Perpetual Limited ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 12 months ended 30 June 2015

Perpetual

Disclaimer

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for the 12 months ended 30 June 2015 and should also be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report for the financial year ended 30 June 2015 (FY15).The Group's audited consolidated financial statements were subject to independent audit by KPMG.

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

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

Notes

Note that in this review:

- 1H15 refers to the financial reporting period for the six months ended 31 December 2014
- 2H15 refers to the financial reporting period for the six months ended 30 June 2015
- FY15 refers to the financial reporting period for the 12 months ended 30 June 2015
- with similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 12 months ended 30 June 2015 (FY15). It also includes a review of its financial position as at 30 June 2015.

The following information should be read in conjunction with the Group's audited consolidated financial statements and associated notes for FY15.

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

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

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

Operating and Financial Review

For the 12 months ended 30 June 2015

Table of contents

1 Review of Group

1.1 Business model

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

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

1.2 Strategy

Perpetual's vision is to be Australia's largest and most trusted independent wealth manager.

The end of FY15 marked the successful completion of Perpetual's Transformation 2015 (T15) strategy. Following the simplification and refocusing of the business with the T15 strategy, the Group is on a sound footing and is well placed for identifying and capturing growth opportunities. Perpetual's Lead & Grow strategy builds on the foundation of the T15 strategy and critical strategic choices that underpinned T15 – three core businesses forming a scalable business model, sharing central services and a strong brand – are retained beyond 2015.

Lead, Extend, Explore

The Lead & Grow strategy has three key objectives to capture sustainable growth: the primary objective is to 'Lead' in each of the Group's core businesses, to 'Extend' into nearby adjacencies and 'Explore' new markets and new ventures for the Group over the long term.

Perpetual Investments (PI) will seek to maintain its strong leadership position in Australian equities manufacturing and leverage its capabilities to move into logical, adjacent products and strategies. Two new initiatives have already been launched: a global equities fund and a listed investment company. In addition to these, the growth opportunities for PI are to lead in credit strategies and in the multi asset strategies; specifically with the Pure Credit Alpha product and the Diversified Real Return Fund.

Perpetual Private (PP) will maintain its strategic objective to lead in high net worth (HNW) advice to its key client segments of 'business owners', 'established wealthy' and 'professionals'. PP has developed attractive value propositions for each of its three target client segments, will source new prospects through leading referral channels (including developing critical relationships with medical specialists), transform the client experience to improve client advocacy and deepen client relationships to maximise the opportunity to cross-sell products and services.

The primary opportunity for Perpetual Corporate Trust (PCT) is to harness and reinforce the economics of its market leading businesses. Trust Services will enhance its market leading position in the provision of trust, custody and standby services to debt capital and securitisation markets through the provision of value added services via its Data Services capability. Fund Services will continue to leverage its scale in the market and develop more specific initiatives like providing responsible entity services to managed investment schemes.

1.3 Group financial performance

The following table summarises the Group's performance in FY14 and FY15. It should be noted that the Group's performance for FY14 included seven months of The Trust Company Limited (TrustCo) while FY15 included the full 12 months of TrustCo.

FINANCIAL SUMMARY

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	FY15 v FY14
Operating revenue	497.1	440.6	56.5	13%
Total expenses	(312.8)	(293.8)	(19.0)	(6%)
Underlying profit before tax (UPBT)	184.3	146.8	37.5	26%
Underlying profit after tax (UPAT)(1)(2)	130.5	104.1	26.4	25%
Significant items	(8.0)	(22.5)	14.5	64%
Net profit after tax (NPAT)	122.5	81.6	40.9	50%
UPBT Margin on revenue (%)	37	33	4	4
Diluted EPS(3) on UPAT (cps)	282.6	237.8	44.8	19%
Diluted EPS on NPAT (cps)	265.3	186.4	78.9	42%
Dividends (cps)	240.0	175.0	65.0	37%
Return on Equity(4) on UPAT (%)	23.1	24.2	(1)	(1)

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

(2) Effective tax rate is 29%.

(3) Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue of 46,167,094 for FY15 (FY14: 43,783,910 shares).

(4) The return on equity (ROE) quoted in the above table are an annualised rate of return based on actual results for each period. ROE is calculated using the UPAT attributable to equity holders of Perpetual Limited for the period, divided by average equity attributable to equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE.

For the 12 months to 30 June 2015, Perpetual's UPAT was $130.5 million and NPAT was $122.5 million, which were 25% and 50% higher than FY14 respectively. The result reflects disciplined completion of the T15 strategy, the full year impact of TrustCo, higher average levels of equity markets and improved operating leverage.

The Perpetual Board determined a FY15 fully franked final dividend of 125 cents per share, bringing total fully franked dividends for the 12 months to 240 cents per share, up 65 cents per share or 37% on FY14. The final dividend is payable on 25 September 2015. Refer to section 1.4 for details.

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

1.3.1 Revenue

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

The S&P/ASX All Ordinaries Price Index (All Ords) closed at 5,451 on 30 June 2015, up 1.3% on the closing level of 5,382 on 30 June 2014. The average All Ords in FY15 (5,562) was up 5.3% on the average All Ords in FY14 (5,280). At the end of FY15, Perpetual Investments' FUM and Perpetual Private's FUA were around 80% and 58% exposed to equity markets respectively.

In FY15, Perpetual generated $497.1 million of total operating revenue, which was $56.5 million or 13% higher than in FY14. TrustCo is estimated to have contributed approximately $58.6 million in FY15, $36.3 million in FY14. Other drivers of revenue were higher levels of FUM and FUA and organic growth in the business units.

Management has calculated the expected impact on revenue, across the business, for a 1% movement in the All Ords: based on the level of the All Ords at the end of June 2015, a 1% movement impacts annualised revenue by approximately $2.25 million to $2.75 million. It is worth noting that this impact is not linear to the movement in the overall value of the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller impact on revenue as FUM and FUA are comprised of both equity market and non-equity market-sensitive asset classes.

Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to: the performance of funds under the Group's management and advice; the impact and timing of flows on FUM and FUA – inflows, outflows and distributions; and changes in pricing policy, channel and product mix.

1.3.2 Expenses

Total expenses in FY15 were $312.8 million, up 6% or $19 million on FY14.

The main drivers of the increase in expenses on the prior corresponding period were:

- the contribution of TrustCo's continuing operations' expenses net of synergies of $11.4 million
- the cost of Perpetual Investments' growth initiatives and performance fees paid of $8.1 million
- the increase in the Group's general business related expenses of $9.8 million offset by
- incremental T15 savings of $10.3 million.

The growth in general business related expenses in FY15 over FY14 was 3.3%. The cost to income ratio for the Group declined from 67% in FY14 to 63% in FY15. The Group remains focused on keeping business related expense increases in line with inflation.

1.3.3 Significant items

Significant items were lower in FY15, primarily due to expenses no longer being incurred in respect of the T15 strategy and the due diligence costs of the TrustCo acquisition incurred in FY14.

SIGNIFICANT ITEMS	Profit/(Loss) After Tax					
FOR THE PERIOD	FY15 $M	FY14 $M	2H15 $M	1H15 $M	2H14 $M	1H14 $M
Significant items:						
1. TrustCo integration costs	(11.3)	(10.0)	(4.4)	(6.9)	(3.8)	(6.2)
2. TrustCo due diligence and transaction costs	-	(4.4)	-	-	(0.3)	(4.1)
3. Transformation costs	-	(14.3)	-	-	(7.4)	(6.9)
4. Non recurring tax benefits items	-	1.2	-	-	-	1.2
5. Operating income from discontinued operations	-	2.0	-	-	1.6	0.4
6. Gain on disposal of businesses	0.1	1.0	-	0.1	1.0	-
7. Gain/(loss) on disposal/impairment of investments and associates	3.2	2.0	(0.1)	3.3	0.8	1.2
Total significant items	(8.0)	(22.5)	(4.5)	(3.5)	(8.1)	(14.4)

The significant items of note in FY15 were as follows:

- TrustCo integration and restructuring costs of $11.3 million and
- a gain on disposal of investments and associates of $3.2 million. Profit on investments relates predominantly to the gains on the sale of underlying seed fund investments.

