Perpetual Limited ABN 86 000 431 827
and its controlled entities

FULL YEAR FINANCIAL STATEMENTS

30 June 2015

Directors' Report for the year ended 30 June 2015

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 2015 and the auditor's report thereon.

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Directors

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

Peter Scott, Chairman and Independent Director
BE (Hons), MEngSc (Age 61)

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

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

Listed company directorships held during the past three financial years:
- Stockland Corporation Limited (from August 2005 to the present)
- Perpetual Equity Investment Company Limited (from August 2014 to present)

Paul V Brasher, Independent Director
BEc (Hons), FCA (Age 65)

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 the 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 the 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 (from January 2014 to the present)

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip Ed (Age 62)

Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was Chief Executive Officer and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a Non-executive Director of 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)

Directors (continued)

Sylvia Falzon, Independent Director
MIR (Hons), BBus, GAICD, SF Fin (Age 50)

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

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

Listed company directorships held during the past three financial years:
- SAI Global Limited (from October 2013 to present)
- Regis Healthcare Limited (from September 2014 to present)

Ian Hammond, Independent Director
BA (Hons), FCA, FCPA, GAICD (Age 57)

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

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

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

Appointed Director in January 2006. Ms Proust was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ, she was Secretary (CEO) of the Victorian Department of Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd and the Bank of Melbourne board; a Non-executive Director of 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)

Directors (continued)

P Craig Ueland, Independent Director
BA (Hons and Distinction), MBA (Hons), CFA (Age 57)

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

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

Geoff Lloyd, Chief Executive Officer and Managing Director
Barrister at Law, LLM (Distinction) (UTS), Adv. Mgt Program (Harvard) (Age 47)

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

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

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

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

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

Alternate Director

Gillian Larkins, Alternate Director
BCom, Grad Dip, MBA, CA, GAICD, (Age 44)

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 Fund Management as a Non-executive Director from 2009 to 2011. Ms Larkins resigned as an Alternate Director for Mr Lloyd on 27 October 2014.

Company secretaries

Joanne Hawkins
BCom, LLB, Grad Dip CSP, FGIA, GAICD

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

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

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

Directors' 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 2015 were:

Director	Board		Audit, Risk and Compliance Committee		Investment Committee		Nominations Committee		People and Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P Scott	10	10	-	-	-	-	2	2	-	-
P V Brasher	10	10	6	6	-	-	2	2	6	6
P Bullock	10	10	-	-	4	4	-	-	6	6
S Falzon	10	10	6	6	4	4	-	-	-	-
E M Proust	10	10	6	6	-	-	2	2	6	6
P C Ueland	10	10	6	6	4	4	2	2	-	-
I L Hammond	4	4	1	1	-	-	-	-	-	-
G Lloyd	10	9	-	-	-	-	-	-	-	-

Corporate responsibility statement

Perpetual's Corporate Responsibility Statement, which meets the requirements of ASX Listing Rule 4.10.3 will be provided at the time the Annual Report is released in September 2015. It is expected to be located on the Corporate Responsibility Page of Perpetual's Shareholder Centre at http://shareholders.perpetual.com.au/phoenix.zhtml?c=171717&p=irol-commitment

Directors' Report for the year ended 30 June 2015 (continued)

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 2015, Perpetual reported a net profit after tax of $122.5 million compared to the net profit after tax for the financial year to 30 June 2014 of $81.6 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2015 financial year is as follows:

	30 June 2015 $'000	30 June 2014 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**122,484**	**81,618**
Significant items after tax		
TrustCo integration costs	11,327	10,020
Gain on disposal/impairment of investments	(3,232)	(2,048)
Gain on sale of business	(113)	-
Transformation and restructuring costs[1]	-	14,350
TrustCo due diligence and transaction costs	-	4,429
Gain on sale of businesses/discontinued operations	-	(1,020)
Net tax benefit on non-recurring capital/equity items	-	(1,218)
Underlying profit after tax attributable to equity holders of Perpetual Limited	**130,466**	**106,131**
Underlying profit after tax from discontinued operations	-	2,016
Underlying profit after tax from continuing operations	130,466	104,115

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

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 2015				
Final 2014 ordinary	95	44,246	Franked	3 Oct 2014
Interim 2015 ordinary	115	53,560	Franked	27 Mar 2015
		97,806		
Declared after end of year				
After balance date, the Directors declared the following dividend:				
Final 2015 ordinary	125	58,218	Franked	25 Sep 2015
		58,218		

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 2015 financial statements and will be recognised in subsequent financial reports.

State of affairs

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

Streamlined financial statements

In preparing the financial statements, we have changed the format and layout to make them less complex and more relevant to users. We have grouped the note disclosures into six sections:

- Section 1 – Group performance
- Section 2 – Operating assets and liabilities
- Section 3 – Capital management and financing
- Section 4 – Risk management
- Section 5 – Other disclosures
- Section 6 – Basis of preparation.

Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used or information required to understand the note. The purpose of this format is to provide readers with a clearer understanding of what drives the financial performance and position of the consolidated entity.

Events subsequent to reporting date

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

Likely developments

Information about the business strategies and prospects for future financial years of the consolidated entity are included in the Operating and Financial Review on pages 1 to 31. 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.

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

The Chief Executive Officer and the 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 2015 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 $52,500 (2014: $30,000).

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

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor, and

- non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they do not involve reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Lead Auditor's independence declaration for the 30 June 2015 financial year is included at the end of this report.

Remuneration Report

Dear Shareholder,

On behalf of your Board, I am pleased to present our Remuneration Report for 2015.

The 2015 year has seen continued solid financial results where, overall, Perpetual met its business objectives. The stable executive team has continued to drive success across the business, with a particular focus in FY15 on completing the integration of The Trust Company into Perpetual to ensure that shareholder value of this acquisition is optimised. The Company also saw exceptional improvements in our employee engagement levels. Our efforts and focus on employee and leadership initiatives, including key new employee benefits, have impacted the 15 point increase in employee engagement from 2014.

With a strong foundation of financial performance, we have been able to increase our focus on enhancing our employee offering. This year, we introduced a number of new employee benefits, including a free financial health check for all employees, increased employer superannuation contributions and an annual employee share grant of up to $1,000 for all employees below senior leadership team level. These enhanced employee benefits are aimed at securing the financial wellbeing of our people into retirement and allow for increased shareholder, client and employer alignment consistent with our aim of securing the financial future of Australians.

During the year Perpetual moved into a new stage: looking ahead to our new Lead & Grow strategy. One of the key aspects of our Transformation 2015 strategy was to lead in our core businesses and set the business up for future growth. Having successfully laid these foundations, we can move to an exciting time to focus on further improving and leading in our core areas, as well as exploring new opportunities.

Thank you for taking the time to read this report.

Elizabeth M Proust AO
Chairman, People and Remuneration Committee

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About this report

This report sets out the remuneration arrangements for all Key Management Personnel (KMP), being the CEO and Managing Director, the Group Executives, and the Non-executive Directors of Perpetual Limited for the year ended 30 June 2015. 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, short-term incentive (STI) at target and the face value of long-term incentive (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 21.
EPS	Earnings per share 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 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 CEO and Managing Director and the 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 CEO and 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 24.
Market peers	For the purposes of benchmarking remuneration practices and levels, Perpetual's market peers refers to listed companies in the diversified financial services industry (excluding major banks and other financial services companies in the Standard & Poors (S&P)/ASX 20).
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 21.
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. UPAT is derived from net profit after tax (NPAT) after excluding significant items which are considered to be either non-recurring or not part of the operating results. UPAT 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*. UPAT attributable to equity holders of Perpetual Limited has not been audited by our external auditor; 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. Key Management Personnel (KMP)

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
Ian Hammond	Independent Director	Commenced 24 March 2015
Elizabeth Proust	Independent Director	Full year
Craig Ueland	Independent Director	Full year
CEO and 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, Perpetual 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

1. Worked part-time during the year.

3. Remuneration snapshot

3.1 Remuneration outcomes in FY15

A summary of the remuneration outcomes for the CEO and Managing Director and Group Executives for FY15 is set out below.

Remuneration Component	FY15 outcomes
Fixed remuneration	
CEO and Managing Director	In consideration of market movements, the CEO and Managing Director received a 3% increase to fixed remuneration in FY15, to $1,133,000. His remuneration mix was also changed to one third fixed, one third STI and one third LTI to increase the LTI component. More information on the remuneration of the CEO and Managing Director, including a summary of contractual arrangements, is on page 35.
Group Executives	Incumbent Group Executives were awarded average fixed remuneration increases of 3.5% in FY15 based on market salary movements.
Short-term incentives	
STI pool	Given the 25% increase in underlying profit from FY14 and performance against other measures in the Company balanced scorecard, the STI pool was fully funded for FY15. A summary of the FY15 balanced scorecard, including an assessment of performance against the measures, is set out on page 21.
CEO and Managing Director	Based on the Board's assessment of the performance of the Managing Director, a short-term incentive of $1,161,325 was awarded to Geoff Lloyd. Of this, 40% (or $464,530) 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 103% of his short-term incentive target for FY15, compared to an achievement rate of 119% awarded in FY14.
Group Executives	The Board approved short-term incentive awards to Group Executives ranging between 85% and 131% of their respective targets, based on the recommendations of the CEO and Managing Director. 40% of the short-term incentive award for each Group Executive for FY15 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 24 and 31.
Long-term incentives	
CEO and Managing Director	Effective 1 October 2011 Geoff Lloyd was awarded an LTI grant (2011 LTI) of 32,066 shares for which vesting was subject to TSR and EPS growth performance targets over a three year period. 100% of the portion of Mr Lloyd's LTI grant subject to a TSR performance vested on 1 October 2014 as Perpetual's TSR performance over the performance period ranked at the 92nd percentile. 30% of the portion of Mr Lloyd's 2011 LTI grant subject to an EPS growth also vested on 1 October 2014, as the EPS growth over the period was 6.59%.

Remuneration Component	FY15 outcomes
Long-term incentives	
CEO and Managing Director (continued)	As a result 20,843 shares vested to Mr Lloyd, and the remaining 11,223 shares were forfeited. Details of the LTI arrangements at Perpetual are on page 24.
Group Executives	As a result of the 2011 LTI vesting outcomes (as mentioned above for the CEO and Managing Director), 10,035 shares vested to Mr Green based on the TSR and EPS performance outcome and 5,404 were forfeited. No other current Group Executive participated in the 2011 LTI grant, as they commenced employment after the grant date.
Non-executive Director fees	
	Total fees paid to Non-executive Directors in FY15 were $1,230,058 which represented an increase of 8.6% from the total fees of $1,132,847 paid in FY14. 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 38.

3.2 Fixed remuneration increases for FY16

Following a review of market fixed remuneration increase trends, all employees including the CEO and Managing Director and Group Executives are eligible for a fixed remuneration increase in FY16. A budget increase on average of 3% will be applied to all eligible employees.

3.3 New employee benefits

At Perpetual we are passionate about protecting and growing the wealth of all Australians and positioning them for financial security in retirement. With our strengthened business performance we are pleased to be able to extend improved benefits to our employees to help them reach their financial goals.

The new employee benefits introduced during FY15 were:

- a free financial health check for all employees
- increased employer superannuation contributions
- an annual grant of up to $1,000 of Perpetual shares to eligible employees
- reduced management fees on investment products.

The change in the Company's new superannuation policy will see employer contributions increase to 12% by 2020 (by 0.5% increments applied annually). As a result, all employees will receive a 0.5% increase in employer superannuation contributions to 10% effective 1 September 2015.

As the Company has met its FY15 profit targets, the first grant of the annual $1,000 employee share grant under the One Perpetual Share Plan will be made to eligible employees in early FY16.

3.4 CEO and Managing Director and Group Executive remuneration review for FY16

The Board has reviewed the remuneration package for the CEO and Managing Director and the Group Executives, and has decided to provide fixed remuneration increases averaging 2.8% (inclusive of the increased employer superannuation contributions) for FY16. The increases are in consideration of market movements and to ensure retention for this key group as the Company moves to execute the Lead & Grow strategy. No changes to the remuneration mix were made.

Remuneration Report (continued)

3.5 Actual remuneration received

The table below provides a summary of actual remuneration received by the CEO and Managing Director and the Group Executives during FY15. This includes:

- fixed remuneration (consisting of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax)
- the cash component of short-term incentives awarded for performance in FY14 (paid September 2015)
- the value of equity grants awarded in previous years which vested during the year and
- cash dividends received during the year on unvested LTI shares received during the year.

This table differs from the remuneration table on page 31, which has been constructed in accordance with the requirements of the relevant accounting standards. It includes remuneration received on a cash rather than an accrual basis.

