenue in 1H15 were:

- the contribution from TrustCo;

- increased average FUA due to TrustCo and improvements in equity markets; and
- higher non-market related (tax, accounting, property and legal) business activity on 1H14 but lower activity on 2H14 due the seasonal nature of this revenue stream.

Perpetual Private's market related revenue margin increased by 3 bps in 1H15 to 88 bps from 85 bps in 1H14 and 2 bps from 2H14. This improvement is due to scale benefits achieved when implementing client portfolios.

**Expenses**

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Private in 1H15 were $63.4 million, $6.2 million or 11% higher than 1H14, but $1.6 million or 2% lower than 2H14. The increase on 1H14 was primarily due to:

- the inclusion of TrustCo's continuing operation's expenses net of synergies of approximately $8 million; however
- cost discipline in the business unit resulted in other expenses declining.

The decline in expenses on 2H14 was mainly due to TrustCo synergies and ongoing cost discipline.

Perpetual Private's cost-to-income ratio in 1H15 improved to 77% from 92% in 1H14 and 80% in 2H14. Perpetual Private continues to leverage the benefits of its investment in infrastructure and the scale achieved from the acquisition of TrustCo.

### 2.2.4 Funds under advice

FUNDS UNDER ADVICE

| AT END OF | 1H15 $B | Net flows $B | Other [(1)] $B | 2H14 $B | 1H14 $B |
|---|---|---|---|---|---|
| Financial advisory: | | | | | |
| > superannuation | 4.3 | (0.1) | - | 4.4 | 4.3 |
| > non-superannuation | 3.3 | - | - | 3.3 | 2.1 |
| | 7.6 | (0.1) | - | 7.7 | 6.4 |
| Fiduciary services: | | | | | |
| > philanthropic | 2.2 | 0.1 | - | 2.1 | 1.3 |
| > trusts and estates | 2.8 | 0.1 | (0.1) | 2.8 | 2.0 |
| | 5.0 | 0.2 | (0.1) | 4.9 | 3.3 |
| Total funds under advice (FUA) | 12.6 | 0.1 | (0.1) | 12.6 | 9.7 |

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

Perpetual Private's FUA at the end of 1H15 was $12.6 billion, an increase of $2.9 billion on 1H14 primarily due to the acquisition of TrustCo. Average FUA increased $3.1 billion due to TrustCo and improvements in equity markets.

## 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; and
- Fund services – provision of outsourced responsible entity, trustee and custody services in a variety of asset classes including property, infrastructure, private equity, emerging markets and hedge funds.

Integration of the TrustCo business into Perpetual's Corporate Trust division has been implemented smoothly and key client relationships have been maintained.

## 2.3.2 Financial performance

PERPETUAL CORPORATE TRUST FINANCIAL RESULTS

| FOR THE PERIOD | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| Trust services revenue | 20.8 | 21.4 | 19.7 | (3%) | 6% |
| Fund services revenue | 18.0 | 16.7 | 7.1 | 8% | 154% |
| Total fiduciary services revenues | 38.8 | 38.1 | 26.8 | 2% | 45% |
| Sold business RSE (1) | 0.5 | 2.1 | 0.4 | (76%) | 25% |
| Total revenues | 39.3 | 40.2 | 27.2 | (2%) | 44% |
| Operating expenses | (22.5) | (22.8) | (15.4) | 1% | (46%) |
| EBITDA | 16.8 | 17.4 | 11.8 | (3%) | 42% |
| Depreciation and amortisation | (2.0) | (2.1) | (0.6) | 5% | (233%) |
| Equity remuneration expense | (0.5) | (0.6) | (0.2) | 17% | (150%) |
| Profit before tax | 14.3 | 14.7 | 11.0 | (3%) | 30% |
| Funds under administration | | | | | |
| - Trust Services | $359.5b | $306.9b | $294.2b | 17% | 22% |
| - Fund services | $185.6b | $177.1b | $171.6b | 5% | 8% |

(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 1H15 profit before tax was $14.3 million, an increase of $3.3 million or 30% on 1H14, and $0.4 million or 3% lower than 2H14. This increase on 1H14 reflected growth in the existing securitisation business and the addition of the TrustCo business. The decline on 2H14 was mainly attributed to the non-recurrence of establishment fees earned in 2H14.