TrustCo integration and restructuring costs will not recur going forward.

1.4 Shareholder returns and dividends

SHAREHOLDER RETURNS

FOR THE PERIOD		FY15	FY14	FY15 v FY14	2H15	1H15	2H14	1H14
Diluted earnings per share (EPS) on UPAT (1)	cents	282.6	237.8	19%	148.1	134.4	122.8	114.7
Diluted EPS on NPAT	cents	265.3	186.4	42%	138.5	126.8	105.1	80.1
Annualised return on average equity (ROE) on UPAT (2)	%	23.1	24.2	(1)	24.0	22.3	21.1	22.8
Annualised ROE on NPAT	%	21.7	19.0	3	22.4	21.1	18.1	18.9

DIVIDENDS

FOR THE PERIOD		FY15	FY14	FY15 v FY14	2H15	1H15	2H14	1H14
Fully franked dividends paid/payable	$M	111.8	81.4	37%	58.2	53.6	44.2	37.2
Fully franked dividends per ordinary share	cents	240.0	175.0	37%	125.0	115.0	95.0	80.0
Dividend payout ratio (3)	%	90.5	93.9	(3)	90.3	90.7	90.0	100.0
Dividends paid/payable as a proportion of NPAT (4)	%	91.3	99.8	(9)	91.1	91.5	91.6	111.7

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

In FY15, Perpetual's diluted EPS on a UPAT and NPAT basis increased by 19% and 42% respectively, reflecting higher operating leverage and improved underlying profitability. ROE on a UPAT basis was 23.1%, which was lower than in FY14 due to an increase in average equity relating to the acquisition of TrustCo; however, ROE on a UPAT basis increased to 24.0% in 2H15 from 22.3% in 1H15, reflecting improved profitability. ROE on a NPAT basis increased from 19% in FY14 to 21.7% in FY15.

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

A fully franked final dividend for FY15 of 125 cents per share will be payable on 25 September 2015, which represents a dividend payout of 91% of 2H15 NPAT. This takes the full year dividends paid and payable to 240 cents per share which represents a dividend payout of 91% of FY15 NPAT.

The Dividend Reinvestment Plan (DRP) will be operational for the final dividend. No discount will apply and the DRP will be met by existing shares acquired on market. The ten-day volume weighted average price (VWAP) pricing period for the final dividend commences on 7 September 2015 and ends on 18 September 2015. A broker will be appointed to acquire existing shares to satisfy the DRP.

The Group's franking credit balance at the end of FY15, prior to the payment of the FY15 final dividend, was $46.5 million. This will enable $108.5 million of cash dividends or around 233 cents per share to be fully franked. After payment of the final dividend for FY15, the franking balance is capable of fully franking a further $50.3 million of cash dividends, or around 108 cents per share.

As at 30 June 2015, Perpetual Limited, the Group's parent entity, had retained earnings of $94.2 million (equivalent to around 202 cents per share).

1.5 Segment results summary

Perpetual has three business units: Perpetual Investments, Perpetual Private and Perpetual Corporate Trust. The profitability of each business unit is heavily influenced by its key revenue drivers: FUM for Perpetual Investments and FUA for Perpetual Private and Funds Under Administration (FUA) for Perpetual Corporate Trust. As illustrated in section 2, Review of businesses, in FY15 FUM and FUA increased, reflecting market and business growth, as well as the addition of TrustCo.

The key segment results for FY15 are summarised in the table below.

SEGMENT RESULTS SUMMARY	OPERATING REVENUE		EBITDA [1]		PROFIT BEFORE/ AFTER TAX	
FOR THE PERIOD	FY15 $M	FY14 $M	FY15 $M	FY14 $M	FY15 $M	FY14 $M
Perpetual Investments	240.0	222.5	135.1	125.2	125.6	113.6
Perpetual Private	166.3	143.8	49.6	32.6	37.5	21.6
Perpetual Corporate Trust	82.5	67.4	36.5	29.2	31.3	25.7
Group Support Services	8.3	6.9	(8.3)	(10.9)	(10.1)	(14.1)
Totals before tax and significant items	497.1	440.6	212.9	176.1	184.3	146.8
Income tax expense					(53.8)	(42.7)
UPAT before significant items					130.5	104.1
Significant items after tax:						
1. TrustCo integration costs					(11.3)	(10.0)
2. TrustCo due diligence and transaction costs					-	(4.4)
3. Transformation costs					-	(14.3)
4. Non recurring tax benefits items					-	1.2
5. Operating income from discontinued operations					-	2.0
6. Gain on disposal of businesses					0.1	1.0
7. Gain/(loss) on disposal/impairment of investments and associates					3.2	2.0
Statutory NPAT attributable to equity holders of Perpetual Limited					122.5	81.6

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

In FY15, PI's profit before tax was $125.6 million, which was $12 million or 11% higher than FY14, driven by equity market gains, net inflows in the period and performance fees earned.

PP's profit before tax was $37.5 million, which was $15.9 million or 74% higher than FY14, boosted by the contribution from the TrustCo acquisition, as well as equity market gains and growth in new clients.

PCT's profit before tax was $31.3 million, which was $5.6 million or 22% higher than FY14 due to the TrustCo acquisition and growth in the underlying Trust Services and Fund Services businesses driven by securitisation and inbound capital flows.

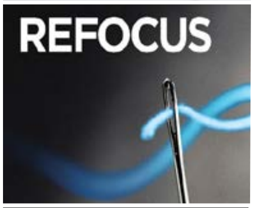
1.6 Group initiatives

1.6.1 Integration of The Trust Company Limited

Integration program

On 18 December 2013, Perpetual acquired TrustCo, as it had a strong strategic fit with Perpetual's existing business, an attractive expected investment return and provided accelerated growth options for the Group. The governance framework for integration included a dedicated project team and detailed delivery plans. TrustCo's continuing operations have been integrated into the Group's operations. These earnings have contributed significantly to the results of Perpetual Private and Perpetual Corporate Trust.

The Trust Company Integration Scorecard

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

Financial impact of TrustCo pro forma

As previously indicated, the pro forma impact of TrustCo will not be provided going forward.

The integration of TrustCo is complete and will deliver annualised synergy benefits of $21 million per annum before tax by FY16. This is at the top end of the forecast range. The estimated cost of the integration program is unchanged at approximately $30 million.

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

INDICATIVE PRE-TAX IMPACT OF TRUSTCO SYNERGIES AND INTEGRATION COSTS, $M

PRE-TAX SYNERGIES	FY14A	FY15A	FY16G	FY17G
Indicative P&L impact	3	14	20	21
Annualised period end	10	17	21	21

PRE-TAX INTEGRATION COSTS	FY14A	FY15A	FY16G	FY17G
Indicative P&L impact	(14)	(16)	-	-
Cumulative period end	(14)	(30)	(30)	(30)

Note: A = Actual, G = Guidance

1.7 Group financial position

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

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

During FY15, Perpetual has finalised the PPA using new information obtained on matters which existed at the acquisition date, and fair value adjustments amounting to $9.5 million have been attributed to goodwill.