Actual remuneration received

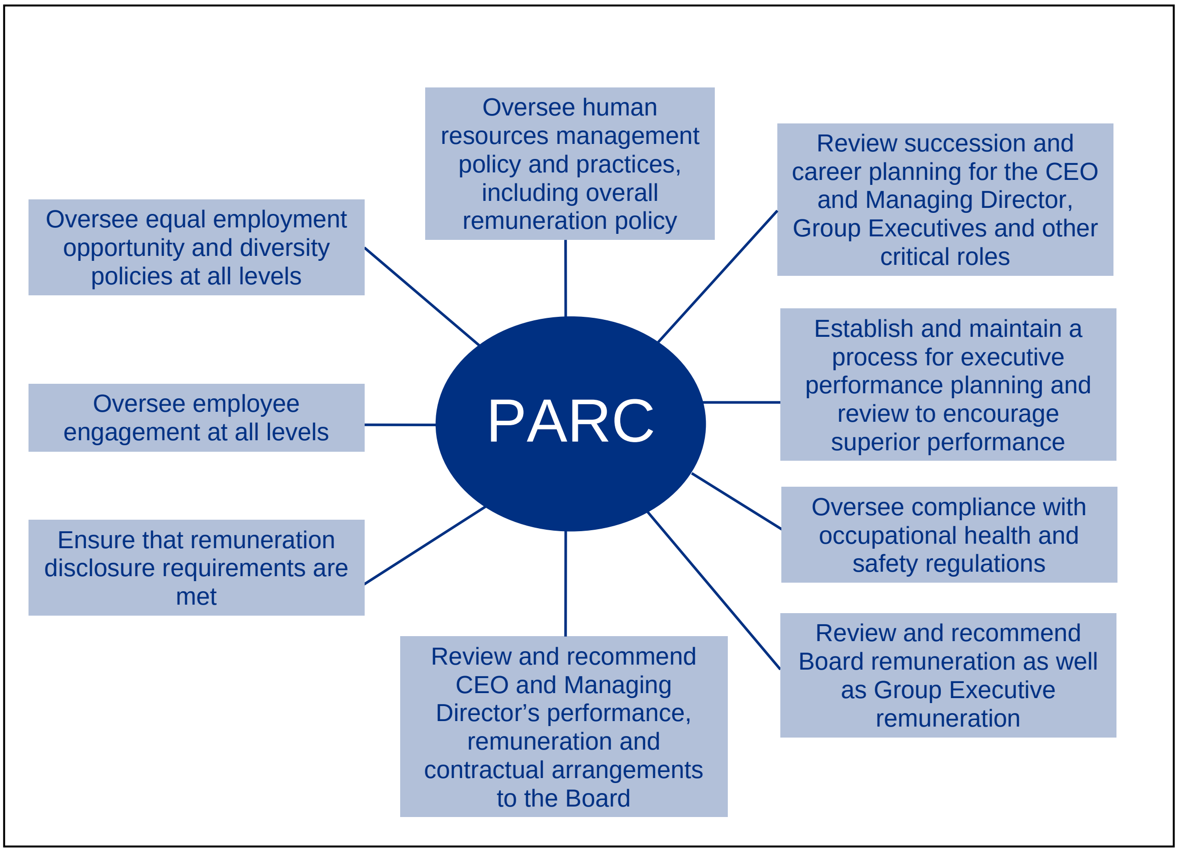
Name	Total $	Total fixed remuneration $	STI cash[1] $	Equity vested during year[2] $	Dividends paid on unvested shares during year[3] $	Sign-on and relocation benefits $	Payments made on termination $
CEO and Managing Director							
G Lloyd	2,890,030	1,125,101	788,040	913,757	63,132	-	-
Current Group Executives							
M Gordon	1,120,788	581,356	300,504	212,357	26,571	-	-
C Green	1,210,157	452,833	290,400	439,934	26,990	-	-
G Larkins	918,272	668,958	237,600	-	11,714	-	-
R Nash	773,014	586,625	177,178	-	9,211	-	-
M Smith	1,482,889	576,333	236,880	648,876	20,800	-	-
Totals	8,395,150	3,991,206	2,030,602	2,214,924	158,418	-	-

1. Represents the cash portion of STI outcome for FY14 paid in September 2014.
2. For G Lloyd and C Green, this represents the value at vesting of the 2011 LTI grant made on 1 October 2011. For M Smith, this includes the value at vesting of his sign-on equity grants that vested on 1 October 2014. These shares have been valued at $43.84 being the closing market value of Perpetual shares on the vesting date of 1 October 2014. For M Gordon, this includes the value at vesting of his sign-on equity grant that vested on 30 June 2014. These shares have been valued at $47.38, being the closing market value of Perpetual shares on the vesting date of 30 June 2014.
3. Dividends paid during FY15 on FY14 deferred STI shares and unvested long-term incentives issued prior to 2012.

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 FY15 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 5 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 general information to the PARC in respect of Executive and Non-executive Director remuneration practices and trends. This information did not include any specific recommendations in relation to the remuneration or fees paid to KMP.

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 that 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.
6. The remuneration structure should be supported by a governance framework that avoids conflict of interest and ensures that 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 that 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 CEO and Managing Director and the Group Executives in FY15 was as follows:

<table>
<tr><td>Fixed</td><td>Fixed remuneration</td><td>Set in consideration of the total target remuneration package and the desired remuneration mix for the role, taking into account the remuneration of market peers, internal relativities and the skill and expertise brought to the role.
Calculated on a ‘total cost to company’ basis, consisting of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax (FBT).</td><td rowspan="2">Paid as cash</td></tr>
<tr><td rowspan="3">Variable ‘at risk’</td><td>STI</td><td>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.</td></tr>
<tr><td>Deferred STI</td><td>40% of the STI award is deferred into Perpetual shares for two years, with vesting subject to service conditions and claw-back provisions.</td><td rowspan="2">Awarded as equity subject to performance hurdles and/or service conditions</td></tr>
<tr><td>LTI</td><td>Granted in the form of performance rights and are subject to service conditions and performance targets measured over a three-year period.</td></tr>
</table>

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

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 vested performance right or share still held in trust for the executive is treated as being equal to 50% of that share or performance right, as this represents the value of the share in the hands of the executive after allowing for tax. Unvested shares or 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 2015, progress towards the minimum shareholding target for the CEO and Managing Director and each Group Executive was as follows:

	Value of eligible shareholdings as at 30 June 2015[1] $	Value of minimum shareholding guideline $	Deadline to meet minimum shareholding guideline
CEO and Managing Director			
G Lloyd	992,202	1,699,500	6 February 2017
Group Executives			
M Gordon[2]	216,750	336,375	29 January 2018
C Green	1,027,263	227,700	1 October 2013
G Larkins	-	336,375	3 October 2017
R Nash	-	294,975	15 August 2017
M Smith	-	289,800	19 November 2017

1. Value is calculated through reference to the closing Perpetual share price at 30 June 2015 of $48.36.
2. Based on full-time equivalent fixed remuneration.

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:

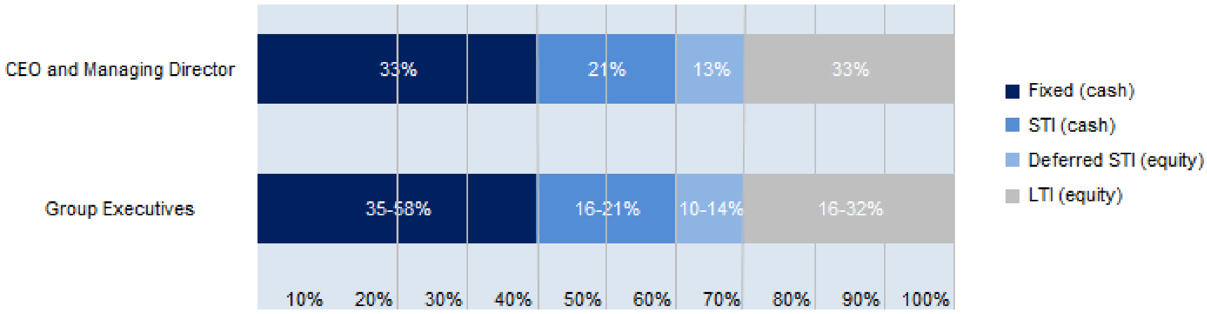
Person wishing to deal in shares	Approval required from
CEO and Managing Director	Chairman
Director	Chairman
Chairman	Nominated Director
Group Executive	CEO and Managing Director
An employee likely to have price-sensitive information	CEO and Managing Director/Company Secretary

Remuneration Report (continued)

5.4 Remuneration mix

The CEO and Managing Director and all Group Executives continue to have a significant portion of their remuneration linked to performance and at risk. For FY15, this was increased with greater emphasis on long-term incentives for the CEO and 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 FY16 remuneration mix (using full-time equivalent remuneration) for the CEO and 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 credit.

In all cases, the Company seeks to align asset manager remuneration with longer-term shareholder interests whilst balancing client outcomes.The remuneration arrangements for asset managers managing funds in the growth phase is structured to appropriately recognise and reward the importance of growth revenue. For asset managers managing mature funds, the focus is more biased to rewarding longer-term investment performance as measured against the relevant benchmark.

Asset managers receive a significant proportion of their variable remuneration opportunity in the form of deferred pay which may vest over several years. Senior asset managers may elect to receive a percentage of their deferred incentives as a notional investment in the products they manage or as Perpetual shares. This arrangement further builds alignment with clients over the longer term and aims to ensure that investment professionals have a long-term focus on investment performance and clear visibility of their long-term incentives.

Dividends are paid on unvested shares as share grants are usually earned through meeting targets in annual performance agreements; therefore, performance hurdles are already met. Where this is not the case, dividends accrue in the trust and are released when and if the shares vest.

The most senior asset managers can receive an annual long-term incentive grant in the form of performance rights subject to performance hurdles. No dividends accrue on these unvested grants as the performance hurdle has not been met.

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.

Perpetual's five-year performance	Year end				
	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Net profit after tax reported ($'000's)	62,031	26,679	60,968	81,618	122,484
UPAT reported ($'000's)	72,879	67,623	76,320	106,131	130,466
Ordinary dividend per share declared with respect to the year ($)	1.85	0.90	1.30	1.75	2.40
Earnings per share - UPAT[1] ($)	1.79	1.74	1.98	2.55	2.91
Closing share price ($)	24.93	22.90	35.40	47.38	48.36
Annual total shareholder return (TSR)	-8.76%	-10.65%	78.38%	19.87%	20.55%

1. Based on basic EPS calculated based on the number of ordinary shares only.

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 FY15 the measures included Financial, Client Advocacy, Growth, People and Operational efficiency.

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 that STI outcomes under the STI plan are closely aligned with shareholder interests.

The balanced scorecard measures for FY15 and performance against those measures is summarised below:

Measure	Weighting	Full Year Performance	
Financial		**Outcome**	**Comments**
Underlying profit after tax (UPAT)	40%	Performance above UPAT plan target	FY15 UPAT increased by 25% compared to FY14. This was a very good achievement for shareholders and continues to build on the strong performance Perpetual has displayed in recent years.
Clients		**Outcome**	**Comments**
Improve client advocacy – external net promoter score (NPS) performance	10%	Performance below target	Client advocacy (as measured by net promoter score) for Perpetual as a whole improved by one point from 2014 to 26 this year. While this is an improvement on last year, it was not the uplift we had planned on. Client satisfaction remains a strong focus for us and we are building client experience capabilities across Perpetual as part of our Lead & Grow strategy.

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

Measure	Weigh-ting	Full Year Performance	
Growth		**Outcome**	**Comments**
Perpetual Corporate Trust (PCT) - New business Revenue Perpetual Investments (PI) – New Flows Revenue Perpetual Private (PP) – New target clients	25%	On balance, below target performance achieved	PCT and PP recorded improved outcomes from FY14 with regard to growth. New business revenue in PCT grew by 17%, and PP attracted 32% more clients in our target segments compared to FY14. This is a strong achievement, both reflecting above target performance for the year. (PI saw a 16% reduction in flows revenue compared to FY14. This was below threshold performance and therefore no incentive outcome was attributed to this key performance indicator (KPI) for 2015. The combination of these three levels of performance resulted in a below target performance against this measure for the company scorecard.
People		**Outcome**	**Comments**
Employee engagement	15%	Performance exceeded the superior target	As we noted in the 2014 remuneration report, employee engagement survey was a strong focus for FY15. This year we: • drove a strong local team leadership focus based on action planning to address feedback from the 2014 engagement survey through local initiatives • improved our engagement as a company by ensuring that our people leaders are equipped to lead their teams through targeted development and leadership summits • improved our systems and technology to better equip our people to deliver on their goals • improved the benefits offering for employees, including enhanced superannuation, discounted wealth management products, free financial health check for all staff and for staff below senior leadership level, an opportunity to be granted shares in Perpetual if we achieve our annual Company profit target • improved communication regarding our new Lead & Grow strategy across the Company, incorporating refreshed Values and People Promise for our people. These activities have all had an impact on our people's engagement and we have seen a 15 point increase in our engagement outcome since the 2014 survey as measured by AON Hewitt. Only 10% of organisations who work with AON Hewitt globally experience an increase in employee engagement of greater than 14 percentage points in any one year. That is, fewer than one in ten companies see an increase of this size in one year. This is an exceptional achievement.
Operational efficiency		**Outcome**	**Comments**
The Trust Company integration – delivery of milestones	10%	Performance exceeded the superior target	Integrating The Trust Company has been another important focus for us in FY15 to ensure that we embed and enhance the value this acquisition promised. We measured the delivery of 56 milestones during FY15 to determine performance for this KPI and the overall delivery score is 162%. This resulted in superior performance regarding integration of The Trust Company in FY15.

6.1.3 Determining the STI pool

At the conclusion of each financial year, the Perpetual Board considers 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.

As discussed in section 6.1.2, overall performance against the Company scorecard was at plan for the year. Given this, the Board approved a fully funded STI pool for FY15.

The performance of each division against their scorecard is assessed by the CEO and 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, which includes an assessment against behavioural expectations for all employees. Employees must also meet risk and compliance requirements to be eligible to receive an STI payment.

For the FY15 year, 90% of the CEO and Managing Director's STI outcome was weighted to overall performance against the Company scorecard, with 10% weighted to individual measures. For Group Executives, 50% of their STI outcome was weighted to overall performance against the Company scorecard, with 50% weighted to the performance of their division and individual measures. This equal focus on Company and divisional/individual performance ensures shared accountability for Company performance amongst Group Executives, balanced with divisional and individual priorities. It provides greater scope to differentiate the incentive outcomes for Group Executives to ensure a strong adjustment to individual performance contribution.

