Perpetual Limited ABN 86 000 431 827
and its controlled entities

FULL YEAR FINANCIAL STATEMENTS

30 June 2019

Perpetual

Directors' Report for the year ended 30 June 2019

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 2019 and the auditor's report thereon.

Contents of the Directors' Report — Page No

Directors

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

Tony D'Aloisio AM, Chairman and Independent Director
BA LLB (Hons) (Age 69)

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

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

Listed company directorships held during the past three financial years:
- IRESS Limited (from June 2012 to present)

Philip Bullock AO, Independent Director
BA MBA GAICD Dip Ed (Age 66)

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

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

Listed company directorships held during the past three financial years:
- Hills Limited (from June 2014 to the present)

Sylvia Falzon, Independent Director
MIR (Hons) BBus FAICD SF Fin (Age 54)

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

Directors (continued)

Sylvia Falzon, Independent Director
MIR (Hons) BBus FAICD SF Fin (Age 54) (continued)

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 management and compliance.

Listed company directorships held during the past three financial years:
- Suncorp Group Limited (from September 2018 to present)
- Premier Investments Limited (from March 2018 to present)
- Regis Healthcare Limited (from September 2014 to present)
- SAI Global Limited (from October 2013 to December 2016 (delisted due to company's acquisition by private equity))

Nancy Fox, Independent Director
BA JD (Law) FAICD (Age 62)

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

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

Listed company directorships held during the past three financial years:
- Perpetual Equity Investment Company Limited (from July 2017 to present)

Ian Hammond, Independent Director
BA (Hons) FCA FCPA FAICD (Age 61)

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

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

Listed company directorships held during the past three financial years:
- Suncorp Group Limited (from October 2018 to present)

Directors (continued)

P Craig Ueland, Independent Director
BA (Hons and Distinction) MBA (Hons) CFA (Age 60)

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

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

Rob Adams
Chief Executive Officer and Managing Director
BBus (Accounting) (Age 53)

Rob joined Perpetual as Chief Executive Officer and Managing Director in September 2018.

Rob is a proven financial services business leader with 30 years' experience locally and globally across funds management, financial advice and fiduciary services.

Before Perpetual, Rob was Head of Pan-Asia and a member of the Global Executive Committee of Janus Henderson where he had been for six years. Prior to that, Rob was Chief Executive of Challenger Funds Management, and was then previously CEO of First State Investments UK.

Rob holds a Bachelor of Business degree (Accounting). He is Chairman of the Abbotsleigh Foundation.

Company secretary

Eleanor Padman
BA (Hons) OXON, FGIA, FCIS, GAICD

Appointed Company Secretary on 31 July 2017. Mrs Padman is also the General Counsel and General Manager of Perpetual's Legal, Compliance and Company Secretariat teams.

Prior to joining Perpetual, Mrs Padman was General Counsel and Company Secretary of Pinnacle Investment Management Limited. Mrs Padman was previously a Special Counsel at Clayton Utz. Mrs Padman is a lawyer with over 23 years' commercial experience gained in-house and in private practice, both in the UK and Australia. Mrs Padman has also served on a number of boards in the public, private and not-for-profit arenas.

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 2019 were:

Director	Board		Audit, Risk and Compliance Committee (ARCC)		People and Remuneration Committee (PARC)		Investment Committee		Nominations Committee*	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony D'Aloisio	20	20	-	-	-	-	-	-	2	2
Philip Bullock	20	20	6	6	8	8	-	-	-	-
Sylvia Falzon	20	20	-	-	8	8	4	4	2	2
Nancy Fox	20	20	6	6	8	8	-	-	-	-
Ian Hammond	20	20	6	6	-	-	4	4	2	2
Craig Ueland	20	20	6	6	-	-	4	4	2	2
Rob Adams	18	18	-	-	-	-	-	-	-	-