Restatement of prior year comparatives

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

1.7.1 Summary consolidated balance sheet

AT END OF	2H15 (1) $M	1H15 (1) $M	2H14 (1)(2) $M	1H14 (1) $M
Assets				
Cash and cash equivalents	289.4	265.8	282.6	203.2
Liquid investments	52.0	50.2	45.3	45.3
Asset held for sale	-	-	1.1	-
Structured products - PPI loans to clients	-	36.0	37.9	65.7
Goodwill and other intangibles	304.4	307.4	310.4	357.2
Software	28.4	22.3	21.1	24.1
Other assets	157.7	159.8	154.4	168.0
Total assets	831.9	841.5	852.8	863.5
Liabilities				
Corporate loan facility	87.0	87.0	87.0	97.0
Liabilities held for sale	-	-	0.1	-
Structured products - PPI finance facilities	-	37.0	39.8	71.3
Other liabilities	161.2	150.2	169.5	161.0
Total liabilities	248.2	274.2	296.4	329.3
Net assets	583.7	567.3	556.4	534.2
Shareholder funds				
Contributed equity	481.9	482.1	460.8	457.3
Reserves	23.5	19.2	32.3	28.8
Retained earnings	78.3	66.0	51.7	37.3
Total shareholder funds	583.7	567.3	544.8	523.4
Non-controlling interest	-	-	11.6	10.8
Total equity	583.7	567.3	556.4	534.2

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

1.7.2 Balance sheet analysis

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

Cash

Cash and cash equivalents increased from $282.6 million at the end of FY14 to $289.4 million at the end of FY15, an increase of $6.8 million or 2%. The movement in the cash balance during FY15 was primarily due to the following:

- net cash inflows from operations of $129.2 million
- net cash used in investing activities of $18.8 million for property, plant and equipment, software and investments
- cash dividends paid of $97.8 million and
- proceeds from the sale of units in seed funds paid to non-controlling interests of $5.8 million.

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

Liquid investments

Liquid investments increased to $52.0 million at the end of FY15 from $45.3 million at the end of FY14. This was due to appreciation in market valuations as well as further investment in products to hedge against the future cost of certain deferred incentives of the asset managers that have been notionally invested in those products.

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

Perpetual Protected Investments (PPI) loans to clients expired in FY15, and clients repaid their loans on exit of their investments in the product. The PPI balance at the end of FY15 was $nil, which was $37.9 million lower than at the end of FY14.

Goodwill

There has been no movement in goodwill and a $6.0 million decrease in other intangibles during the year.

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

Other assets and liabilities

'Other assets' increased to $157.7 million from $154.4 million at the end of FY14 and 'Other liabilities' decreased to $161.2 million from $169.5 million at the end of FY14. The increase in other assets is primarily attributable to timing differences on accrued income. The decrease in other liabilities is predominantly due to the payment of short-term incentives to employees and payment of provisions.

Loans

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

Contributed equity

Contributed Equity increased by $21.1 million since 30 June 2014. This increase is primarily attributable to the vesting of shares under employee share plans.

Reserves

Total reserves have decreased by $8.8 million to $23.5 million as at 30 June 2015 due primarily to a decrease in the Equity Compensation Reserve, offset by a $2.9 million increase in the Available-for-Sale Reserve.

The decrease in the Equity Compensation Reserve has resulted from a $22.9 million movement on employee shares, mainly due to the vesting of shares, offset by the FY15 equity remuneration expense.

1.7.3 Goodwill and intangibles

AT END OF	FY15 $M	FY14 [(1)] $M
Goodwill	267.0	267.0
Other intangibles	37.4	43.4
Capitalised software	18.4	18.4
Project work in progress	10.0	2.7
Total intangibles including goodwill	332.8	331.5

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

The TrustCo PPA was finalised in FY15. This resulted in a fair value adjustment of $9.5 million increasing the goodwill balance. In line with accounting standards, the comparative numbers were also restated. As a result, the net movement in goodwill for statutory reporting purposes is $nil.

Other intangibles decreased by $6.0 million to $37.4 million as at 30 June 2015 due to amortisation charged in FY15. Capitalised software remained unchanged at $18.4 million as a result of a transfer from work in progress of $5.1 million, offset by $5.1 million amortisation charged in FY15.

Project work in progress has increased by $7.3 million to $10.0 million due to ongoing technology projects.

1.8 Capital management

1.8.1 Capital management approach

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

i) maximising returns to shareholders

ii) enabling strategy

iii) ensuring compliance with the Group's risk appetite statement and regulatory requirements

iv) withstanding shocks to the market.

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

Perpetual continues to operate its DRP. No discount will be applied to the 2015 final dividend and the DRP will be met by existing shares acquired on market.

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

At the end of FY15, total base capital requirements were $196 million ($177 million for operational risk including regulatory capital requirements, $13 million for credit risk and $6 million for market risk), compared to $334 million of available liquid funds. Available liquid funds at the end of FY15 are comprised of total liquid assets of $291 million and a $43 million undrawn corporate debt facility.

During FY15, the Group has continued to focus on a number of initiatives to strengthen its balance sheet, including:

- rationalising the number of licences maintained and reducing the amount of capital required to be held by licensed entities within the Group
- continuing to improve the overall credit quality of the Group's risk assets and reduce exposure to structured products on the balance sheet
- maintaining committed debt facilities of $130 million, drawn to $87 million as at 30 June 2015 and
- focusing on ensuring strong discretionary expense discipline across each business unit and support group.

1.8.2 Cash flow

FOR THE PERIOD	FY15 $M	FY14 $M	2H15 $M	1H15 $M	2H14 $M	1H14 $M
Net cash from operating activities	129.2	94.7	83.5	45.7	70.4	24.3
Net cash provided by/(used in) investing activities	(18.8)	7.9	(6.4)	(12.4)	55.4	(47.5)
Net cash (used in)/provided by financing activities	(103.6)	(37.1)	(53.5)	(50.1)	(46.4)	9.3
Net increase/(decrease) in cash and cash equivalents	6.8	65.5	23.6	(16.8)	79.4	(13.9)

In FY15, cash and cash equivalents increased by $6.8 million compared to an increase of $65.5 million in FY14. This represented a net decrease in cash flow of $58.7 million, principally due to:

Inflows:

- $42.8 million increase in net operating cash flows
- $1.3 million increase in net interest and dividends received and
- there were no payments made for acquisitions in FY15 compared to $61.5 million in payments made to acquire TrustCo in FY14.

Outflows:

- $27.0 million increase in dividend payments to shareholders
- $9.6 million increase in tax payments
- $20.6 million decrease due to net proceeds from sale of investments
- there were no proceeds from the issue of shares compared to $3.1 million in FY14
- $4.4 million increase in outflows to non-controlling interests
- $58.5 million decrease in proceeds from sale of a business
- there were no borrowings in FY15 compared to $32.0 million of net borrowings in FY14 which were used to finance the TrustCo acquisition and
- $9.2 million increase in payments for property, plant and equipment and software.

1.8.3 Debt

AT END OF		FY15	FY14 (2)	2H15	1H15	2H14 (2)	1H14
Corporate debt	$M	87.0	87.0	87.0	87.0	87.0	97.0
Corporate debt to capital ratio (corporate debt/(corporate debt + equity)) (1)	%	13.0	13.5	13.0	13.3	13.5	15.4
Interest coverage calculation for continuing operations (EBIT/interest expense)	times	51x	44x	55x	48x	37x	60x
Net tangible assets per share	$	5.16	4.55	5.16	4.88	4.55	3.19

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

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

Debt level: At the end of FY15 Perpetual's gross corporate debt was $87 million. The Group's gearing ratio at the end of FY15 was 13.0%, compared to 13.5% at the end of FY14. The gearing ratio remains well within Perpetual's stated risk appetite limit of 30%.