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

The CEO and 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 CEO and 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. 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 have already been met.

Termination of employment

In the event of the CEO and Managing Director or a 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 FY15

The table below provides the total STI outcomes (both the cash and deferred portions) received by the CEO and Managing Director and the Group Executives during FY15. STI awards have decreased on an annualised basis from FY14 by 2% for the CEO and Managing Director and current Group Executives. This is in the context of a 25% increase in UPAT over the same period.

Name	Total STI $	STI Cash $	STI Deferred $	2015 STI (as % of Target)[1]	Percentage Forfeited
CEO and Managing Director					
G Lloyd	1,161,325	696,795	464,530	103%	0%
Current Group Executives					
M Gordon	384,864	230,918	153,946	85%	15%
C Green	522,116	313,270	208,846	115%	0%
G Larkins	483,329	289,997	193,332	131%	0%
R Nash	252,867	151,720	101,147	95%	5%
M Smith	523,379	314,027	209,352	113%	0%
Total	3,327,880	1,996,727	1,331,153	106%	

1. Represents the total STI outcome for FY15 (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 FY15 and how they work.

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

6.2.1 Perpetual Limited Long-term Incentive Plan

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

Since 1 October 2012, LTI's have been awarded to the CEO and 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 perfomance hurdles for no consideration. This means that 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

LTI grants made to the CEO and Managing Director and Group Executives vest subject to two performance measures directly linked to Company performance:

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

LTI grants are generally made on 1 October each year.

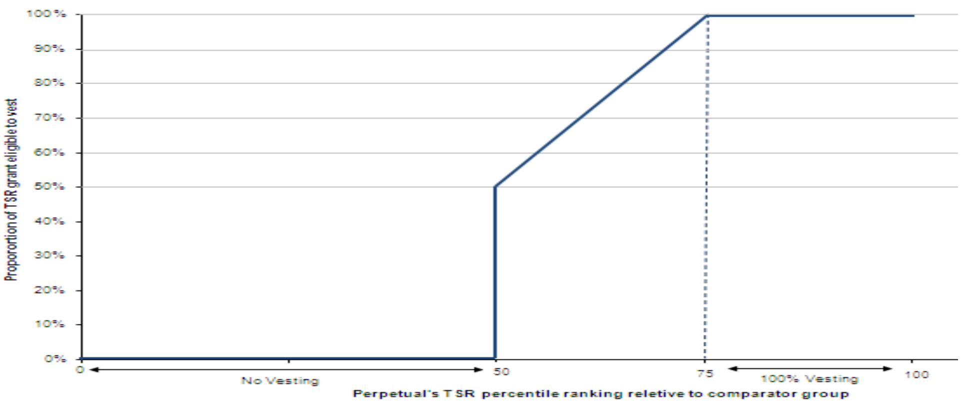
TSR performance target

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/ASX 100 (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



Remuneration Report (continued)

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.

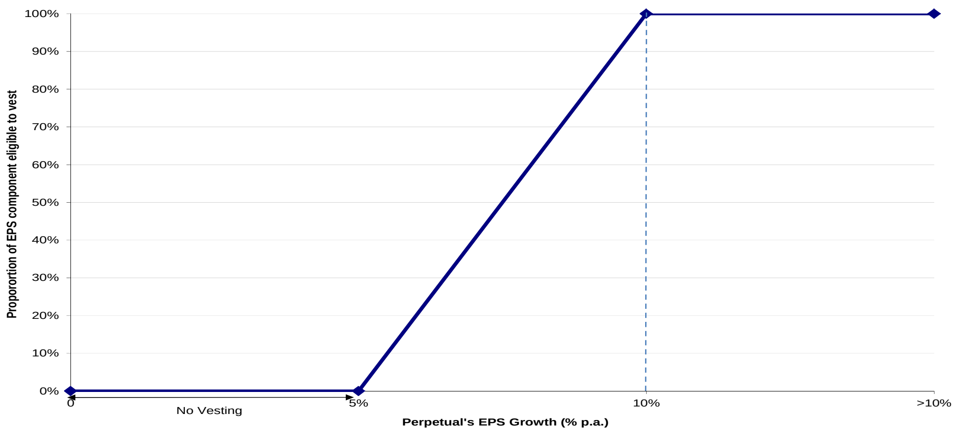
The achievement of this performance target links the individual's remuneration to the Company's growth in earnings.

EPS vesting schedule

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

Perpetual's growth in EPS	Percentage of shares that will vest
EPS growth less than or equal to 5% pa	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%

EPS vesting scale



Performance target testing and re-testing guidelines

A three-year performance testing period applies to TSR and EPS targets and performance is calculated and tested against the respective target on the third anniversary of the grant date. There is no re-testing of grants.

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

Termination of employment

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

- 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 executives' tenure.

Treatment of LTI on change in control

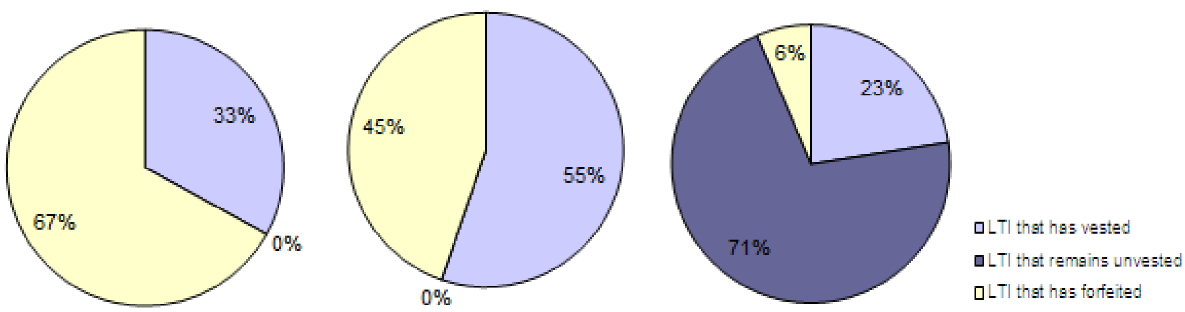
If Perpetual were to be taken over or there were a partial or full change in control, LTI awards may vest in part or in full at the discretion of the Board. Guiding principles have been developed to help the Board determine vesting outcomes that are consistent, fair and reasonable, and balance multiple 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 2010, 2011 and 2012. Prior to the 2011 grant that vested on 1 October 2014, no vesting occurred in respect of grants for which EPS growth performance hurdles applied and only partial vesting occurred in respect of grants for which TSR growth performance hurdles applied.

During FY15, the 2011 grant partially vested in respect of the EPS growth hurdle and the TSR performance hurdle vested in full. This was the first time since the 2004 LTI grant vested in 2007 that grants relating to both the EPS hurdle and TSR hurdles have vested. These vesting outcomes, together with the partial vesting of the TSR portion of the 2009 and 2010 grants reflect the improved Company performance since 2012 and clearly demonstrate that LTI outcomes and Company performance are aligned.

2010 grants **2011 grants** **2012 grants**



Hurdle	Grant Vesting Outcome		
	2010	2011	2012
EPS	0%	30%	Due to be tested
TSR	88%	100%	1 October 2015

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 211 members	From February 2011, this is the primary plan to be used for LTI grants to eligible employees, including the CEO and Managing Director and Group Executives.
Deferred Share Plan (DSP) 2 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 that 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.
Tax Exempt Share Plan (TESP) 32 members	This plan allows all employees, including the CEO and 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 Plan (TDSP) 26 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 CEO and 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.
One Perpetual Share Plan (OPSP) 0 members. First grant may be made early FY16	This plan, introduced in FY15, awards eligible employees with annual grants of up to $1,000 worth of Perpetual shares. The grant will be made in August/September each year subject to the Company meeting its profit target. The first grant will be made in early FY16 subject to the Company's FY15 profit performance.
Plans closed to new issue	**DESCRIPTION**
Executive Share Plan (ESP) 3 members	Until February 2011, this was the main plan used for LTI share grants to eligible employees, including the CEO and Managing Director and Group Executives.
Employee Share Purchase Plan (ESPP) 0 members. Remaining members exited from the plan during FY15.	This plan was used for granting shares under a non-recourse loan arrangement. It has been closed to new issues since FY04. The ESPP is discussed in section 5 - 6 of the financial statements.
Non-executive Director Share Plan (NEDSP) 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.

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 2015, 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 2.1%. This has reduced from 4.1% as at 30 June 2014.

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 19 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

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Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

Remuneration of CEO and Managing Director and Group Executives (statutory reporting)

Name	Total	Fixed remuneration					STI[4]		Fixed remuneration and STI	LTI[5]			Other long-term benefits[6]	Payments made on termination
		Short-term			Post employment	Total fixed remuneration				Equity based		Total LTI		
		Cash salary and paid leave[1]	Non-monetary benefits[2]	Other[3]	Pension and super		Cash short-term incentives	Deferred short-term incentive		Shares	Performance rights			
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
CEO and Managing Director														
G Lloyd														
2015	2,966,312	1,001,678	94,775	14,334	28,648	1,139,435	696,795	395,303	2,231,533	60,499	661,086	721,585	13,194	-
2014	2,696,728	983,758	94,051	39,043	23,800	1,140,652	788,040	240,460	2,169,152	195,098	324,464	519,562	8,014	-
Current Group Executives														
M Gordon														
2015	1,241,138	547,618	-	23,570	33,738	604,926	230,918	142,993	978,837	121,606	138,485	260,091	2,210	-
2014	1,187,786	450,573	-	138,505	14,994	604,072	300,504	91,678	996,254	144,316	46,344	190,660	872	-
C Green														
2015	1,234,981	434,050	-	5,468	18,783	458,301	313,270	160,020	931,591	29,128	259,454	288,582	14,808	-
2014	1,062,060	422,225	-	15,847	17,775	455,847	290,400	90,405	836,652	93,933	119,829	213,762	11,646	-
G Larkins														
2015	1,262,758	640,425	-	9,819	28,533	678,777	289,997	148,677	1,117,451	-	142,441	142,441	2,866	-
2014	1,057,033	632,225	-	20,138	17,775	670,138	237,600	84,233	991,971	-	63,732	63,732	1,330	-
R Nash														
2015	950,412	557,977	-	29,805	28,648	616,430	151,720	99,534	867,684	-	80,136	80,136	2,592	-
2014	866,439	546,200	-	14,088	23,800	584,088	177,178	65,818	827,084	-	38,132	38,132	1,223	-
M Smith														
2015	1,399,573	557,550	-	18,525	18,783	594,858	314,027	154,427	1,063,312	37,499	296,371	333,870	2,391	-
2014	1,223,768	542,225	-	16,177	17,775	576,177	236,880	84,643	897,700	137,496	187,476	324,972	1,096	-
Total 2015	9,055,174	3,739,298	94,775	101,521	157,133	4,092,727	1,996,727	1,100,954	7,190,408	248,732	1,577,973	1,826,705	38,061	-
Total 2014[7]	8,536,912	3,787,231	94,051	247,732	127,216	4,256,230	2,113,205	673,538	7,042,973	676,905	790,197	1,467,102	26,837	-

1. Cash salary is the ordinary cash salary received in the year including payment for annual, long service, sick or other types of paid leave taken.
2. 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 2014 to 30 June 2015.
4. Annual incentives consists of the cash payments to be made in September 2015 from the group STI plan and costs incurred in FY15 for the deferred portion of previous STI awards.
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 is in accordance with accounting standards.
6. The expense value of accrued long service leave for FY15.
7. The totals shown relate to executives disclosed in Perpetual's Remuneration Report 2014 and so do not equal the 2014 totals for executives disclosed in this table.

Directors’ Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

Remuneration components as a proportion of total remuneration

The remuneration components below are determined based on the Remuneration of the CEO and Managing Director and Group Executives (statutory reporting) table on page 31.

Name	Fixed remuneration %	Performance linked benefits STI %	Performance linked benefits LTI %	Total %	Value of performance rights as a proportion of total remuneration
CEO and Managing Director					
G Lloyd	38%	37%	25%	100%	22%
Current Group Executives					
M Gordon	49%	30%	21%	100%	11%
C Green	38%	38%	24%	100%	21%
G Larkins	54%	35%	11%	100%	11%
R Nash	65%	27%	8%	100%	8%
M Smith	43%	33%	24%	100%	21%

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.

	30-Jun-16 Maximum	30-Jun-17 Maximum	30-Jun-18 Maximum
CEO and Managing Director			
G Lloyd	832,546	468,421	104,038
Group Executives			
M Gordon	326,773	177,633	39,027
C Green	335,383	214,126	49,582
G Larkins	217,433	123,831	27,546
R Nash	122,495	61,395	13,777
M Smith	372,301	217,505	45,915

1. The minimum value of the grants is $nil if the performance targets are not met. The values above are determined in accordance w ith accounting standards. The fair value of granted shares is recognised as an employee expense w ith a corresponding increase in equity. Fair value is measured at grant date and amortised over the period during w hich employees become unconditionally entitled to the shares.

Unvested share and performance rights holdings of the CEO and Managing Director and Group Executives

The table below summarises the share and performance rights holdings and movements by number granted to the CEO and Managing Director and Group Executives by Perpetual Limited, for the year ended 30 June 2015. For details of the fair valuation methodology, refer to Section 6 - 2(ii)(b) to the financial statements.