## 2.3.3 Drivers of performance

### Revenue

Perpetual Corporate Trust generated total revenues of $39.3 million in 1H15, up $12.1 million or 44% on 1H14, and down $0.9 million or 2% on 2H14. The main driver of the movement in revenue was the inclusion of TrustCo and an improvement in the securitisation market in Australia. The revenue from TrustCo is primarily within Fund Services.

1H15 Trust Services revenue was $20.8 million, an increase of $1.1 million or 6% on 1H14 but a decline of $0.6 million or 3% on 2H14. The primary driver for the increase on 1H14 was the improvement in the Australian securitisation market with higher issuances across the RMBS non-bank and asset backed securities markets.

The launch of a data services solution to securitisation clients contributed $0.7 million of revenue to Perpetual Corporate Trust in 2H14. The non-recurrence of these establishment fees in 1H15 was the main contributor of the decline in revenue on 2H14.

1H15 Fund Services revenue was $18.0 million, $10.9 million or 154% above 1H14, and $1.3 million or 8% above 2H14. The main driver of this improvement was the contribution from TrustCo and new business written.

### Expenses

Perpetual Corporate Trust incurred total expenses of $25.0 million in 1H15, comprising operating expenses, depreciation, amortisation and equity remuneration expenses. Total expenses were $8.8 million or 54% higher than 1H14, and $0.5 million or 2% lower than 2H14. The primary driver of the increase in expenses on 1H14 was the inclusion of expenses net of synergies from the acquisition of TrustCo of approximately $7 million.

### 2.3.4 Funds under administration

| FUNDS UNDER ADMINISTRATION (FUA) AT END OF | 1H15 $B | 2H14 $B | 1H14 $B |
|---|---|---|---|
| Trust Services [1] | | | |
| CMBS and ABS | 31.7 | 30.0 | 29.4 |
| RMBS - non bank | 45.5 | 41.5 | 38.9 |
| RMBS - bank | 51.0 | 51.1 | 52.9 |
| RMBS - repos | 168.9 | 130.7 | 128.4 |
| Covered bonds | 62.4 | 53.6 | 44.6 |
| Total FUA – Trust Services | 359.5 | 306.9 | 294.2 |
| Fund Services | 185.6 | 177.1 | 171.6 |
| Total FUA | 545.1 | 484.0 | 465.8 |

(1) Includes warehouse and liquidity finance facilities.

**Trust Services**

At the end of 1H15 FUA in 'Trust Services' was $359.5 billion, an increase of $65.3 billion or 22% on 1H14, and $52.6 billion or 17% on 2H14.

FUA increased across the majority of asset classes, with the most significant growth seen in 'RMBS – repos' and 'Covered Bonds', up 32% and 40% respectively on 1H14 and 29% and 16% respectively on 2H14. This had the effect of reducing average revenue margins, as these asset classes earn lower fees relative to the other asset classes.

'RMBS – non bank' FUA in 1H15 was $45.5 billion, $6.6 billion or 17% higher than 1H14 and $4 billion or 10% higher than 2H14. This is an asset class that earns a higher margin and has been supported by growth in securitisation by the non-bank sector. However, the higher margins earned on 'RMBS – non bank' FUA were offset by the lower margins earned on 'RMBS – repos' and 'Covered Bonds' FUA and the modest decline in 'RMBS – bank' FUA.

Run-off rates across existing RMBS have increased during 1H15 compared to 1H14 and 2H14, reflecting the continued de-leveraging by residential borrowers.

**Fund Services**

At the end of 1H15, 'Fund Services' FUA was $185.6 billion, an increase of $14 billion or 8% on 1H14, and $8.5 billion or 5% on 2H14. TrustCo contributed $121 billion to FUA.