Lenders and debt maturity: Perpetual's corporate debt is currently sourced solely from a long term banking relationship with National Australia Bank. At the end of FY15, the Group had a committed bank corporate debt facility of $130 million and $87 million was drawn. The facility is subject to annual review and has greater than 12 months to its expiry date of 31 October 2016.

Covenants: Financial covenants related to the debt facility include minimum shareholders' funds, leverage, interest cover, capital adequacy ratios and limits on operational debt. At the end of FY15, the Group was in compliance with all its debt covenants. All PPI loans were repaid by June 2015.

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

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

1.9 Regulatory environment

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

Regulation	Overview	Impact/Management
Tax White Paper	The Tax White Paper launched a national dialogue on a better tax system. The Australian Government Department of Treasury will release a Green Paper in FY16.	We will continue to monitor for the release of the Green Paper to determine the potential impact to the Group.
Financial System Inquiry	The Inquiry's Final Report was released on 7 December 2014 and contains recommendations across a range of industries, including superannuation, banking, managed investment schemes, financial advice and insurance.	We continue to monitor potential changes arising from the Inquiry. Impacts to the Group will become clearer as the Government releases its recommendations in response to the Inquiry's Final Report.
Stronger Super	The Stronger Super reforms are designed to improve Australia's superannuation system by removing unnecessary costs and by better safeguarding the retirement savings of all Australians. The reform package includes low costs MySuper, Super Stream, new APRA prudential standards and APRA reporting.	The Stronger Super reforms have been implemented by the Group.
The Future of Financial Advice (FOFA)	The FOFA legislation amended the Corporations Act and introduced key reforms from 1 July 2013 seeking to address conflicts of interest associated with the provision of personal financial advice.	The FOFA reforms have been implemented by the Group, including the 'opt in' and fee disclosure statement requirements.
Foreign Account Tax Compliance Act (FATCA)	FATCA is a United States (US) law imposing obligations on financial institutions to identify and report on the holdings of US taxpayers. Australia and the US have signed an intergovernmental agreement to implement FATCA, and corresponding legislation has been introduced for Australian financial institutions.	The Group's FATCA compliance project will continue implementation activities throughout FY16. Impacted Perpetual entities have registered with the US Inland Revenue Service, the required customer on-boarding processes have been implemented, and preparation for initial reporting is well progressed.

Regulation	Overview	Impact/Management
ASIC Policy	ASIC continues to influence the regulatory landscape through changes to various ASIC Regulatory Guides.	ASIC changes to the custodian capital requirements had a significant impact on the Group. These changes are largely implemented, with further streamlining of the Group's regulatory capital requirements expected in FY16. ASIC is in the process of amending PDS fee and cost disclosure requirements to ensure that all indirect costs are captured in the total costs disclosed for a superannuation or managed investment product. These changes are being monitored by the Group to determine our implementation response.
ATO Policy	The ATO continues to influence the regulatory landscape through proposed changes to tax legislation affecting managed investment schemes, unit trusts and fiduciary trusts.	Various draft legislations have impacts across the Group. We are monitoring developments closely to determine our implementation response.
Over The Counter (OTC) Derivatives Reporting	The *ASIC Derivative Trade Rules (Reporting) Act 2013* enacts recommendations by APRA, ASIC and the RBA for improved visibility of the OTC derivatives market.	The Act requires reporting on OTC derivative credit and interest rate transactions and positions. The start date for some reporting entities (including entities within the Group) has been deferred. The Group continues to monitor developments in this area.
Anti-Money Laundering/ Counter-Terrorism Financing Customer Due Diligence Reforms	In May 2014, AUSTRAC made a range of changes to customer due diligence obligations, focusing on beneficial ownership. Subject to certain conditions, AUSTRAC will allow reporting entities to implement these changes by December 2015.	The changed customer due diligence obligations will continue to impact the Group throughout FY16. Implementation is on schedule and being managed by a Group compliance project.

1.10 Business risks

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

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

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

Risk	Risk Description/Impact	Risk Management
Market	Exposure to, or reliance on, revenue streams linked to equity markets resulting in potentially volatile returns	• Diversification of revenue sources • Disciplined and active management of the cost base
Integration/ Acquisition	Impact of not realising intended benefits or incurring unforeseen costs from acquisitions and subsequent business integration	• Established due diligence and approval processes • Strong planning, governance and project management processes
Investment	The risk of loss resulting from ineffective investment strategies, management or structures resulting in sustained underperformance relative to peers and benchmarks	• Well defined and disciplined investment processes and philosophy for selection. • Established investment governance structure in place • Independent mandate monitoring and reporting

Risk	Risk Description/Impact	Risk Management
People	Exposure to changes in personnel, particularly in key investment management roles	• Succession planning and talent identification programs, reporting to the People and Remuneration Committee • Alignment of remuneration with long-term investment performance. • Remuneration benchmarking • Engagement monitoring
Strategic	Adverse strategic decisions, ineffective implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect market position	• Considered strategic and business planning processes • Strategic measures cascaded through performance management • Application of risk appetite statement in strategic decision-making
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	• Clearly defined policies, procedures, roles and responsibilities • Controls Testing in the form of Control Self-Assessment • Independent Assurance
Financial	Risk of inappropriate use of funds, financial performance not managed to expectations or financial results inappropriately accounted for or disclosed	• Budget planning process • Reconciliation and review processes • Regular income and expense reviews
Compliance and legal	The risk that Perpetual breaches its compliance and legal obligations, leading to reputation damage, litigation, fines, breach of contract or regulatory intervention and sanctions	• Independent Legal and Compliance team, and training across teams • Compliance obligations are documented and monitored • Independent issues assessment
Outsourcing	The risk that services performed by external service providers are not managed in line with the servicing contract or the operational standards required, resulting in potential negative impacts to shareholders and/or customers.	• Partnered with well-regarded and proven strategic partners • Outsourced relationships are managed at a senior level • Outsourcing and vendor management framework, with legal contracts • Service level standards monitored
Cyber	Risk of loss (both data and financial) resulting from unauthorised access to or tampering with Perpetual's IT systems or data.	• Defined Information Security Program and IT Security policies • Implementation of operational security technology (including firewalls and antivirus) • Security (penetration) testing of key systems
Loss of major mandates	Impact upon the profitability and reputation of Perpetual in the event of the loss of key institutional clients	• Constant focus on servicing clients to the highest standards • Strong investment governance processes which support transparent and timely reporting to clients • Adherence to long-standing and well defined investment selection processes and philosophy • Culture of acting in the best interests of our clients

Risk	Risk Description/Impact	Risk Management
Conduct	Manifestation of behaviours and practices that are considered unacceptable, including actions that compromise the best interests of Perpetual's clients and the integrity of the market place	• Clearly defined expected behaviours of all individuals that form part of the performance assessment process • Implementation of the Three Lines of Defence risk practices • Whistleblowing arrangements managed by an independent vendor • Enterprise people, risk and compliance training arrangements

1.11 Outlook

The Group is on a sound footing following the simplification and refocusing of the business and the delivery of all the targeted annualised savings from the T15 strategy, which completed in June 2015. The focus now is on executing the Lead & Grow strategy, which has a clear plan to identify and capture value in a sustained manner. This builds on the strong fundamentals of the Group and is a natural evolution of the T15 strategy.

The increased investment market volatility and economic uncertainty in significant pockets of the global economy, highlighted at the time of Perpetual's interim results, remain. This uncertainty and the impact of government and central bank responses could impact consumer sentiment and market levels adversely. While the long-term outlook for the Group is underpinned by a growing need for savings and income in retirement, the need for advice and a fiduciary heritage, the near-term outlook could be impacted by increased investment volatility and economic uncertainty. Perpetual will remain disciplined in executing its strategy and disciplined in its response to uncertainties.