Name	Instrument	Grant date	Issue price	Vesting date	Held at 1 July 2014	Movement during the year Granted	Forfeited	Vested	Held at 30 June 2015	Fair value per instrument at grant ($) TSR Hurdle	Fair value per instrument at grant ($) non-TSR hurdle
					Number of instruments	Number of instruments			Number of instruments		
CEO and Managing Director											
G Lloyd	Shares	1 October 2011	21.05	1 October 2014	32,066	-	11,223	20,843	-	14.60	21.05
	Shares	1 October 2013	39.63	1 October 2015	4,946	-	-	-	4,946	N/A	39.63
	Shares	4 September 2014	49.51	30 September 2016	-	10,611	-	-	10,611	N/A	49.51
	Performance rights	1 October 2012	23.54	1 October 2015	37,383	-	-	-	37,383	14.38	23.54
	Performance rights	1 October 2013	34.57	1 October 2016	25,455	-	-	-	25,455	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	-	29,815	-	-	29,815	21.82	38.00
		Aggregate Value[1]				$ 1,658,321	$ 492,016	$ 913,757			
Group Executives											
M Gordon	Shares	1 July 2013	35.70	30 June 2014	4,482	-	-	4,482	-	N/A	35.70
	Shares	1 July 2013	35.70	30 June 2015	4,482	-	-	-	4,482	N/A	35.70
	Shares	1 July 2013	35.70	30 June 2016	2,241	-	-	-	2,241	N/A	35.70
	Shares	1 October 2013	39.63	1 October 2015	1,884	-	-	-	1,884	N/A	39.63
	Shares	4 September 2014	49.51	30 September 2016	-	4,046	-	-	4,046	N/A	49.51
	Performance rights	1 October 2013	34.57	1 October 2016	10,124	-	-	-	10,124	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	-	11,184	-	-	11,184	21.82	38.00
		Aggregate Value				$ 625,309	$ -	$ 212,357			
C Green	Shares	1 October 2011	21.05	1 October 2014	15,439	-	5,404	10,035	-	14.60	21.05
	Shares	1 October 2013	39.63	1 October 2015	1,958	-	-	-	1,958	N/A	39.63
	Shares	4 September 2014	49.51	30 September 2016	-	3,910	-	-	3,910	N/A	49.51
	Performance rights	1 October 2012	23.54	1 October 2015	13,806	-	-	-	13,806	14.38	23.54
	Performance rights	1 October 2013	34.57	1 October 2016	9,401	-	-	-	9,401	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	-	11,184	-	-	11,184	21.82	38.00
		Aggregate Value				$ 618,576	$ 236,911	$ 439,934			
G Larkins	Shares	1 October 2013	39.63	1 October 2015	2,379	-	-	-	2,379	N/A	39.63
	Shares	4 September 2014	49.51	30 September 2016	-	3,199	-	-	3,199	N/A	49.51
	Performance rights	1 October 2012	23.54	1 October 2015	4,800	-	-	-	4,800	14.38	23.54
	Performance rights	1 October 2013	34.57	1 October 2016	6,682	-	-	-	6,682	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	-	7,894	-	-	7,894	21.82	38.00
		Aggregate Value				$ 458,354	$ -	$ -			
R Nash	Shares	1 October 2013	39.63	1 October 2015	2,001	-	-	-	2,001	N/A	39.63
	Shares	4 September 2014	49.51	30 September 2016	-	2,385	-	-	2,385	N/A	49.51
	Performance rights	1 October 2012	23.54	1 October 2015	4,237	-	-	-	4,237	14.38	23.54
	Performance rights	1 October 2013	34.57	1 October 2016	3,181	-	-	-	3,181	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	-	3,948	-	-	3,948	21.82	38.00
		Aggregate Value				$ 268,105	$ -	$ -			
M Smith	Shares	1 October 2012	26.34	1 October 2014	9,491	-	-	9,491	-	N/A	26.34
	Shares	1 October 2013	39.63	1 October 2015	2,422	-	-	-	2,422	N/A	39.63
	Shares	4 September 2014	49.51	30 September 2016	-	3,189	-	-	3,189	N/A	49.51
	Performance rights	1 October 2012	23.54	1 October 2014	5,310	-	-	5,310	-	14.26	23.54
	Performance rights	1 October 2012	23.54	1 October 2015	11,894	-	-	-	11,894	14.38	23.54
	Performance rights	1 October 2013	34.57	1 October 2016	14,463	-	-	-	14,463	22.65	34.57
	Performance rights	1 October 2014	38.00	1 October 2017	-	13,158	-	-	13,158	21.82	38.00
		Aggregate Value				$ 657,891	$ -	$ 648,876			

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

Directors’ Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

Vested shareholdings of the CEO and Managing Director and Group Executives

Name	Balance at 1 July 2014	LTI Shares vesting in the period	Other changes during the year[1]	Balance at 30 June 2015
		Number of shares		
CEO and Managing Director				
G Lloyd	22,409	20,843	(22,735)	20,517
Group Executives				
M Gordon	-	4,482	-	4,482
C Green	11,207	10,035	-	21,242
G Larkins	-	-	-	-
R Nash	-	-	-	-
M Smith	-	14,801	(14,801)	-

1. Other changes during the year represent shares acquired via bonus sacrifice and disposal of shares.

8. Contract terms of the CEO and Managing Director and Group Executives

Contract terms for the CEO and Managing Director

Contract details	Geoff Lloyd, Chief Executive Officer and Managing Director
Term of contract	Open-ended
Fixed remuneration	$1,133,000 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	From FY15, eligible to receive LTI grants of 100% 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 7 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.

Contract details	Geoff Lloyd, Chief Executive Officer and Managing Director
Termination of employment (continued)	(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	Chris Green	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	Chris Green	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 the LTI plan.
Termination for cause	**Payment in lieu of notice**	
	Chris Green	3 months
	All other Group Executives	6 months

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

Term	Who	Conditions
Termination for cause (continued)	**STI**	
	All Group Executives	
	LTI	
	All Group Executives	Subject to the terms of the offer and LTI plan.
Post-employment restraints	All Group Executives	12 months from the date on which 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 that 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 as part of their remuneration arrangements.

Fee framework

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

Following a significant reduction in fees for the FY13 year, there were some increases for FY15 after a review of fees paid at Perpetual relative to organisations in our peer group. These increases bring fees in line with the market median of organisations in our peer group.

Non-executive Directors' fees	FY15 $	FY16 $
Chairman	288,000	300,000
Directors	144,000	150,000
Audit, Risk and Compliance Committee Chairman	35,000	35,000
Audit, Risk and Compliance Committee Member	17,000	17,000
People and Remuneration Committee Chairman	30,000	30,000
People and Remuneration Committee Member	15,000	15,000
Investment Committee Chairman	17,500	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 FY15 were $1,230,058. More details are provided on page 39.

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.

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

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 40.

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

	Peter B Scott $	Paul Brasher $	Philip Bullock $	Sylvia Falzon $	Ian Hammond $	Elizabeth M Proust $	Craig Ueland $
Board fees (per annum)[1]							
Chairman	288,000	-	-	-	-	-	-
Independent Director	-	144,000	144,000	144,000	144,000	144,000	144,000
Committee fees (per annum)[1]							
Audit, Risk and Compliance Committee							
Chairman	-	35,000	-	-	-	-	-
Member	-	-	-	17,000	17,000	17,000	17,000
People and Remuneration Committee							
Chairman	-	-	-	-	-	30,000	-
Member	-	15,000	15,000	-	-	-	-
Investment Committee							
Chairman	-	-	-	-	-	-	17,500
Member	-	-	10,000	10,000	-	-	-
Nominations Committee[2]							
Member	-	-	-	-	-	-	-
Appointed	July 2005 as Director and October 2010 as Chairman	November 2009	June 2010	November 2012	March 2015	January 2006	September 2012

1. Board and Committee fees paid to Directors are inclusive of minimum superannuation guarantee contributions.
2. 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)

Name	Total[1] FY15 $	Total[1] FY14 $[2]	Short-term: Cash salary, fees and short-term FY15 $	Short-term: Cash salary, fees and short-term FY14 $	Post employment: Pension and Superannuation FY15 $	Post employment: Pension and Superannuation FY14 $
P B Scott	288,000	280,000	269,217	262,225	18,783	17,775
P V Brasher	194,000	182,000	177,169	166,590	16,831	15,410
P Bullock	169,000	162,000	154,338	148,284	14,662	13,716
S Falzon	171,000	165,000	156,164	151,030	14,836	13,970
I Hammond	39,058	-	35,669	-	3,389	-
E M Proust	191,000	175,000	174,429	160,183	16,571	14,817
C Ueland	178,000	168,847	143,000	154,551	35,000	14,296
TOTAL[2]	1,230,058	1,132,847	1,109,986	1,042,863	120,072	89,984

1. Non-executive Directors do not receive any non-cash benefits as part of their remuneration.
2. The FY15 total shown relates to Non-executive Directors disclosed in Perpetual's Remuneration Report 2015 and so does not equal the FY14 totals disclosed in Perpetual's Remuneration Report 2014.

Directors' Report for the year ended 30 June 2015 (continued)

Remuneration Report (continued)

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
	Number of shares			
Directors				
P B Scott	3,590	-	3,056	6,646
P V Brasher	1,000	-	1,000	2,000
P Bullock	2,650	-	413	3,063
S Falzon	1,000	-	1,267	2,267
I Hammond	-	-	3,750	3,750
E Proust	5,716	-	1,115	6,831
C Ueland	1,000	-	2,000	3,000

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 Scott Chairman	Geoff Lloyd Chief Executive Officer and Managing Director

Sydney 27 August 2015

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

To: the directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 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

Martin McGrath
Partner

Sydney

27 August 2015

Financial statements of Perpetual Limited and its controlled entities for the year ended 30 June 2015

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Section	2015 $'000	2014 $'000
Revenue	1-2	510,877	455,590
Expenses	1-3	(333,250)	(340,181)
Financing costs		(3,472)	(2,631)
Net profit before tax from continuing operations		**174,155**	**112,778**
Income tax expense	1-4	(50,352)	(33,455)
Net profit after tax from continuing operations		**123,803**	**79,323**
Discontinued operation			
Net profit after tax from discontinued operation	5-10	-	3,036
Net profit after tax		**123,803**	**82,359**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges - net change in fair value of effective portion		317	250
Foreign currency translation differences - foreign operations		36	66
Available-for-sale financial assets - net change in fair value		4,807	5,441
Impairment of available-for-sale financial assets reclassified to profit or loss		63	308
Loss on previously impaired available-for-sale financial assets reclassified to profit or loss upon disposal		(2,047)	(2,900)
Income tax on items that may be reclassified to profit or loss	1-4	(1,323)	(716)
Other comprehensive income, net of income tax		**1,853**	**2,449**
Total comprehensive income		**125,656**	**84,808**
Net profit after tax attributable to:			
Equity holders of Perpetual Limited		**122,484**	**81,618**
Non-controlling interests		1,319	741
		123,803	**82,359**
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		125,604	83,206
Non-controlling interests		52	1,602
Total comprehensive income		**125,656**	**84,808**
Earnings per share			
Basic earnings per share – cents per share	1-5	273.7	196.2
Diluted earnings per share – cents per share	1-5	265.3	186.4
Earnings per share - continuing operations			
Basic earnings per share – cents per share		273.7	188.9
Diluted earnings per share – cents per share		265.3	179.5

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 49 to 106.

Consolidated Statement of Financial Position as at 30 June 2015

	Section	2015 $'000	2014[1] $'000
Assets			
Cash and cash equivalents	3-1	289,356	282,585
Receivables	2-2	91,435	85,498
Assets held for sale	5-9	-	1,119
Structured products – EMCF assets	5-1	294,882	271,825
Structured products – receivable from investors	5-1	-	37,864
Prepayments		10,736	7,881
Total current assets		686,409	686,772
Other financial assets	2-3	52,042	45,255
Property, plant and equipment	2-4	15,348	15,670
Intangibles	2-5	332,756	331,526
Deferred tax assets	1-4	30,225	33,782
Prepayments		6,550	8,033
Total non-current assets		436,921	434,266
Total assets		1,123,330	1,121,038
Liabilities			
Payables		37,167	43,015
Liabilities held for sale	5-9	-	111
Structured products – EMCF liabilities	5-1	291,478	268,345
Structured products – interest-bearing liabilities		-	37,117
Structured products – income received in advance		-	2,678
Derivative financial instruments		-	191
Current tax liabilities		27,491	14,695
Employee benefits	2-7	48,584	49,431
Provisions	2-6	6,019	17,969
Total current liabilities		410,739	433,552
Borrowings	3-2	87,000	87,000
Deferred tax liabilities	1-4	19,591	20,743
Employee benefits	2-7	5,033	3,613
Provisions	2-6	17,273	19,728
Total non-current liabilities		128,897	131,084
Total liabilities		539,636	564,636
Net assets		**583,694**	**556,402**
Equity			
Contributed equity	3-3	481,888	460,807
Reserves	3-4	23,482	32,263
Retained earnings		78,324	51,701
Total equity attributable to equity holders of Perpetual Limited		**583,694**	**544,771**
Non-controlling interest		-	11,631
Total equity		**583,694**	**556,402**

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

The Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to the financial statements' set out on pages 49 to 106.