## 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 | 1H15 $M | 2H14 $M | 1H14 $M | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| Revenue | 3.6 | 4.0 | 2.9 | (10%) | 24% |
| Operating expenses | (7.1) | (10.4) | (7.4) | 32% | 4% |
| EBITDA | (3.5) | (6.4) | (4.5) | (45%) | (22%) |
| Depreciation and amortisation | (0.1) | (0.1) | - | - | - |
| Equity remuneration expense | (0.2) | (0.4) | (0.1) | 50% | (100%) |
| Interest Expense | (1.8) | (1.8) | (0.8) | - | (125%) |
| Profit before tax | (5.6) | (8.7) | (5.4) | (36%) | (4%) |

1H15 revenue from the Group's cash and principal investments of $3.6 million represented an increase of $0.7 million on 1H14 due to higher average cash balances. The decline on 2H14 was due to lower average cash balances.

Operating expenses in 1H15 of $7.1 million were $0.3 million lower than in 1H14 and $3.3 million lower than in 2H14. Savings were primarily due to the successful sub-let or surrender of unoccupied premises as a result of the T15 strategy. These were partially offset by increased expenses from the TrustCo acquisition.

The interest expense of $1.8 million in 1H15 was $1.0 million higher than in 1H14 due to financing costs associated with the increase in the debt facility to fund the acquisition of TrustCo.

# 3 Appendices

## 3.1 Appendix A: Segment results

| PERIOD ENDING | 1H15 | | | | |
|---|---|---|---|---|---|
| | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total |
| | $M | $M | $M | $M | $M |
| Operating revenue | 119.3 | 82.3 | 39.3 | 3.6 | 244.5 |
| Operating expenses | (53.2) | (57.5) | (22.5) | (7.1) | (140.3) |
| EBITDA | 66.1 | 24.8 | 16.8 | (3.5) | 104.2 |
| Depreciation and amortisation | (0.6) | (4.5) | (2.0) | (0.1) | (7.2) |
| Equity remuneration | (5.2) | (1.4) | (0.5) | (0.2) | (7.3) |
| EBIT | 60.3 | 18.9 | 14.3 | (3.8) | 89.7 |
| Interest expense | - | - | - | (1.8) | (1.8) |
| UPBT | 60.3 | 18.9 | 14.3 | (5.6) | 87.9 |

| PERIOD ENDING | 2H14 | | | | |
|---|---|---|---|---|---|
| | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total |
| | $M | $M | $M | $M | $M |
| Operating revenue | 113.0 | 81.3 | 40.2 | 4.0 | 238.5 |
| Operating expenses | (49.2) | (58.9) | (22.8) | (10.4) | (141.3) |
| EBITDA | 63.8 | 22.4 | 17.4 | (6.4) | 97.2 |
| Depreciation and amortisation | (0.7) | (4.4) | (2.1) | (0.1) | (7.3) |
| Equity remuneration | (5.7) | (1.7) | (0.6) | (0.4) | (8.4) |
| EBIT | 57.4 | 16.3 | 14.7 | (6.9) | 81.5 |
| Interest expense | - | - | - | (1.8) | (1.8) |
| UPBT | 57.4 | 16.3 | 14.7 | (8.7) | 79.7 |

| PERIOD ENDING | 1H14 | | | | |
|---|---|---|---|---|---|
| | Perpetual Investments | Perpetual Private | Perpetual Corporate Trust | Group Support Services | Total |
| | $M | $M | $M | $M | $M |
| Operating revenue | 109.5 | 62.5 | 27.2 | 2.9 | 202.1 |
| Operating expenses | (48.1) | (52.3) | (15.4) | (7.4) | (123.2) |
| EBITDA | 61.4 | 10.2 | 11.8 | (4.5) | 78.9 |
| Depreciation and amortisation | (0.8) | (3.7) | (0.6) | - | (5.1) |
| Equity remuneration | (4.4) | (1.2) | (0.2) | (0.1) | (5.9) |
| EBIT | 56.2 | 5.3 | 11.0 | (4.6) | 67.9 |
| Interest expense | - | - | - | (0.8) | (0.8) |
| UPBT | 56.2 | 5.3 | 11.0 | (5.4) | 67.1 |