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

1.12 Events subsequent to balance date

At the time of publication of this report, the Directors were not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has 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.

2 Review of businesses

The results and drivers of financial performance in FY15 for the three Perpetual business units are described in the following sections. A description of revenues and expenses at the Group Support Services level is also provided.

2.1 Perpetual Investments

2.1.1 Business overview

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

2.1.2 Financial performance

PERPETUAL INVESTMENTS FINANCIAL RESULTS

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	2H15 $M	1H15 $M	2H14 $M	1H14 $M
Revenue	240.0	222.5	8%	120.7	119.3	113.0	109.5
Operating expenses	(104.9)	(97.3)	(8%)	(51.7)	(53.2)	(49.2)	(48.1)
EBITDA	135.1	125.2	8%	69.0	66.1	63.8	61.4
Depreciation and amortisation	(1.5)	(1.5)	-	(0.9)	(0.6)	(0.7)	(0.8)
Equity remuneration expense	(8.0)	(10.1)	21%	(2.8)	(5.2)	(5.7)	(4.4)
Profit before tax	125.6	113.6	11%	65.3	60.3	57.4	56.2
Average FUM revenue margin (revenues/average FUM)	74bps	76bps	(2)bps	72bps	76bps	75bps	78bps
Average FUM	$32.3b	$28.7b	13%	$33.3b	$31.2b	$29.6b	$27.7b

In FY15, profit before tax for Perpetual Investments was $125.6 million, $12 million or 11% higher than FY14. The result was driven by higher average market levels, net inflows and performance fees which offset some revenue margin decline. The profit margin on revenue (calculated as profit before tax divided by revenue) in FY15 improved to 52%, 1% higher than in FY14.

2.1.3 Drivers of performance

Revenue

Perpetual Investments generated revenue of $240.0 million in FY15, $17.5 million or 8% above FY14. The key drivers of revenue in FY15 included:

- higher average FUM, with the average All Ords increasing by 5.3% on FY14
- positive net inflows mainly from the intermediary channel and
- outperformance and higher performance-related fees in FY15.

The positive net flows and asset growth (higher average market levels and outperformance) resulted in average FUM of $32.3 billion in FY15, 13% higher than in FY14.

Average FUM revenue margins in FY15 were 74 basis points (bps), 2 bps lower than in FY14. Movements in average margins are mainly brought about by changes in the mix of FUM between lower margin institutional and higher margin retail investors, as well as changes in the mix of asset classes such as cash (generally lower margin) and equities (generally higher margin). In FY15, higher performance fees, weighted to 1H15, contributed to the average FUM revenue margin.

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

REVENUE BY ASSET CLASS

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	2H15 $M	1H15 $M	2H14 $M	1H14 $M
By asset class:							
> Equities	205.6	190.0	8%	103.7	101.9	96.5	93.5
> Cash and fixed income	23.3	21.6	8%	11.6	11.7	11.2	10.4
> Other FUM related	9.0	7.7	17%	4.6	4.4	3.9	3.8
> Other non-FUM related	2.1	3.2	(34%)	0.8	1.3	1.4	1.8
Revenues	240.0	222.5	8%	120.7	119.3	113.0	109.5

PERFORMANCE FEES

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	2H15 $M	1H15 $M	2H14 $M	1H14 $M
By asset class:							
> Equities	8.9	2.9	207%	2.1	6.8	1.1	1.8
> Cash and fixed income	2.1	2.9	(28%)	1.0	1.1	1.5	1.4
Total performance fees	11.0	5.8	90%	3.1	7.9	2.6	3.2

REVENUE MARGIN

FOR THE PERIOD	FY15 BPS	FY14 BPS	FY15 v FY14	2H15 BPS	1H15 BPS	2H14 BPS	1H14 BPS
By asset class:							
> Equities	82	83	(1)	79	84	81	84
> Cash and fixed income	39	47	(8)	38	40	46	50
> Other FUM related	85	67	18	84	85	71	63
Average revenue margin	74	76	(2)	72	76	75	78

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

- **Equities:** Revenues represent fees earned on Australian and global equities products. Revenue in FY15 was $205.6 million, an increase of 8% on FY14. The average margin in FY15 was 82bps, 1 bps lower than in FY14, mainly due to inflows from lower margin channels. The average margin, excluding performance fees, is lower and reflects the impact of distributions from prior periods and changes in channel mix.
- **Cash and fixed income:** Revenues are derived from cash and fixed income products. Revenue in FY15 was $23.3 million, $1.7 million or 8% higher than in FY14. The increase in revenue was primarily due to higher FUM from increased flows. Both channel and mix contributed to the decline in margins.
- **Other FUM related:** Revenue includes management fees for sub-advisory mandates, external funds on the WealthFocus platform and administration fees on PPI structured products. FY15 revenue of $9.0 million was $1.3 million or 17% higher than in FY14, mainly due to higher average market levels.
- **Other non-FUM related:** Revenue includes the net interest margin on the structured products loan book and interest earned on operational bank accounts across the business. The revenue decrease in FY15 on the prior period and prior corresponding period was mainly due to lower fees earned from the loan book, which has been in run-off since 2009 and exited as at 30 June 2015.

Expenses

In FY15, total expenses for Perpetual Investments, comprising operating expenses, depreciation, amortisation and equity remuneration, of $114.4 million were $5.5 million higher than in FY14. The increase in expenses was primarily due to:

- the full year impact of costs relating to the global equities initiative ($4.0 million) and the IPO of Perpetual Equity Investment Company (PEIC) ($1.3 million) and
- performance incentives ($2.9 million) in line with outperformance on performance fee earning strategies.

These were offset by incremental savings across the business unit.

2.1.4 Funds under management

FUM and flows

FUM SUMMARY

AT END OF	FY15 $B	Net flows $B	Other [1] $B	FY14 $B
Institutional	10.0	(0.6)	0.6	10.0
Intermediary (master fund and wrap)	14.5	0.8	(0.3)	14.0
Retail	5.5	(0.1)	0.1	5.5
Listed Investment Company	0.2	0.2	-	-
All distribution channels excl TrustCo cash	30.2	0.3	0.4	29.5
TrustCo cash	-	-	(0.3)	0.3
All distribution channels	30.2	0.3	0.1	29.8
Australian equities	21.5	(0.5)	(0.1)	22.1
Global equities	1.4	-	0.2	1.2
Listed Investment Company	0.2	0.2	-	-
Equities	23.1	(0.3)	0.1	23.3
Cash and fixed income	6.1	0.6	-	5.5
Other	1.0	-	-	1.0
All asset classes	30.2	0.3	0.1	29.8

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

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

NET FLOWS

FOR THE PERIOD	FY15 $B	FY14 $B	2H15 $B	1H15 $B	2H14 $B	1H14 $B
Institutional	(0.6)	1.1	(1.4)	0.8	0.6	0.5
Intermediary (master fund and wrap)	0.8	0.3	0.1	0.7	0.1	0.2
Retail	(0.1)	(0.3)	-	(0.1)	(0.2)	(0.1)
Listed Investment Company	0.2	-	-	0.2	-	-
All distribution channels	0.3	1.1	(1.3)	1.6	0.5	0.6
Australian equities	(0.5)	0.6	(1.3)	0.8	0.2	0.4
Global equities	-	(0.1)	-	-	(0.1)	-
Listed Investment Company	0.2	-	-	0.2	-	-
Equities	(0.3)	0.5	(1.3)	1.0	0.1	0.4
Cash and fixed income	0.6	0.7	-	0.6	0.5	0.2
Other	-	(0.1)	-	-	(0.1)	-
All asset classes	0.3	1.1	(1.3)	1.6	0.5	0.6

Perpetual's FUM as at 30 June 2015 was $30.2 billion, with net inflows of $0.3 billion for the full year.