Consolidated Statement of Changes in Equity for the year ended 30 June 2015

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Non-controlling interest	Total
Balance at 1 July 2014	555,296	(94,489)	26,766	5,497	51,701	544,771	11,631	556,402
Total comprehensive income/(expense)	-	-	-	3,120	122,484	125,604	52	125,656
Issue of ordinary shares	-	-	-	-	-	-	-	-
Movement on treasury shares	(3,370)	24,451	(22,884)	-	1,945	142	-	142
Equity remuneration expense	-	-	10,983	-	-	10,983	-	10,983
Dividends paid to shareholders	-	-	-	-	(97,806)	(97,806)	-	(97,806)
Non-controlling interest	-	-	-	-	-	-	(11,683)	(11,683)
Balance at 30 June 2015	**551,926**	**(70,038)**	**14,865**	**8,617**	**78,324**	**583,694**	**-**	**583,694**

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Non-controlling interest	Total
Balance at 1 July 2013	356,317	(116,516)	33,215	3,909	37,415	314,340	9,398	323,738
Total comprehensive income/(expense)	-	-	-	1,588	81,618	83,206	1,602	84,808
Issue of ordinary shares	203,040	-	-	-	-	203,040	-	203,040
Movement on treasury shares	(4,061)	22,027	(21,281)	-	3,476	161	-	161
Equity remuneration expense	-	-	14,832	-	-	14,832	-	14,832
Dividends paid to shareholders	-	-	-	-	(70,808)	(70,808)	-	(70,808)
Non-controlling interest	-	-	-	-	-	-	631	631
Balance at 30 June 2014	**555,296**	**(94,489)**	**26,766**	**5,497**	**51,701**	**544,771**	**11,631**	**556,402**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to the financial statements' set out on pages 49 to 106.

Consolidated Statement of Cash Flows for the year ended 30 June 2015

	Section	2015 $'000	2014 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		569,462	472,141
Cash payments in the course of operations		(409,349)	(354,867)
Dividends received		263	683
Interest received		8,719	6,138
Interest paid		(3,472)	(2,631)
Income taxes paid		(36,392)	(26,812)
Net cash from operating activities	1-7	129,231	94,652
Cash flows from investing activities			
Payments for property, plant, equipment and software		(15,812)	(6,569)
Payments for investments		(57,706)	(38,854)
Repayments of advances made under the Employee Share Purchase Plan		117	130
Payment for acquisition of business		-	(61,519)
Proceeds from sale of property, plant and equipment		38	-
Proceeds from sale of businesses		1,523	60,004
Proceeds from the sale of investments		53,032	54,740
Net cash (used in)/from investing activities		(18,808)	7,932
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		(5,846)	(1,410)
Dividends paid		(97,806)	(70,808)
Net cash used in financing activities		(103,652)	(37,118)
Net increase in cash and cash equivalents		6,771	65,466
Cash and cash equivalents at 1 July		282,585	217,119
Cash and cash equivalents at 30 June	3-1	**289,356**	**282,585**

The Consolidated Statement of Cash Flows is to be read in conjunction with the 'Notes to the financial statements' set out on pages 49 to 106.

Notes to and forming part of the financial statements for the year ended 30 June 2015

Section 1 Group performance

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

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

1-1 Operating segments

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

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

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

i. Services provided

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

Perpetual Investments	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	Perpetual Corporate Trust provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, responsible entity services, trustee services for securitisation, unit trusts, REITS and debt securities, data warehouse and investor reporting and registrar, or agent for corporate and financial services clients.

ii. Geographical information

The consolidated entity operates in Australia and Singapore. 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.

iii. Major customer

The consolidated entity does not rely on any major customer.

Notes to and forming part of the financial statements for the year ended 30 June 2015

1-1 Operating segments (continued)

	Perpetual Investments[1] $'000	Perpetual Private [2] $'000	Perpetual Corporate Trust [2] $'000	Total $'000
30 June 2015				
External revenues	246,514	166,235	82,458	495,207
Interest revenue	1,168	299	35	1,502
Total revenue for reportable segment	247,682	166,534	82,493	496,709
Depreciation and amortisation	(1,477)	(9,046)	(4,074)	(14,597)
Reportable segment net profit before tax	125,606	37,464	31,256	194,326
Reportable segment assets	345,741	204,381	191,662	741,784
Reportable segment liabilities	(317,438)	(18,048)	(9,020)	(344,506)
Capital expenditure	521	41	8,011	8,573
30 June 2014[3]				
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	175,952	738,836
Reportable segment liabilities	(338,368)	(17,564)	(19,030)	(374,962)
Capital expenditure	357	1,266	1,155	2,778

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

[2] Perpetual Private and Perpetual Corporate Trust include the discontinued operation, The New Zealand Guardian Trust Company Limited, for the year ended 30 June 2014. Further information is provided in section 5-10.

[3]Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

	Section	2015 $'000	2014[1] $'000
1-1 Operating segments (continued)			
Reconciliations of reportable segment revenues, net profit before tax, total assets and liabilities			
Revenues			
Total revenue for reportable segments		496,709	454,827
Less: Revenue from discontinued operation		-	(11,788)
Add: Group and Support Services revenue		8,533	7,031
Total revenue from continuing operations		505,242	450,070
Net profit before tax			
Total net profit before tax for reportable segments		194,326	162,919
Less: Net profit before tax from discontinued operation		-	(2,862)
Financing costs		(3,472)	(2,631)
Profit on disposal of investments		5,522	5,520
Impairment of assets		(63)	(308)
Gain on sale of business	5-9	113	-
Gain/(loss) on sale of property, plant and equipment		15	(403)
Transformation office and restructuring costs		-	(19,924)
TrustCo due diligence and transaction costs		-	(4,637)
TrustCo integration costs		(15,882)	(14,279)
Group and Support Services expense		(6,404)	(10,617)
Net profit before tax from continuing operations		174,155	112,778
Total assets			
Total assets for reportable segments		741,784	738,836
Group and Support Services assets		381,546	382,202
Total assets		1,123,330	1,121,038
Total liabilities			
Total liabilities for reportable segments		344,506	374,962
Group and Support Services liabilities		195,130	189,674
Total liabilities		539,636	564,636

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

1-2 Revenue

	2015 $'000	2014 $'000
Revenue from the provision of services	485,099	430,304
Income from structured products	10,109	12,405
Dividends	88	789
Interest and unit trust distribution	9,946	6,572
Revenue from continuing operations	505,242	450,070
Net gain on sale of investments	5,522	5,520
Gain on sale of business	113	-
	510,877	455,590

Accounting policies

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

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

Income from structured products
Income represents fees earned on managing the Exact Market Cash Funds. Refer to section 5-1 for further details.

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

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

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

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

1-3 Expenses

	2015 $'000	2014 $'000
Staff related expenses excluding equity remuneration expense	177,057	176,387
Occupancy expenses	19,350	21,667
Administrative and general expenses	103,595	104,848
Distributions and expenses relating to structured products	7,936	9,450
Equity remuneration expense	10,383	14,647
Depreciation and amortisation expense	14,881	12,471
Impairment of assets	63	308
(Gain)/loss on sale of property, plant and equipment	(15)	403
	333,250	340,181

Accounting policies

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

1-4 Income taxes

	2015 $'000	2014 $'000
Current tax expense		
Current year	49,707	29,603
Adjustment for prior years	(26)	(438)
Research and development tax incentives from prior years	(411)	(1,262)
Total current tax expense	49,270	27,903
Deferred tax expense		
Temporary differences	1,082	6,398
Total income tax expense	50,352	34,301
Continuing operations	50,352	33,455
Discontinued operation	-	846
Total income tax expense	50,352	34,301
Reconciliation of effective tax rate		
Profit before tax for the year from continuing operations	174,155	112,778
Profit before tax from discontinued operations	-	3,882
Profit before tax	174,155	116,660
Prima facie income tax expense calculated at 30% (2014: 30%) on profit for the year	52,247	34,998
– Accounting gains on disposal of investment and businesses	(1,689)	(1,944)
– Accounting impairment on assets	19	92
– Acquisition/disposal costs	-	1,220
– Prior year adjustments	(436)	(1,700)
– Other non-deductible expenses and tax credits	211	1,635
Total	50,352	34,301

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

The total tax benefits of realised capital losses are $34,992,000 (30 June 2014: $34,466,000), comprising $2,392,000 (30 June 2014: $2,511,000) recognised in deferred tax assets and $32,600,000 (30 June 2014: $31,955,000) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior year and are available to be utilised by the Australian income tax consolidated group in future years.

Notes to and forming part of the financial statements for the year ended 30 June 2015

1-4 Income taxes (continued)

Movement in deferred tax balances

2015	Balance 1 July 2014[1] $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquired in business combinations $'000	Balance 30 June 2015 $'000
Deferred tax assets					
Provisions and accruals	10,653	(1,168)	-	-	9,485
Capital expenditure deductible over five years	2,449	(884)	-	-	1,565
Structured products - interest received in advance	861	(861)	-	-	-
Employee benefits	15,914	171	-	-	16,085
Property, plant and equipment	737	(474)	-	-	263
Realised net capital losses	2,511	(119)	-	-	2,392
Unrealised net capital losses	99	(4)	(95)	-	-
Other items	558	(123)	-	-	435
Deferred tax assets from continuing operations	33,782	(3,462)	(95)	-	30,225
Deferred tax liabilities					
Intangible assets	(17,973)	2,020	-	-	(15,953)
Unrealised net capital gains	(2,407)	1	(1,228)	-	(3,634)
Other items	(363)	359	-	-	(4)
	(20,743)	2,380	(1,228)	-	(19,591)
Net deferred tax assets	13,039	(1,082)	(1,323)	-	10,634

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

2014	Balance 1 July 2013 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquired in business combinations $'000	Balance 30 June 2014[1] $'000
Deferred tax assets					
Provisions and accruals	9,312	(8,152)	-	9,493	10,653
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)	9,493	33,782
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)	(2,121)	13,039

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

Notes to and forming part of the financial statements for the year ended 30 June 2015

1-4 Income taxes (continued)

Accounting policies

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

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

Deferred tax assets and liabilities are 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.

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

	2015	2014

1-5 Earnings per share

	Cents per share	
Basic earnings per share	273.7	196.2
Diluted earnings per share	265.3	186.4
	\$'000	**\$'000**
Net profit after tax from continuing operations attributable to equity holders of Perpetual Limited	122,484	78,582
Net profit after tax from discontinued operations	-	3,036
Net profit after tax attributable to equity holders of Perpetual Limited	122,484	81,618
	Number of shares	
Weighted average number of ordinary shares (basic)	44,759,022	41,607,140
Effect of dilutive potential ordinary shares (including those subject to performance rights)	1,408,072	2,176,770
Weighted average number of ordinary shares (diluted)	46,167,094	43,783,910

Accounting policies

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

1-6 Dividends

	Cents per share	Total amount $'000	Franked / Unfranked	Date of payment
2015				
Final 2014 ordinary	95	44,246	Franked	3 Oct 2014
Interim 2015 ordinary	115	53,560	Franked	27 Mar 2015
Total amount	210	97,806		
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		

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

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

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

	Cents per share	Total amount[1] $'000	Franked / Unfranked	Date of payment
Final 2015 ordinary	125	58,218	Franked	25 Sept 15

[1]Calculation based on the ordinary shares on issue as at 30 June 2015.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015 and will be recognised in subsequent financial reports.

Dividend franking account	**2015 $'000**	**2014 $'000**
Amount of franking credits available to shareholders for subsequent financial years	46,488	40,534

The above available amounts are based on the balance of the dividend franking account at 30 June 2015 adjusted for franking credits that will arise from the payment of the current tax liabilities, and franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date, but not recognised as a liability, is to reduce it to $21,537,000 (2014: $21,571,000).

Accounting policies

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

	2015 $'000	2014 $'000
1-7 Net cash from operating activities		
Reconciliation of profit for the year to net cash from operating activities		
Profit for the year	122,484	81,618
Items classified as investing/financing activities:		
Profit on sale of investments	(5,522)	(5,520)
Reinvestment of dividends and unit distributions	(9,640)	(1,039)
Working capital acquired from business combination	-	21,511
Leave liabilities acquired from business combination	-	(3,448)
Deferred tax recognised on intangibles acquired	-	(11,614)
Fair value adjustment to identifiable net assets from finalisation of purchase price allocation	9,548	-
Gain from sale of business	(113)	(1,020)
(Gain)/loss on sale of property, plant and equipment	(15)	403
Non-cash items:		
Depreciation and amortisation	14,881	12,471
Equity remuneration expense	10,983	14,647
Transfer to foreign currency translation reserve	36	66
Mark to market movements on available-for-sale including minority interest	(793)	(4,924)
Impairment of available-for-sale securities	63	308
(Increase)/decrease in assets		
Receivables	(5,937)	(23,017)
Prepayments	(1,372)	(8,591)
Net structured products assets	(1,931)	(5,445)
Deferred tax assets	3,557	754
Assets held for sale	1,119	(316)
Cash flow hedge reserve	221	177
Increase/(decrease) in liabilities		
Payables	(5,848)	5,224
Provisions	(14,405)	(639)
Derivative liabilities	(191)	(232)
Liabilities held for sale	(111)	111
Current tax liabilities	12,796	1,387
Deferred tax liabilities	(1,152)	12,672
Employee benefits	573	9,108
Net cash from operating activities	129,231	94,652

Section 2 Operating assets and liabilities

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

2-1 Business combinations

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

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

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

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 $44.9481 which was based on the 10 trading days up to the scheme meeting on 27 November 2013.

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

During the current year, in accordance with *AASB 3 Business Combinations,* the Company completed its purchase price allocation as follows:

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

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

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

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

2-1 Business combinations (continued)

Accounting policies

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.

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.

	2015 $'000	2014[1] $'000
2-2 Receivables		
Current		
Trade receivables	85,065	82,082
Less : Provision for doubtful debts	(1,382)	(1,591)
	83,683	80,491
Other receivables	7,752	5,007
	91,435	85,498

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

2-2 Receivables (continued)

	2015 $'000	2014 $'000
Movements in the provision for doubtful debts are as follows:		
Balance as at beginning of the year	1,591	573
Balance acquired as part of business combinations	-	964
Provision for impairment recognised during the year	-	572
Receivables written off during the year as uncollectible	(209)	(50)
Reclassified to assets held for sale	-	(104)
Unused amount reversed	-	(364)
Balance as at end of the year	1,382	1,591

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

Accounting policies

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

	2015 $'000	2014 $'000

2-3 Other financial assets

	2015 $'000	2014 $'000
Non-current		
Listed equity securities available-for-sale – at fair value	2,014	32,457
Unlisted unit trusts available-for-sale – at fair value	49,617	12,419
Other	411	379
	52,042	45,255

Accounting policies

Available-for-sale financial assets
The consolidated entity’s investments in equity securities and unlisted unit trusts are classified as available-for-sale financial assets. Refer to section 6-3(iv).