## 3.2 Appendix B: Bridge for 1H15 Statutory accounts and OFR

| | 1H15 Stat Accounts | OFR UPAT Adjustments | 1H15 OFR Presentation | EMCF | Gain on disposal of businesses | Gain on disposal/impairment of investments | Trust Company integration costs | Total Adjustments |
|---|---|---|---|---|---|---|---|---|
| Total revenue from continuing operations | 248,817 | (4,268) | 244,549 | (4,116) | | (152) | | **(4,268)** |
| Staff related expenses excluding equity remuneration exp | (87,486) | 1,578 | (85,908) | | | | 1,578 | **1,578** |
| Occupancy expenses | (9,389) | 192 | (9,197) | | | | 192 | **192** |
| Administrative and general expenses | (52,874) | 7,646 | (45,228) | | | | 7,646 | **7,646** |
| Distributions and expenses relating to structured products | (4,116) | 4,116 | - | 4,116 | | | | **4,116** |
| Financing costs | (1,800) | - | (1,800) | | | | | **-** |
| Equity remuneration expense | (7,341) | 29 | (7,312) | | | | 29 | **29** |
| Depreciation and amortisation expense | (7,333) | 107 | (7,226) | | | | 107 | **107** |
| Proceeds from sale of investments | 30,380 | (30,380) | - | | | (30,380) | | **(30,380)** |
| Costs of investments disposed of | (25,184) | 25,184 | - | | | 25,184 | | **25,184** |
| Impairment of assets | (16) | 16 | - | | | 16 | | **16** |
| Gain on sale of business | 113 | (113) | - | | (113) | | | **(113)** |
| **Net profit before tax from continuing operations** | **83,771** | **4,107** | **87,878** | **-** | **(113)** | **(5,332)** | **9,552** | **4,107** |
| Income tax expense | (23,893) | (1,873) | (25,766) | | | 783 | (2,656) | **(1,873)** |
| Net profit after tax from continuing operations | 59,878 | 2,234 | 62,112 | - | (113) | (4,549) | 6,896 | 2,234 |
| **Net Profit After Tax consolidated entity** | **59,878** | **2,234** | **62,112** | **-** | **(113)** | **(4,549)** | **6,896** | **2,234** |
| Profit after tax attributable to non-controlling interests | 1,319 | 1,319 | - | | | 1,319 | | **1,319** |
| **Net Profit After Tax attributable to equity holders of Perpetual Limited** | **58,559** | **3,553** | **62,112** | **-** | **(113)** | **(3,230)** | **6,896** | **3,553** |

| | |
|---|---|
| Trust Company integration costs | (6,896) |
| Gain on disposal of businesses | 113 |
| Gain on disposal/impairment of investments | 3,230 |
| **Net profit after tax attributable to equity holders** | **58,559** |

## 3.3 Appendix C: Average funds under management

| FOR THE PERIOD | 1H15 $B | 2H14 $B | 1H14 $B | 1H15 v 2H14 | 1H15 v 1H14 |
|---|---|---|---|---|---|
| Australian equities | 22.9 | 22.5 | 21.1 | 2% | 9% |
| Global equities | 1.3 | 1.2 | 1.2 | 8% | 8% |
| Total equities | 24.2 | 23.7 | 22.3 | 2% | 9% |
| Cash & Fixed income | 5.9 | 4.9 | 4.2 | 20% | 40% |
| Other | 1.1 | 1.0 | 1.2 | 10% | (8%) |
| Total Average FUM | 31.2 | 29.6 | 27.7 | 5% | 13% |

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

### TOTAL FTE EMPLOYEES

| AT END OF | 1H15 | 2H14 | 1H14 |
|---|---|---|---|
| Perpetual Investments | 163 | 204 | 237 |
| Perpetual Private | 373 | 402 | 418 |
| Perpetual Corporate Trust | 156 | 180 | 178 |
| Group Support Services | 194 | 186 | 214 |
| Total continuing operations including TrustCo | 886 | 972 | 1,047 |
| Discontinued operations (New Zealand Guardian Trust) | - | - | 184 |
| Total operations | 886 | 972 | 1,231 |
| | | | |
| Permanent | 857 | 939 | 1,157 |
| Contractors | 29 | 33 | 74 |
| Total operations | 886 | 972 | 1,231 |

## 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 |
|---|---|---|---|---|---|---|
| FY15 | Interim | 27 Mar 2015 | 115 cents | 100% | 30% | Not determined at time of publication |
| FY14 | Final | 3 Oct 2014 | 95 cents | 100% | 30% | $45.54 |
| 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 |
| 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 |