Points of note in relation to the FUM and flows data for FY15:

- net inflows in the year were mainly from the intermediary channel, within Australian equities and cash and fixed income
- net flows also include the money raised with the PEIC and
- outflows in 2H15 were primarily from the institutional channel.

Investment performance

Excess/(under) investment performance p.a. - gross as at end June 2015 (1)

Period	Australian Share Fund	Industrial Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Share Plus Fund	Ethical Share Fund	Diversified Income Fund	Perpetual Active Fixed Interest Fund	Perpetual Global Share Fund (2)
1 year	(2.4)%	(3.1)%	8.6%	0.4%	4.0%	5.9%	1.7%	0.7%	4.3%
3 years	1.6%	(0.3)%	16.0%	3.9%	8.8%	7.7%	3.5%	1.6%	8.9%
5 years	2.4%	(0.1)%	13.3%	3.8%	7.9%	7.5%	3.2%	1.6%	-
7 years	2.9%	1.2%	11.6%	4.5%	6.5%	10.2%	2.2%	1.4%	-
10 years	2.4%	1.3%	8.7%	3.8%	5.2%	6.5%	-	0.9%	-

(1) Compared to relevant benchmarks. The table provides no allowance for management expenses, redemption fees, or taxation.
(2) Includes performance in the incubation period.

As illustrated above, the majority of Perpetual Investments' main funds outperformed over the short, medium and long-term time horizons and were represented in the first or second quartile of performance rankings over a five, seven and ten-year period[1].

2.2 Perpetual Private

2.2.1 Business overview

Perpetual Private provides financial solutions for high net worth individuals in target segments of 'business owners', 'established wealthy' and 'professionals'. It had $13.1 billion of FUA at the end of FY15. Perpetual Private aims to be the leading provider of wealth advice for high net worth individuals, families, businesses and not-for-profit organisations. A key part of Perpetual Private is its philanthropic business, and Perpetual is one of Australia's largest managers of philanthropic funds, with $2.3 billion in FUA for charitable trusts and endowment funds as at the end of FY15.

[1] Mercer wholesale surveys, quartile rankings, June 2015.

The investment in a core investment platform, improving service to the high net worth market and the acquisition of TrustCo have accelerated Perpetual Private's strategy and are now delivering growth in revenue and profits. There is now a solid and scalable foundation for growth.

2.2.2 Financial performance

PERPETUAL PRIVATE FINANCIAL RESULTS

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	2H15 $M	1H15 $M	2H14 $M	1H14 $M
Market related revenue	110.8	95.6	16%	54.7	56.1	54.1	41.5
Non-market related revenue	55.5	48.2	15%	29.3	26.2	27.2	21.0
Total revenues	166.3	143.8	16%	84.0	82.3	81.3	62.5
Operating expenses	(116.7)	(111.2)	(5%)	(59.2)	(57.5)	(58.9)	(52.3)
EBITDA	49.6	32.6	52%	24.8	24.8	22.4	10.2
Depreciation and amortisation	(9.0)	(8.1)	(11%)	(4.5)	(4.5)	(4.4)	(3.7)
Equity remuneration expense	(3.1)	(2.9)	(7%)	(1.7)	(1.4)	(1.7)	(1.2)
Profit before tax	37.5	21.6	74%	18.6	18.9	16.3	5.3
Closing funds under advice (FUA)	$13.1b	$12.6b	4%	$13.1b	$12.6b	$12.6b	$12.6b
Average funds under advice (FUA)	$13.0b	$11.2b	16%	$13.1b	$12.8b	$12.6b	$9.7b
Market related revenue margin	85bps	86bps	(1bps)	83bps	88bps	86bps	85bps

In FY15, profit before tax for FY15 was $37.5 million, an increase of $15.9 million or 74% on FY14. This increase was due to growth in the underlying business with higher average FUA from net inflows and improved equity markets, coupled with the annualised impact of TrustCo. These results also reflect new client growth across the high net worth segments.

The profit margin on revenue in FY15 increased to 23% from 15% in FY14 due to the acquisition of TrustCo and continued benefits of investments in scale.

2.2.3 Drivers of performance

Revenue

Perpetual Private generated $166.3 million of total revenue in FY15, up $22.5 million or 16% on FY14. The main drivers of revenue in FY15 were:

- the contribution from TrustCo
- increased average FUA due to improvements in equity markets and net inflows and
- higher non-market-related (tax and accounting – Fordham, estate administration, property and legal) business activity.

Perpetual Private's market-related revenue margin was broadly flat in FY15 compared to FY14.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Private in FY15 were $128.8 million, $6.6 million or 5% higher than in FY14. The increase on FY14 was primarily due to:

- the inclusion of TrustCo's continuing operation's expenses net of synergies of approximately $7 million however
- cost discipline and the benefits from the T15 strategy resulted in other expenses remaining flat.

Perpetual Private's cost to income ratio in FY15 improved to 77% from 85% in FY14. Perpetual Private continues to leverage the benefits of its investment in infrastructure and the scale achieved from the acquisition of TrustCo.

2.2.4 Funds under advice

FUNDS UNDER ADVICE

AT END OF	FY15 $B	Net flows $B	Other [1] $B	FY14 $B
Total funds under advice (FUA)	13.1	0.3	0.2	12.6

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

Perpetual Private's FUA at the end of FY15 was $13.1 billion, an increase of $0.5 billion on FY14 primarily due to net flows, net new clients and improvements in equity markets.

2.3 Perpetual Corporate Trust

2.3.1 Business overview

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

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

2.3.2 Financial performance

PERPETUAL CORPORATE TRUST FINANCIAL RESULTS

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	2H15 $M	1H15 $M	2H14 $M	1H14 $M
Trust services revenue	43.8	41.1	7%	23.0	20.8	21.4	19.7
Fund services revenue	38.2	23.8	61%	20.2	18.0	16.7	7.1
Total fiduciary services revenues	82.0	64.9	26%	43.2	38.8	38.1	26.8
Sold business RSE [1]	0.5	2.5	(80%)	-	0.5	2.1	0.4
Total revenues	82.5	67.4	22%	43.2	39.3	40.2	27.2
Operating expenses	(46.0)	(38.2)	(20%)	(23.5)	(22.5)	(22.8)	(15.4)
EBITDA	36.5	29.2	25%	19.7	16.8	17.4	11.8
Depreciation and amortisation	(4.1)	(2.7)	(52%)	(2.1)	(2.0)	(2.1)	(0.6)
Equity remuneration expense	(1.1)	(0.8)	(38%)	(0.6)	(0.5)	(0.6)	(0.2)
Profit before tax	31.3	25.7	22%	17.0	14.3	14.7	11.0
Funds under administration							
- Trust Services	$379.6b	$306.9b	24%	$379.6b	$359.5b	$306.9b	$294.2b
- Fund services	$186.5b	$177.1b	5%	$186.5b	$185.6b	$177.1b	$171.6b

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

Perpetual Corporate Trust's FY15 profit before tax was $31.3 million, an increase of $5.6 million or 22% on FY14. This increase on FY14 reflected growth in the underlying Trust and Fund Services businesses, along with the annualised impact of the TrustCo business.

2.3.3 Drivers of performance

Revenue

Perpetual Corporate Trust generated total revenues of $82.5 million in FY15, up $15.1 million or 22% on FY14. The main drivers of the improvement in revenue were the full year impact of the TrustCo business, improvement in the securitisation market in Australia and the benefits from inbound capital flows into property and infrastructure. The revenue from TrustCo is primarily within Fund Services.