2-4 Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Project work in progress $'000	Total $'000
Year ended 30 June 2015				
Cost	8,332	31,301	583	40,216
Accumulated depreciation	(5,563)	(19,305)	-	(24,868)
Carrying amount	2,769	11,996	583	15,348
Movement				
Balance as at 1 July 2014	3,436	12,234	-	15,670
Additions	358	123	2,894	3,375
Transfers from work in progress	-	2,311	(2,311)	-
Depreciation	(1,002)	(2,672)	-	(3,674)
Disposals	(23)	-	-	(23)
Balance as at 30 June 2015	2,769	11,996	583	15,348

Accounting policies

Recognition and measurement

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

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

Project work in progress

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

Depreciation

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

- plant and equipment: 4 - 10 years
- leasehold improvements: 3 - 15 years.

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

2-5 Intangibles

$'000	Goodwill	Intangible assets				
		Customer contracts	Capitalised software	Project work in progress	Other	Total
Year ended 30 June 2015						
At cost	267,031	53,700	40,571	9,970	1,576	372,848
Accumulated amortisation	-	(16,311)	(22,205)	-	(1,576)	(40,092)
Carrying amount	267,031	37,389	18,366	9,970	-	332,756
Balance at 1 July 2014[1]	267,031	43,357	18,433	2,645	60	331,526
Additions	-	-	43	12,394	-	12,437
Transfers	-	-	5,069	(5,069)	-	-
Amortisation expense	-	(5,968)	(5,179)	-	(60)	(11,207)
Disposals	-	-	-	-	-	-
Balance as at 30 June 2015	267,031	37,389	18,366	9,970	-	332,756
Year ended 30 June 2014[1]						
At cost	267,031	53,700	35,459	2,645	1,576	360,411
Accumulated amortisation	-	(10,343)	(17,026)	-	(1,516)	(28,885)
Carrying amount	267,031	43,357	18,433	2,645	60	331,526
Balance at 1 July 2013	97,308	10,124	20,625	958	252	129,267
Business combinations[1]	169,723	37,900	-	-	-	207,623
Additions	-	-	115	4,175	-	4,290
Transfers	-	-	2,374	(2,374)	-	-
Amortisation expense	-	(4,156)	(4,681)	-	(192)	(9,029)
Reclassification to assets held for sale	-	(511)	-	-	-	(511)
Disposals	-	-	-	(114)	-	(114)
Balance as at 30 June 2014[1]	267,031	43,357	18,433	2,645	60	331,526

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

2-5 Intangibles (continued)

	2015 $'000	2014[1] $'000
Impairment tests for cash-generating units containing goodwill		
The following cash-generating units have significant carrying amounts of goodwill:		
Perpetual Private	136,562	136,562
Perpetual Corporate Trust	126,973	126,973
Australian Equities	3,496	3,496
	267,031	267,031

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

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 11.9% and 13.4% (2014: discount rates of between 12.2% and 13.7%). 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 2016-2018 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%.

For the estimated recoverable amount to be equal to the carrying amount, the discount rate would have to increase from 11.9% to 21.7% (2014: 12.2% to 20.3%).

Accounting policies

Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets (refer to section 2-1).

Goodwill represents the excess of acquisition cost over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually. When impaired, goodwill is carried at cost less accumulated impairment losses (refer to section 6-3(iv)).

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

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

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

- capitalised software: 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.

2-5 Intangibles (continued)

Accounting policies (continued)

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

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

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

2-6 Provisions

	2015 $'000	2014[1] $'000
Current		
Insurance and legal provision	3,791	15,739
Operational process review provision	1,041	807
Lease expense provision	1,187	1,423
	6,019	17,969
Non-current		
Insurance and legal provision	-	800
Lease expense provision	17,273	18,928
	17,273	19,728

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

$'000	Carrying amount at 1 July 2014[1]	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2015
Insurance and legal provision	16,539	398	(1,096)	(12,050)	3,791
Operational process review provision	807	1,216	(607)	(375)	1,041
Lease expense provision	20,351	12,239	-	(14,130)	18,460
Total provision	37,697	13,853	(1,703)	(26,555)	23,292

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

Notes to and forming part of the financial statements for the year ended 30 June 2015

2-6 Provisions (continued)

Accounting policies

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

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

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

Insurance
Provision for 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.

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

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

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

2-7 Employee benefits

	2015		2014	
$'000	**Current**	**Non-current**	**Current**	**Non-current**
Provision for annual leave	5,431	-	5,220	-
Provision for long service leave	4,450	2,940	4,324	2,954
Other employee benefits[1]	35,472	2,093	31,740	659
Restructuring provision	3,231	-	8,147	-
	48,584	5,033	49,431	3,613

[1] Includes short-term incentives and deferred STI.

The non-current portion of the long service leave provision has been discounted using a rate of 3.3 per cent (2014: 3.9 per cent) which is based on the 10 year corporate bond rate.

The number of full time equivalent employees at 30 June 2015 was 866 (2014: 972).

	Carrying amount at 1 July 2014 $'000	Additional provision made $'000	Unused amounts reversed $'000	Payments made $'000	Carrying amount at 30 June 2015 $'000
Provision for restructure	8,147	617	(160)	(5,373)	3,231

2-7 Employee benefits (continued)

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.

Accounting policies

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

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

Section 3 Capital management and financing

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

	2015 $'000	2014 $'000

3-1 Cash and cash equivalents

	2015 $'000	2014 $'000
Bank balances	238,146	246,901
Deposits at call	4,334	6,508
Short-term deposits	46,876	29,176
	289,356	282,585

Deposits at call are investments in a cash management trust operated by the consolidated entity. Included within 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 Group Policy - Treasury, the consolidated entity mainly holds cash and cash equivalents to support its regulatory capital requirements of $176.7 million as at 30 June 2015 ($221.3 million as at 30 June 2014).

	2015 $'000	2014 $'000

3-2 Borrowings

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

	2015 $'000	2014 $'000
Total facility used	87,000	87,000
Facility unused	43,000	43,000
Total facility	130,000	130,000

The $43 million unused bank facility may be drawn at any time at the discretion of the consolidated entity. The floating rate bank bill facility is unsecured and had a floating interest rate of 3.46 per cent at 30 June 2015, inclusive of the undrawn line fee (30 June 2014: 4.49 per cent). Repayment of the existing facility of $87 million is due on 31 October 2016.

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 2015. Should the consolidated entity not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

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

3-2 Borrowings (continued)

Accounting policies

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

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

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

	2015 $'000	2014 $'000
3-3 Contributed equity		
Fully paid ordinary shares 46,574,426 (2014: 46,574,426)	551,926	555,296
Treasury shares 1,477,623 (2014: 2,527,457)	(70,038)	(94,489)
	481,888	460,807

	2015		2014	
	Number of shares	$'000	Number of shares	$'000
Movements in share capital				
Balance at beginning of year	44,046,969	460,807	38,778,390	239,801
Shares issued:				
- Issue of ordinary shares	-	-	4,593,748	203,040
- Movement on treasury shares	1,049,834	21,081	674,831	17,966
Balance at end of year	45,096,803	481,888	44,046,969	460,807

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.

Accounting policies

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

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

	2015 $'000	2014 $'000
3-4 Reserves		
General	103	103
Available-for-sale reserve	8,478	5,615
Foreign currency translation reserve	36	-
Cash flow hedge reserve	-	(221)
	8,617	5,497
Equity compensation reserve	14,865	26,766
	23,482	32,263

Accounting policies

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

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

	2015 $'000	2014 $'000
3-5 Commitments and contingencies		
(a) Commitments		
Capital expenditure commitments		
Contracted but not provided for and payable within one year	3,842	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 one year	14,755	17,775
Later than one year and not later than five years	52,731	54,179
Later than five years	52,105	62,869
	119,591	134,823

Accounting policies

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

The difference between the cash amount paid and the amount recognised as an expense is recognised as a lease provision (refer to section 2-6). The provision is expected to be realised over the term of the underlying leases.

	2015 $'000	2014 $'000

3-5 Commitments and contingencies (continued)

(b) Contingencies

Contingent liabilities

	2015 $'000	2014 $'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	10,000
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,796	1,602
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	1,581	2,621
	14,377	45,223

[1] The $25.0 million in FY14 related to The Trust Company Limited (TrustCo) 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 these EUs have been 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 December 2012, a class action commenced for damages against The Trust Company (Nominees) Limited (TrustCo) in its capacity as trustee for the debentures issued by Banksia Securities Limited (Banksia) and other defendants including Banksia Securities Limited, Cherry Fund Limited, RSD Chartered Accountants and the directors of both Banksia Securities Limited and Cherry Fund Limited. Liquidator’s proceedings commenced in May 2015 against TrustCo. TrustCo is strongly defending the actions.

Australian Capital Reserve (ACR)
In May 2013, a claim for damages was lodged by debenture holders of ACR against The Trust Company (Nominees) Limited (TrustCo) in its capacity as trustee for the debentures issued by ACR. TrustCo is strongly defending the action.

Accounting policies

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

Section 4 Risk management

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

4-1 Financial risk management

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

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

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

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

i. Credit risk

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

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

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

	2015 $'000	2014[1] $'000
Cash and cash equivalents	289,356	282,585
Trade receivables	83,683	80,491
Structured products - receivable from investors	-	37,864
Other receivables and other financial assets	8,163	5,386
Available-for-sale listed equity securities and unlisted unit trusts	51,631	44,876

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

Notes to and forming part of the financial statements for the year ended 30 June 2015

4-1 Financial risk management (continued)

i. Credit risk (continued)

Credit risk is managed on a functional basis across the various business segments. As a result of the swap agreements between the EMCF and the consolidated entity, the consolidated entity is also exposed to credit risk on its exposure to the $295 million (2014: $272 million) of underlying investments held by the EMCF.

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

(a) Structured products – Perpetual Protected Investments loans

The Perpetual Protected Investments (PPI) structured products were terminated during the year and the loans receivable from investors were repaid. A provision was recognised for any outstanding receivable. As such, there is no longer any credit risk associated with this product.

(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 receivables is influenced mainly by the individual characteristic of each customer.

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

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

The consolidated entity held cash and cash equivalents of $289 million at 30 June 2015 (2014: $283 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated "A" or higher, based on Standard & Poor's rating.

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

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

	30 June 2015					30 June 2014				
	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000
Trade and other receivables	2,351	766	936	5,425	9,478	757	684	395	3,613	5,449
	2,351	766	936	5,425	9,478	757	684	395	3,613	5,449

4-1 Financial risk management (continued)

i. Credit risk (continued)

(c) Other financial assets (continued)

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

	2015 $'000	2014 $'000
Trade receivables	1,382	1,591
Structured products - loans receivable	3,142	3,423
	4,524	5,014

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. The structured products - loan receivable balance represents a provision for all outstanding receivables from investors in respect of PPI loans (refer to section 5-1 for further information).

ii. Liquidity risk

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

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

At 30 June 2015, total base capital requirements were $196 million ($177 million for operational risk, $13 million for credit risk and $6 million for market risk), compared to $334 million of available liquid funds.

The $177 million operational risk requirement supports regulatory capital which is mainly held in cash and cash equivalents as referred to in section 3-1.

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

The repayment of the existing utilised facility of $87 million is due on 31 October 2016 (refer to section 3-2 for further information).

Notes to and forming part of the financial statements for the year ended 30 June 2015

4-1 Financial risk management (continued)

ii. Liquidity risk (continued)

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 2015			30 June 2014[1]		
	Less than 1 year $'000	1 to 5 years $'000	Total $'000	Less than 1 year $'000	1 to 5 years $'000	Total $'000
Liabilities						
Payables	37,167	-	37,167	43,015	-	43,015
Borrowings	-	87,000	87,000	-	87,000	87,000
Structured products - interest-bearing liabilities	-	-	-	37,117	-	37,117
	37,167	87,000	124,167	80,132	87,000	167,132
Derivatives						
Net settled - Swap contracts	-	-	-	9	-	9
Gross settled - other derivatives						
- outflow	-	-	-	809	-	809
- (inflow)	-	-	-	(693)	-	(693)
	-	-	-	125	-	125

[1]Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

There are no financial liabilities maturing in more than five years as at 30 June 2015 (2014: $nil).

iii. Market risk

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

The consolidated entity is subject to the following market risks:

(a) Currency risk
The exposure to currency risk arises when financial instruments are denominated in a currency that is not the functional currency of the entity and are of a monetary nature. 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, borrowings and payables are denominated in Australian dollars. The consolidated entity was exposed to currency risk relating to the Singapore operations. The exposure to currency risk arising from this operation is immaterial.

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

4-1 Financial risk management (continued)

iii. Market risk (continued)

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

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

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

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
At 30 June 2015				
Financial assets				
Cash and cash equivalents	263,156	26,200	-	289,356
Receivables	1,310	-	90,125	91,435
Other financial assets	-	2	52,040	52,042
	264,466	26,202	142,165	432,833
Financial liabilities				
Payables	-	-	37,167	37,167
Borrowings	87,000	-	-	87,000
	87,000	-	37,167	124,167
At 30 June 2014[1]				
Financial assets				
Cash and cash equivalents	257,585	25,000	-	282,585
Receivables	1,341	-	84,157	85,498
Other financial assets	-	2	45,253	45,255
Structured products – receivable from investors	3,585	34,279	-	37,864
	262,511	59,281	129,410	451,202
Financial liabilities				
Payables	-	-	43,015	43,015
Borrowings	87,000	-	-	87,000
Structured products – interest-bearing liabilities	23,453	13,664	-	37,117
Effect of interest rate swaps	(18,021)	18,021	-	-
	92,432	31,685	43,015	167,132

[1] Prior year comparatives have been restated to reflect the fair value adjustments to the purchase price allocation of TrustCo during the measurement year (refer to section 2-1).