FY15 Trust Services revenue was $43.8 million, an increase of $2.7 million or 7% on FY14. The primary drivers for the increase on FY14 were the improvement in the Australian securitisation market with higher issuances across the residential mortgage-backed securities (RMBS) non-bank and asset-backed securities markets and the implementation of the data services solution in response to changes mandated by the Reserve Bank of Australia to standardise and enhance reportable data in the securitisation market.

FY15 Fund Services revenue was $38.2 million, $14.4 million or 61% above FY14, including $2.0 million of ad hoc revenue, one-off in nature. The main drivers of the improvement in revenue were the contribution from TrustCo and strong growth in the underlying business.

The profit margin on revenue in FY15 was 38%, roughly flat on FY14.

Expenses

Perpetual Corporate Trust incurred total expenses of $51.2 million in FY15, comprising operating expenses, depreciation, amortisation and equity remuneration expenses. Total expenses were $9.5 million or 23% higher than in FY14. The primary drivers of the increase in expenses on FY14 were the inclusion of expenses net of synergies from the acquisition of TrustCo and costs associated with the divestment of the RSE business.

2.3.4 Funds under administration

FUNDS UNDER ADMINISTRATION (FUA)

AT END OF	2H15 $B	1H15 $B	2H14 $B	1H14 $B
Trust Services [1]				
CMBS and ABS	28.9	31.7	30.0	29.4
RMBS - non bank	47.8	45.5	41.5	38.9
RMBS - bank	52.9	51.0	51.1	52.9
RMBS - repos	183.2	168.9	130.7	128.4
Covered bonds	66.8	62.4	53.6	44.6
Total FUA – Trust Services	379.6	359.5	306.9	294.2
Fund Services	186.5	185.6	177.1	171.6
Total FUA	566.1	545.1	484.0	465.8

(1) Includes warehouse and liquidity finance facilities.

Trust Services

At the end of FY15, FUA in Trust Services was $379.6 billion, an increase of $72.7 billion or 24% on FY14.

FUA increased across the majority of asset classes, with significant growth seen in RMBS – repos and covered bonds, up 40% and 25% respectively on FY14 as clients responded to increased liquidity targets required under Basel III. This had the effect of reducing average revenue margins, as these asset classes earn lower fees relative to the other asset classes.

RMBS – non-bank FUA in FY15 was $47.8 billion, $6.3 billion or 15% higher than in FY14. This asset class earns a higher margin and has been supported by growth in securitisation by the non-bank sector. However, the higher margins earned on RMBS – non-bank FUA were offset by the lower margins earned on RMBS – repos and covered bonds FUA.

Run-off rates across existing RMBS were consistent with FY14 levels, reflecting the continued de-leveraging by residential borrowers.

Fund Services

At the end of FY15, Fund Services FUA was $186.5 billion, an increase of $9.4 billion or 5% on FY14, driven by growth in the Fund Services business.

2.4 Group Support Services

2.4.1 Overview

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

2.4.2 Financial performance

GROUP SUPPORT SERVICES FINANCIAL RESULTS

FOR THE PERIOD	FY15 $M	FY14 $M	FY15 v FY14	2H15 $M	1H15 $M	2H14 $M	1H14 $M
Revenue	8.3	6.9	20%	4.7	3.6	4.0	2.9
Operating expenses	(16.6)	(17.8)	7%	(9.5)	(7.1)	(10.4)	(7.4)
EBITDA	(8.3)	(10.9)	24%	(4.8)	(3.5)	(6.4)	(4.5)
Depreciation and amortisation	(0.2)	(0.1)	(100%)	(0.1)	(0.1)	(0.1)	-
Equity remuneration expense	1.9	(0.5)	480%	2.1	(0.2)	(0.4)	(0.1)
Interest Expense	(3.5)	(2.6)	(35%)	(1.7)	(1.8)	(1.8)	(0.8)
Profit before tax	(10.1)	(14.1)	28%	(4.5)	(5.6)	(8.7)	(5.4)

FY15 revenue from the Group's cash and principal investments of $8.3 million represented an increase of $1.4 million, or 20% on FY14 due to higher average cash balances and investment income.

Operating expenses in FY15 of $16.6 million were $1.2 million lower than in FY14. Savings were primarily due to premises costs being lower, with the movement in equity remuneration expense due to the write-back of some allocated equity.

The interest expense of $3.5 million in FY15 was $0.9 million higher than in FY14 due to the annualised impact of the financing costs associated with the increase in the debt facility to fund the acquisition of TrustCo.

3 Appendices

3.1 Appendix A: Segment results

PERIOD ENDING	FY15					2H15					1H15				
	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Operating revenue	240.0	166.3	82.5	8.3	497.1	120.7	84.0	43.2	4.7	252.6	119.3	82.3	39.3	3.6	244.5
Operating expenses	(104.9)	(116.7)	(46.0)	(16.6)	(284.2)	(51.7)	(59.2)	(23.5)	(9.5)	(143.9)	(53.2)	(57.5)	(22.5)	(7.1)	(140.3)
EBITDA	135.1	49.6	36.5	(8.3)	212.9	69.0	24.8	19.7	(4.8)	108.7	66.1	24.8	16.8	(3.5)	104.2
Depreciation and amortisation	(1.5)	(9.0)	(4.1)	(0.2)	(14.8)	(0.9)	(4.5)	(2.1)	(0.1)	(7.6)	(0.6)	(4.5)	(2.0)	(0.1)	(7.2)
Equity remuneration	(8.0)	(3.1)	(1.1)	1.9	(10.3)	(2.8)	(1.7)	(0.6)	2.1	(3.0)	(5.2)	(1.4)	(0.5)	(0.2)	(7.3)
EBIT	125.6	37.5	31.3	(6.6)	187.8	65.3	18.6	17.0	(2.8)	98.1	60.3	18.9	14.3	(3.8)	89.7
Interest expense	-	-	-	(3.5)	(3.5)	-	-	-	(1.7)	(1.7)	-	-	-	(1.8)	(1.8)
UPBT	125.6	37.5	31.3	(10.1)	184.3	65.3	18.6	17.0	(4.5)	96.4	60.3	18.9	14.3	(5.6)	87.9

PERIOD ENDING	FY14					2H14					1H14				
	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total	Perpetual Investments	Perpetual Private	Perpetual Corporate Trust	Group Support Services	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Operating revenue	222.5	143.8	67.4	6.9	440.6	113.0	81.3	40.2	4.0	238.5	109.5	62.5	27.2	2.9	202.1
Operating expenses	(97.3)	(111.2)	(38.2)	(17.8)	(264.5)	(49.2)	(58.9)	(22.8)	(10.4)	(141.3)	(48.1)	(52.3)	(15.4)	(7.4)	(123.2)
EBITDA	125.2	32.6	29.2	(10.9)	176.1	63.8	22.4	17.4	(6.4)	97.2	61.4	10.2	11.8	(4.5)	78.9
Depreciation and amortisation	(1.5)	(8.1)	(2.7)	(0.1)	(12.4)	(0.7)	(4.4)	(2.1)	(0.1)	(7.3)	(0.8)	(3.7)	(0.6)	-	(5.1)
Equity remuneration	(10.1)	(2.9)	(0.8)	(0.5)	(14.3)	(5.7)	(1.7)	(0.6)	(0.4)	(8.4)	(4.4)	(1.2)	(0.2)	(0.1)	(5.9)
EBIT	113.6	21.6	25.7	(11.5)	149.4	57.4	16.3	14.7	(6.9)	81.5	56.2	5.3	11.0	(4.6)	67.9
Interest expense	-	-	-	(2.6)	(2.6)	-	-	-	(1.8)	(1.8)	-	-	-	(0.8)	(0.8)
UPBT	113.6	21.6	25.7	(14.1)	146.8	57.4	16.3	14.7	(8.7)	79.7	56.2	5.3	11.0	(5.4)	67.1

3.2 Appendix B: Bridge for FY15 Statutory accounts and OFR

	FY15 Statutory Accounts	OFR UPAT Adjustments	FY15 OFR	EMCF	Gain on disposal of businesses	Gain on disposal/ impairment of investments	Trust Company integration costs	Total Adjustments
Revenue	510,877	(13,722)	497,155	(7,936)	(113)	(5,673)		**(13,722)**
Staff related expenses excluding equity remuneration expense	(177,057)	2,799	(174,258)				2,799	**2,799**
Occupancy expenses	(19,350)	1,500	(17,850)				1,500	**1,500**
Administrative and general expenses	(103,595)	11,497	(92,098)				11,497	**11,497**
Distributions and expenses relating to structured products	(7,936)	7,936	-	7,936				**7,936**
Equity remuneration expense	(10,383)	40	(10,343)				40	**40**
Depreciation and amortisation expense	(14,881)	46	(14,835)				46	**46**
Impairment of assets	(63)	63	-			63		**63**
Gain/(loss) on sale of property, plant and equipment	15	-	15					**-**
Financing costs	(3,472)	-	(3,472)					**-**
Net profit before tax from continuing operations	**174,155**	**10,159**	**184,314**	**-**	**(113)**	**(5,610)**	**15,882**	**10,159**
Income tax expense	(50,352)	(3,496)	(53,848)			1,059	(4,555)	**(3,496)**
Net profit after tax from continuing operations	123,803	6,663	130,466	-	(113)	(4,551)	11,327	**6,663**
Net profit after tax consolidated entity	**123,803**	**6,663**	**130,466**	**-**	**(113)**	**(4,551)**	**11,327**	**6,663**
Profit after tax attributable to non-controlling interests	(1,319)	1,319	-			1,319		**1,319**
Net profit after tax attributable to equity holders of Perpetual Limited	**122,484**	**7,982**	**130,466**	**-**	**(113)**	**(3,232)**	**11,327**	**7,982**
TrustCo integration costs			(11,327)					
Gain on disposal of businesses			113					
Gain on disposal/impairment of investments			3,232					
Net profit after tax attributable to equity holders			**122,484**					

3.3 Appendix C: Average funds under management

AVERAGE FUM BY ASSET CLASS

FOR THE PERIOD	FY15 $B	FY14 $B	FY15 v FY14	2H15 $B	1H15 $B	2H14 $B	1H14 $B
Australian equities	23.7	21.8	9%	24.4	22.9	22.5	21.1
Global equities	1.4	1.2	17%	1.5	1.3	1.2	1.2
Listed Investment Company	0.1	-	-	0.2	-	-	-
Total equities	25.2	23.0	10%	26.1	24.2	23.7	22.3
Cash and fixed income	6.0	4.5	33%	6.1	5.9	4.9	4.2
Other	1.1	1.2	(8%)	1.1	1.1	1.0	1.2
Total average FUM	32.3	28.7	13%	33.3	31.2	29.6	27.7

3.4 Appendix D: Full time equivalent employees (FTEs)

TOTAL FTE EMPLOYEES

AT END OF	2H15	1H15	2H14	1H14
Perpetual Investments	168	163	204	237
Perpetual Private	369	373	402	418
Perpetual Corporate Trust	163	156	180	178
Group Support Services	166	194	186	214
Total continuing operations including TrustCo	866	886	972	1,047
Discontinued operations (New Zealand Guardian Trust)	-	-	-	184
Total operations	866	886	972	1,231
Permanent	837	857	939	1,157
Contractors	29	29	33	74
Total operations	866	886	972	1,231

3.5 Appendix E: Dividend history

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

Year	Dividend	Date paid	Dividend per share	Franking rate	Company tax rate	DRP price
FY15	Final	25 Sep 2015	125 cents	100%	30%	Not determined at time of publication
FY15	Interim	27 Mar 2015	115 cents	100%	30%	$54.20
FY14	Final	3 Oct 2014	95 cents	100%	30%	$45.54
FY14	Interim	4 Apr 2014	80 cents	100%	30%	$50.32
FY13	Final	4 Oct 2013	80 cents	100%	30%	$38.66
FY13	Interim	5 Apr 2013	50 cents	100%	30%	$40.71
FY12	Final	5 Oct 2012	40 cents	100%	30%	$27.00
FY12	Interim	29 Mar 2012	50 cents	100%	30%	$24.34
FY11	Final	27 Sep 2011	90 cents	100%	30%	$22.40
FY11	Interim	30 Mar 2011	95 cents	100%	30%	$28.44
FY10	Final	28 Sep 2010	105 cents	100%	30%	$29.60
FY10	Interim	1 Apr 2010	105 cents	100%	30%	$35.21
FY09	Final	30 Sep 2009	60 cents	100%	30%	$37.78
FY09	Interim	13 Mar 2009	40 cents	100%	30%	N/A
FY08	Final	12 Sep 2008	141 cents	100%	30%	N/A
FY08	Interim	14 Mar 2008	189 cents	100%	30%	N/A
FY07	Final	14 Sep 2007	187 cents	100%	30%	N/A
FY07	Interim	16 Mar 2007	173 cents	100%	30%	N/A
FY06	Special	12 Sep 2006	100 cents	100%	30%	N/A
FY06	Final	12 Sep 2006	164 cents	100%	30%	N/A
FY06	Interim	17 Mar 2006	162 cents	100%	30%	N/A
FY05	Special	12 Sep 2005	100 cents	100%	30%	N/A
FY05	Final	12 Sep 2005	130 cents	100%	30%	N/A
FY05	Interim	18 Mar 2005	130 cents	100%	30%	N/A
FY04	Special	17 Sep 2004	200 cents	100%	30%	N/A
FY04	Final	17 Sep 2004	80 cents	100%	30%	N/A
FY04	Special	23 Jun 2004	50 cents	100%	30%	N/A
FY04	Interim	19 Mar 2004	70 cents	100%	30%	N/A
FY03	Final	3 Sep 2003	70 cents	100%	30%	N/A
FY03	Special	25 Jun 2003	50 cents	100%	30%	N/A
FY03	Interim	21 Mar 2003	60 cents	100%	30%	N/A

3.6 Glossary

ABS	Asset backed securities
AICD	Australian Institute of Company Directors
All Ords	All Ordinaries Price Index
APRA	Australian Prudential Regulation Authority
ARCC	Audit, Risk and Compliance Committee
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
B	Billion
bps	Basis point (0.01 of 1%)
CMBS	Commercial mortgage backed securities
cps	Cents per share
DPS	Dividend(s) per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation of intangible assets, equity remuneration expense, and significant items
EMCF	Perpetual Exact Market Cash Fund
EPS	Earnings per share
FATCA	Foreign Account Tax Compliance Act
Finsia	Financial Services Institute of Australasia
FOFA	The Future of Financial Advice
FTE	Full Time Equivalent Employee
FUA	Funds under advice or funds under administration
FUM	Funds under management
Group	Perpetual Limited and its controlled entities (the consolidated entity) and the consolidated entity's interests in associates
IPO	Initial Public Offering
M	Million
NPAT	Net profit after tax
OTC	Over The Counter
PCT	Perpetual Corporate Trust
PDS	Product Disclosure Statement

PEIC	Perpetual Equity Investment Company
PI	Perpetual Investments
PP	Perpetual Private
PPA	Purchase Price Allocation
PPI	Perpetual Protected Investments
RBA	Reserve Bank of Australia
RMBS	Residential mortgage backed securities
ROE	Return on equity
S&P	Standard & Poor's
T15	Transformation 2015
TrustCo	The Trust Company Limited
UPAT	Underlying profit after tax
UPBT	Underlying profit before tax
VWAP	Volume weighted average price