4-1 Financial risk management (continued)

iii. Market risk (continued)

(b) Interest rate risk (continued)

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

	30 June 2015		30 June 2014	
	Impact on net profit after tax $'000	Impact on equity $'000	Impact on net profit after tax $'000	Impact on equity $'000
+/- 1 per cent	1,251/(1,251)	1,251/(1,251)	1,191/(1,191)	1,344/(1,344)

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

(c) Market risks arising from Funds Under Management and Funds Under Advice
The consolidated entity’s revenue is significantly dependent on Funds Under Management (FUM) and Funds Under Advice (FUA) which are influenced by equity market movements. Management calculates the expected impact on revenue for each 1 per cent movement in the ASX All Ordinaries Index. Based on the level of this index at the end of 30 June 2015 (5,451.20), 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.

(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 - Risk and Internal Audit.

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

4-1 Financial risk management (continued)

iii. Market risk (continued)

(d) Market risks arising from incubation funds (continued)
The incubation funds may be exposed to currency risk and interest rate risk. Their investment managers may enter into derivative contracts (such as forwards, swaps, options and futures) through approved counterparties to 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 Exact Market Cash Funds (EMCF). The funds were 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 section 5-1.

iv. Fair value

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value, by valuation method, at 30 June 2015. 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 2015				
Financial assets				
Available-for-sale listed equity securities	2,014	-	-	2,014
Available-for-sale unlisted unit trusts	-	49,617	-	49,617
Structured products - EMCF assets	-	294,882	-	294,882
	2,014	344,499	-	346,513

	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	-	271,825	-	271,825
	32,457	284,244	-	316,701
Financial liabilities				
Swap contracts	-	34	-	34
Derivative financial instruments - forward exchange	-	(1)	-	(1)
Derivative financial instruments	-	158	-	158
	-	191	-	191

4-1 Financial risk management (continued)

iv. Fair value (continued)

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The estimates of fair value where valuation techniques are applied are subjective and involve the exercise of judgement. Changing one or more of the assumptions applied in valuation techniques to reasonably possible alternative assumptions may impact on the amounts disclosed.

The carrying amount of financial assets and financial liabilities, less any impairment, approximates their fair value, except for those outlined in the table below, which are stated at amortised cost.

	2015		2014	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Structured products – EMCF liabilities	291,478	294,882	268,345	271,825
Structured products – receivable from investors	-	-	37,864	37,478
Structured products – interest-bearing liabilities	-	-	37,117	37,114

v. Capital risk management

A Capital Management Review is carried out on a semi-annual basis and is submitted to the Board for review and approval. The Group Policy – Treasury ensures that the level of financial conservatism is appropriate for the Company's businesses including acting as custodian and manager of clients' assets and operation as a trustee company. This policy also aims to provide business stability and accommodate the growth needs of the consolidated entity. This policy comprises three parts:

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

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

(c) Gearing policy
The current gearing policy aims to target an investment grade credit rating by maintaining a corporate debt to capital ratio (corporate debt / (corporate debt + equity) of 30% or less and EBITDA interest cover (EBITDA / interest expense) of more than 10 times. Based on the corporate debt of $87.0 million, the gearing ratio is 13.0% as at 30 June 2015 (2014: 13.5%) and well within the stated gearing policy. The EBIT interest cover ratio for the consolidated entity as at 30 June 2015 was 51 times (2014: 44 times).

4-1 Financial risk management (continued)

Accounting policies

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

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

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

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

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

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

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

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

4-1 Financial risk management (continued)

Accounting policies (continued)

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

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

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

Section 5 Other disclosures

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

	2015 $'000	2014 $'000
5-1 Structured products assets and liabilities		
i. Exact Market Cash Funds		
Current assets		
Perpetual Exact Market Cash Fund	189,627	165,749
Perpetual Exact Market Cash Fund No. 2	105,255	106,076
	294,882	271,825
Current liabilities		
Perpetual Exact Market Cash Fund	186,629	162,933
Perpetual Exact Market Cash Fund No. 2	104,849	105,412
	291,478	268,345

The Exact Market Cash Funds' current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds' investors under the swap agreement and reflect the net assets of the funds for unit pricing purposes. The difference between the current assets and current liabilities balance has been recorded in equity in the available-for-sale-reserve.

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

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

The Perpetual Exact Market Cash Fund No. 2 (EMCF 2) was established to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. The investments held by EMCF 2 are recorded at fair value within the fund and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of $1.5 million (30 June 2014: $2.5 million) to be called upon in the event that Perpetual does not meet its obligations.

The EMCF 1 product invests predominantly in the Perpetual Premium Treasury Fund and Perpetual 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 the above risks by using prudent investment guidelines and investment processes. The investment manager explicitly targets low volatility and aims to achieve this through a quality-screening process that is designed to assess the likelihood of default and difficult trading patterns during periods of rapid systematic risk reduction.

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

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

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

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

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

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

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

30 June 2015	**AAA to AA- $'000**	**A+ to A- $'000**	**BBB+ to BBB- $'000**	**Total $'000**
Corporate bonds	68,878	89,757	5,209	163,844
Mortgage and asset backed securities	118,325	-	-	118,325
Cash	13,331	16	-	13,347
	200,534	89,773	5,209	295,516

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

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

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

	2015 $'000	2014 $'000
1 per cent increase	2,955	2,725
1 per cent decrease	(2,955)	(2,725)

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.

Accounting policies

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

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

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

ii. Perpetual Protected Investments

The Perpetual Protected Investments structured product series (the PPI product) was terminated during the year. PPI Series 1 terminated on 31 May 2014. PPI Series 2 and 3 terminated in May 2015 and June 2015 respectively. A provision has been recognised for all outstanding receivables from investors as at 30 June 2015.

5-1 Structured products assets and liabilities (continued)

ii. Perpetual Protected Investments (continued)

Structured products – loans receivable at reporting date consists of the following:

	2015 $'000	2014 $'000
Current		
Structured products – receivable from investors	3,142	41,297
Less : Loan establishment fees	-	(10)
	3,142	41,287
Less : Provision for credit losses	(3,142)	(3,423)
	-	37,864

Movements in the provision for credit losses are as follows:

	2015 $'000	2014 $'000
Balance as at 1 July	3,423	3,298
Provision utilised during the year	(281)	(376)
Provision for credit losses recognised during the year	-	501
Balance as at 30 June	3,142	3,423

Investment and interest loans made to investors were funded by fixed and variable interest rate banking facilities. As a result of the termination of PPI Series 2 and 3 during the year, all outstanding bank facilities were repaid. Therefore total bank facilities available and utilised as at 30 June 2015 was $nil (2014: $37.1 million).

Furthermore, all interest rate swaps used to hedge the consolidated entity's exposure to fluctuations in interest rates have been settled as at 30 June 2015.

The fair value of interest rate swap contracts outstanding as at reporting date and period of expiry are as follows:

	2015		2014	
	Fair value $'000	Notional amount $'000	Fair value $'000	Notional amount $'000
Less than 1 year	-	-	(158)	18,021

	2015 $'000	2014 $'000

5-2 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2015 the parent entity of the consolidated entity was Perpetual Limited.

	2015 $'000	2014 $'000
Result of the parent entity		
Profit for the year	144,728	75,015
Other comprehensive income/(expense)	4,586	(2,046)
Total comprehensive income for the year	**149,314**	**72,969**
Financial position of the parent entity at year end		
Current assets	208,995	159,919
Total assets	**858,191**	**795,193**
Current liabilities	236,469	238,726
Total liabilities	**259,986**	**259,611**
Total equity of the parent entity comprising:		
Share capital	481,888	460,807
Reserves	22,089	29,414
Retained earnings	94,228	45,361
Total equity	**598,205**	**535,582**

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.

	2015 $'000	2014 $'000
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.

5-2 Parent entity disclosures (continued)

	2015 $'000	2014 $'000
Operating lease commitments		
At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows.		
Not later than one year	7,425	9,611
Later than one year and not later than five years	32,837	31,765
Later than five years	49,710	58,453
	89,972	99,829

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 (2014: $130,000,000).
- Guarantees to secure lending associated with structured products amounting to $nil (2014: $6,571,000).

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-3 Controlled entities

Name of company	Beneficial interest 2015 %	Beneficial interest 2014 %	Country of incorporation and principal place of business
Perpetual Limited			
Controlled Entities [1]			
Australian Trustees Limited	100	100	Australia
Commonwealth Trustees Pty. Ltd. [2]	100	100	Australia
Financial Pursuit Pty Ltd [9]	-	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	100	100	Australia
Perpetual Assets Pty. Ltd. [2]	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 [2]	100	100	Australia
Perpetual Nominees Limited	100	100	Australia
Perpetual Services Pty Limited [2]	100	100	Australia
Perpetual Superannuation Limited [4]	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 [10]	-	100	Australia
Perpetual Trustees Victoria Limited	100	100	Australia
Perpetual Trustees W.A. Ltd	100	100	Australia
Queensland Trustees Pty. Ltd.	100	100	Australia
Perpetual Resource Fund [7]	**-**	70	Australia
Perpetual Capital Accumulation Portfolio	100	100	Australia
Perpetual Global Share Fund [12]	7	100	Australia
Perpetual Wholesale Dynamic Fixed Income Fund [6]	10	42	Australia
Perpetual Exact Market Cash Fund	100	100	Australia
Perpetual Exact Market Cash Fund No. 2	100	100	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-3 Controlled entities (continued)

Name of company	Beneficial interest 2015 %	2014 %	Country of incorporation and principal place of business
Entities under the control of Fordham Business Advisors Pty Ltd[2]			
Fordham Investment Management Pty Ltd[9]	-	100	Australia
Garnet Investment Management Pty Ltd[2,11]	100	100	Australia
Garnet Superannuation Pty. Ltd.[9]	-	100	Australia
Entities under the control of Grosvenor Financial Services Pty Limited[2]			
Perpetual Tax & Accounting Pty Ltd[2]	100	100	Australia
Entities under the control of Perpetual Assets Pty Limited[2]			
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			
Perpetrust Nominees Proprietary Limited[2]	100	100	Australia
Entities under the control of Perpetual Acquisition Company Limited			
The Trust Company Limited[5]	100	100	Australia
Entities under the control of The Trust Company Limited			
Henty Real Estate (NSW) Proprietary Limited[10]	-	100	Australia
Henty Real Estate (QLD.) Pty. Ltd.[10]	-	100	Australia
The Trust Company (Asia Holdings) Pte. Ltd.	100	100	Singapore
The Trust Company (Australia) Limited	100	100	Australia
The Trust Company (FCNL) Pty Limited	100	100	Australia
The Trust Company (Real Estate) Pty Limited[2]	100	100	Australia
The Trust Company (Superannuation) Limited[8]	-	100	Australia
The Trust Company (UTCCL) Limited	100	100	Australia
Trust Company (Hong Kong) Limited	100	100	Hong Kong
Trust Company Responsible Entity Services Limited[10]	-	100	Australia
Entities under the control of The Trust Company (Australia) Limited			
The Trust Company (Nominees) Limited	100	100	Australia
The Trust Company (PTAL) Limited	100	100	Australia
The Trust Company (PTCCL) Limited	100	100	Australia
The Trust Company (RE Services) Limited	100	100	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-3 Controlled entities (continued)

Name of company	Beneficial interest 2015 %	Beneficial interest 2014 %	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	100	100	Singapore
Entities under the control of The Trust Company (RE Services) Limited			
Banano Pty Ltd[2,11]	100	100	Australia
The Trust Company (Sydney Airport) Limited	100	100	Australia
GPTA - 750 Collins Street Pty Limited[2,11]	100	100	Australia
Entities under the control of The Trust Company (Nominees) Limited			
The Trust Company (Legal Services) Pty Limited[2]	49	49	Australia
Associates			
Loan RQ Pty Ltd[3]	28	45	Australia

[1] Entities in bold are directly owned by Perpetual Limited.
[2] A small proprietary company as defined by the *Corporations Act 2001* and is not required to be audited for statutory purposes.
[3] In August 2012, Perpetual Limited entered into a joint venture agreement and held 45% of Loan RQ Pty. Ltd. (previously Marq Services Management Pty. Ltd.) A restructure of this venture was finalised during the year which resulted in a change in Perpetual's interest from 45% to 28.1%. The remaining 77.9% is shared between Oliver Wyman (19%), Marenfall (21.45%), Pepper (21.45%) and Sophisticated Investors (10%). The carrying amount of this investment is $nil (2014: $nil).

[4] Perpetual holds 75% of Perpetual Superannuation Limited's share capital directly. The remaining 25% is held by Perpetual Asset Management Limited, a 100% wholly owned subsidiary of Perpetual Limited.

[5] The Trust Company Limited and its controlled entities were acquired by Perpetual Acquisition Company Limited on 18 December 2013.

[6] This fund was divested on 31 August 2015. In 2014, Perpetual Wholesale Dynamic Fixed Income Fund met the IFRS 10 definition of control despite only 42% ownership. This was due to three factors: 1) Perpetual had full decision making authority over the fund; 2) No third party had the ability to remove Perpetual as fund manager; and 3) Perpetual was exposed to variable returns.
[7] Perpetual Resource Fund was divested on 12 August 2014 and is not consolidated at 30 June 2015.

[8] The Trust Company (Superannuation) Limited was sold on 1 September 2014.

[9] Financial Pursuit Pty Ltd, Fordham Investment Management Pty Ltd and Garnet Superannuation Pty. Ltd. were deregistered on 20 April 2015.
[10] Perpetual Trustees S.A. Limited, Henty Real Estate (NSW) Proprietary Limited, Henty Real Estate (QLD.) Pty. Ltd. and Trust Company Responsible Entity Services Limited were deregistered on 27 April 2015.
[11] Garnet Investment Management Pty Ltd, Banano Pty Ltd and GPTA - 750 Collins Street Pty Limited were deregistered on 15 July 2015.

[12] Perpetual Global Share Fund (formerly known as Perpetual Pure Value 2 Fund) was divested on 31 July 2014 and is not consolidated at 30 June 2015.

5-4 Unconsolidated structured entities

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

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

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

Investment funds - Company managed	**Carrying amount $'000**	**Maximum exposure to loss[1] $'000**
Year ended 30 June 2015		
Statement of Financial Position line item		
Cash and cash equivalents	8,510	8,510
Other financial assets - non-current	49,482	40,939
	57,992	49,449
Year ended 30 June 2014		
Statement of Financial Position line item		
Cash and cash equivalents	10,684	10,684
Other financial assets - non-current	6,081	5,567
	16,765	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.

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 section 1-2.

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-5 Non-controlling interest

The following table summarises the information relating to each subsidiary of the consolidated entity that has a material non-controlling interest (NCI), before any intra-group eliminations.

Consolidated entity	**Perpetual Resource Fund**		**Perpetual Wholesale Dynamic Fixed Income Fund**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
NCI percentage	-	29.8%	-	58.1%
Current assets	-	26,746	-	6,325
Current liabilities	-	(16)	-	(2)
Net assets	**-**	**26,730**	**-**	**6,323**
Carrying amount of NCI	-	7,958	-	3,674
Revenue	2,956	549	121	122
Profit	2,581	2,620	(125)	109
Other comprehensive income/(expense) (OCI)	(3,341)	2,127	(42)	(17)
Total comprehensive income	**(760)**	**4,747**	**(167)**	**92**
Profit allocated to NCI	1,440	712	(121)	32
OCI allocated to NCI	(1,255)	861	(12)	(8)
Cash flows from operating activities	(4,343)	1,203	(147)	65
Cash flows from investment activities	2,936	8	2	2
Cash flows from financing activities (dividends to NCI: nil)	-	-	-	-
Net increase in cash and cash equivalents	**(1,407)**	**1,211**	**(145)**	**67**

The Perpetual Resource Fund and the Perpetual Wholesale Dynamic Fixed Income Fund are no longer members of the consolidated entity.

5-6 Share-based payments

i. Employee share purchase and option plans

(a) Long-term Incentive Plan (LTI)

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

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

(b) Tax Exempt Share Plan (TESP)

Under the TESP, eligible employees are able to salary sacrifice up to $1,000 of short-term incentive payments to acquire an equivalent value of Perpetual shares. These shares cannot be sold or transferred until the earlier of three years after the date of allocation or the time the participant ceases to be an employee of Perpetual. Shares will be acquired in ordinary trading on the ASX or issued by Perpetual. Executives are not eligible to participate in this plan.

(c) Tax Deferred Share Plan (TDSP)

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

(d) Employee Share Purchase Plan (ESPP)

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

(e) Non-executive Directors' Share Purchase Plan

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-6 Share-based payments (continued)

i. Employee share purchase and option plans (continued)

(f) Executive Share Plan (ESP)

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

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

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

(g) Deferred Share Plan (DSP)

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

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

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

(h) Details of the movement in employee shares

Of share grants under the DSP, LTI, TESP and TDSP in the 2015 financial year, all shares were reissued from the forfeited share pool at market price. Dividends on employee shares are either received directly by the employees or held in the share plan bank account depending on the likelihood of the shares vesting.

During the year, $10,383,166 (2014: $14,647,020) 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	Opening balance 1 July	Vested shares	Forfeited shares	Granted shares	Closing balance at 30 June
2015	2,527,457	(1,049,186)	(131,592)	130,944	1,477,623
2014	3,202,288	(674,289)	(187,299)	186,757	2,527,457

ii. Performance rights

During the year, the Company granted $7,315,520 (30 June 2014: $7,264,000) performance rights in accordance with the LTI plan.

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

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-6 Share-based payments (continued)

ii. Performance rights (continued)

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

30 June 2015					Movement in number of performance rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2014	Granted	Forfeited	Vested	Outstanding at 30 June 2015
Jul 2012	Jul 2015	Jul 2019	Non-TSR	$20.36	65,441	-	-	-	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	-	(14,023)	(8,096)	117,862
Mar 2014[1]	Feb 2016	Mar 2021	Non-TSR	$34.57	1,446	-	-	-	1,446
July 2014	July 2017	July 2017	Non-TSR	$40.91	-	36,665	(36,665)	-	-
Oct 2014[1]	Oct 2016	Oct 2020	Non-TSR	$34.57	-	1,157	-	-	1,157
Oct 2014	Oct 2017	Oct 2017	TSR	$21.82	-	38,592	-	-	38,592
Oct 2014	Oct 2017	Oct 2017	Non-TSR	$38.00	-	128,855	(3,717)	(754)	124,384
Oct 2014[2]	Feb 2016	Mar 2021	Non-TSR	$34.57	-	925	-	-	925
Mar 2015[1]	Oct 2016	Oct 2020	Non-TSR	$34.57	-	145	-	-	145
					370,635	206,339	(103,488)	(14,160)	459,326

[1] Valuation date 1 October 2013.

[2] Valuation date 1 March 2014.

30 June 2014					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.

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-6 Share-based payments (continued)

ii. Performance rights (continued)

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

	Valuation date 1 Jul 2012	Valuation date 1 Oct 2012	Valuation date 1 Jul 2013	Valuation date 1 Oct 2013	Valuation date 1 Jul 2014	Valuation date 1 Oct 2014
Performance period	3 years	2 - 3 years	3 years	3 years	3 years	3 years
Share price ($)	23.14	26.34	35.70	39.63	47.45	43.84
Dividend yield (%)	4.35	4.2	5.32	4.57	5.07	5.23
Expected volatility (%)	N/A	35	N/A	30	N/A	25
Risk free interest rate (%)	N/A	2.53/2.41	N/A	2.78	N/A	2.63

Accounting policies

Employee share purchase and option plans

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

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

Deferred staff incentives

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

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

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

Performance rights

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

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

5-6 Share-based payments (continued)

Accounting policies (continued)

Performance rights (continued)

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

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

5-7 Key management personnel and related parties

Total compensation of key management personnel

	2015 $	2014 $
Short-term	5,932,321	6,242,219
Post-employment	157,133	127,216
Termination benefits	-	-
Share-based	2,927,659	2,140,640
Other long-term	38,061	26,837
Total	9,055,174	8,536,912

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

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

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

	2015 $	2014 $
5-8 Auditor's remuneration		
Audit and review services		
Auditor of the Company - KPMG Australia		
Audit and review of financial statements	611,218	757,974
Other regulatory services	385,206	309,967
Other assurance services	-	89,847
Overseas KPMG firms:		
Audit and review services of other financial statements	26,000	-
Other assurance services	25,500	-
	1,047,924	1,157,788
Audit and review services for non-consolidated managed funds, superannuation funds and DIY superannuation funds:		
Audit and review of managed funds and superannuation funds for which the consolidated entity acts as responsible entity[1]	1,598,962	1,509,355
Audit of DIY superannuation funds for which Perpetual acts as administrator or trustee[1]	764,906	849,582
Audit services in accordance with other regulatory audit services	329,912	394,390
Total audit fee attributable to the audit and review of non-consolidated funds	2,693,780	2,753,327
	3,741,704	3,911,115

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

	2015 $	2014 $
Non-audit services		
KPMG Australia:		
TrustCo acquisition	-	30,000
IT risk and model review	52,500	-
	52,500	30,000

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

5-9 Assets and liabilities held for sale

Sale of The Trust Company (Superannuation) Limited

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 focused on the outsourced superannuation trustee sector. On 1 July 2014, Perpetual agreed to sell this business to Diversa Limited, which owns CCSL Limited, a company that specialises in the provision of trustee services to superannuation and pension funds. The gain on the sale of the business was $113,000 and the transaction settled on 1 September 2014.

5-10 Discontinued operations

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 followed Perpetual's acquisition of The Trust Company Limited (TrustCo), which 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 TrustCo are referred to in section 2-1 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 discontinued operation	
Net cash from operating activities	2,803
Net cash from investing activities	35
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

Notes to and forming part of the financial statements for the year ended 30 June 2015

5-11 Subsequent events

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.

Section 6 Basis of preparation

This section sets out Perpetual's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. This section also shows new accounting standards, amendments and interpretations, and whether they are effective in 2015 or later years. We explain how these changes are expected to impact the financial position and performance of Perpetual.

6-1 Reporting entity

Perpetual Limited ("the Company") is domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2015 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 27 August 2015.

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

The consolidated annual report for the consolidated entity as at and for the year ended 30 June 2015 is available at www.perpetual.com.au.

6-2 Basis of preparation

i. Statement of compliance

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

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

ii. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets 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.

6-2 Basis of preparation (continued)

ii. Basis of preparation (continued)

(a) Judgements

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

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2015 are included in the following notes:

- Section 1-4 Income taxes
- Section 2-1 Business combinations
- Section 2-5 Intangibles
- Section 2-6 Provisions
- Section 2-7 Employee benefits
- Section 3-5 Commitments and contingencies
- Section 5-1 Structured products assets and liabilities
- Section 5-6 Share-based payments

Measurement of fair values

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

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

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

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

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

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

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

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

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

- Section 2-7 Employee benefits
- Section 4-1 Financial risk management
- Section 5-1 Structured products assets and liabilities
- Section 5-6 Share-based payments

6-3 Other significant accounting policies

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

i. Basis of consolidation

(a) Subsidiaries 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.

(b) Transactions eliminated on consolidation

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

ii. Foreign currency

(a) Foreign currency transactions and balances

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

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

(b) Foreign operations

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

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

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

6-3 Other significant accounting policies (continued)

iii. Payables

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

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

iv. Impairment

(a) Financial assets (including receivables)

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

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

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

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 or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

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

6-3 Other significant accounting policies (continued)

iv. Impairment (continued)

(b) Non-financial assets

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

6-4 New standards and interpretations not yet adopted

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

(a) AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in *AASB 139 Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 39.

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

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

(b) AASB 15 Revenue from Contracts with Customers

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

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

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.

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 45 to 106, 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 2015 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 section 6-2(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 2015.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 27th day of August 2015.

Peter 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 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, section 1 to 6 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 section 6-2, 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 2015 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 section 6-2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 40 of the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Martin McGrath
Partner

Sydney

27 August 2015

Securities exchange and investor information

2015 Annual General Meeting

The 2015 Annual General Meeting of the Company will be held at Perpetual's offices, Level 12, 123 Pitt Street, Sydney on 5 November 2015 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

There are no substantial holders in Perpetual Limited as at 31 July 2015.

Distribution schedule of holdings as at 31 July 2015	**Number of holders**	**Number of shares**
1 – 1,000 shares	20,104	7,495,589
1,001 – 5,000 shares	4,769	9,921,188
5,001 – 10,000 shares	438	3,089,251
10,001 – 100,000 shares	284	6,208,261
100,001 and over shares	29	19,860,137
Total	25,624	46,574,426

Twenty largest shareholders as at July 2015

Name	**Number of ordinary shares**	**Percentage of issued capital**
JP Morgan Nominees Australia Limited[1]	4,054,569	8.71%
HSBC Custody Nominees (Australia) Limited[1]	3,877,405	8.33%
Citicorp Nominees Pty Limited[1]	1,940,892	4.17%
National Nominees Limited[1]	1,604,466	3.44%
Milton Corporation Limited	1,359,278	2.92%
Australian Foundation Investment Company Limited	1,031,087	2.21%
BNP Paribas Noms Pty Ltd[1]	784,770	1.68%
Queensland Trustees Pty Ltd (Long Term Incentive Plan)[1,2]	653,074	1.40%
Washington H Soul Pattinson & Co Ltd	529,598	1.14%
Queensland Trustees Pty Ltd (Executive Share Plan)[1,2]	515,943	1.11%
Carlton Hotel Ltd	402,213	0.86%
Enbeear Pty Ltd	368,841	0.79%
Queensland Trustees Pty Ltd (Deferred Share Plan)[1,2]	299,445	0.64%
Argo Investments Limited	238,905	0.51%
UBS Wealth Management Australia Nominees Pty Ltd[1]	231,305	0.50%
Josseck Pty Limited	207,416	0.45%
Citicorp Nominees Pty Limited (CFS Inv. A/c)[1]	203,028	0.44%
BKI Investment Company Limited	179,310	0.38%
J S Millner Holdings Pty Limited	166,300	0.36%
Diversified United Investment Limited	160,000	0.34%
Total	18,807,845	40.38%

[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 1,468,462 shares.

Securities exchange and investor information (continued)

Other information

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

Voting rights

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

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

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

Voting by proxy

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

Shareholders who are unable to attend the 2015 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 125 cents per share will be paid on 25 September 2015 to shareholders entitled to receive dividends and registered on 3 September 2015, being the record date.

Enquiries

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

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

Locked Bag A14
Sydney South NSW 1235

Perpetual Shareholder Information Line:
1300 732 806
Fax: (02) 9287 0303

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