Corporate Responsibility Statement

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

Principal activities

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

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 2019, the consolidated entity reported a net profit after tax of $115.9 million compared to the net profit after tax for the financial year to 30 June 2018 of $140.2 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2019 financial year is as follows:

	30 June 2019 $'000	30 June 2018 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**115,929**	**140,227**
Significant items after tax		
Legal expenses[1]	-	3,479
Write back of prior year's tax provision	-	(4,731)
Underlying profit after tax attributable to equity holders of Perpetual Limited	**115,929**	**138,975**

[1] Prior period significant items includes $3.5 million after tax of non-recurring legal costs in connection with Perpetual Investment Management Limited (PIML) cross shareholding claim against Brickworks and Washington H Soul Pattison (WHSP). As decided by the Perpetual Board, these costs were absorbed by the Company in order to align the client and the Company's interests.

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 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. Underlying profit after tax attributable to equity holders of Perpetual Limited is disclosed as it is useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities.

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[1]/ Unfranked	Date of payment
Declared and paid during the financial year 2019				
Final 2018 ordinary	140	65,204	Franked	8 Oct 2018
Interim 2019 ordinary	125	58,218	Franked	29 Mar 2019
Total		123,422		
Declared after the end of the financial year 2019				
After balance date, the Directors declared the following dividend:				
Final 2019 ordinary	125	58,218	Franked	30 Sep 2019
Total		58,218		

[1] 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 2019 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.

Events subsequent to reporting date

A final dividend of 125 cents per share fully franked was declared on 22 August 2019 and is to be paid on 30 September 2019.

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

Likely developments

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

Environmental regulation

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

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

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

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. The auditor of the Company is in no way indemnified out of the assets of the Company.

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 and Managing Director's and Chief Financial Officer's declaration

The CEO and Managing Director, and the CFO declared in writing to the Board, in accordance with section 295A of the *Corporations Act 2001*, that the financial records of the Company for the financial year have been properly maintained, and that the Company's financial report for the year ended 30 June 2019 complies with accounting standards and presents a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Remuneration Report

Dear Shareholder

On behalf of your board, it is my pleasure to present our Remuneration Report for the financial year ended 30 June 2019 (FY19). Our Remuneration Report provides our shareholders and other stakeholders with a thorough and transparent explanation of how the incentive outcomes awarded for FY19 align with our performance. This performance is assessed against both financial and non-financial measures within the context of our risk management framework and our remuneration principles.

Leadership

FY19 has been a year of change at Perpetual. We were delighted to welcome Mr Rob Adams, who commenced as our new CEO on 24 September 2018. Rob's appointment brought about a refreshed executive team. Chris Green was appointed Chief Financial Officer following the completion of his time as interim CEO, Richard McCarthy was promoted to Group Executive, Perpetual Corporate Trust and Ms Sam Mosse joined Perpetual to take on the newly created role of Chief Risk Officer reporting directly to our CEO. The remuneration structure of these appointments is outlined in further detail in Section 7 of this report.

Performance

The Perpetual Board, through its People and Remuneration Committee, has assessed FY19 performance against a balanced scorecard of short and long-term financial and non-financial goals with a clear expectation to deliver sustainable shareholder returns over the medium to long term. In assessing executive performance, the Board has reviewed the risk and compliance performance of the organisation led by its Executives. This process is explained in more detail in Section 5.

As reported in the Operating and Financial Review, FY19 was a challenging year that has delivered mixed results across our three divisions. Whilst good progress and above plan results were achieved on some of the growth and client measures, other measures (including short-term financial) were below target. Consequently, this mixed result has had a direct impact on variable remuneration outcomes throughout Perpetual, especially for our Executives.

Remuneration outcomes

Given annual key performance targets were, on aggregate, below target, all Executives (including the CEO) have received an award for FY19 ranging between 50% and 75% of target.

The final long-term incentive awarded in October 2015 under our prior Executive incentive structure was due to vest in October 2018, however, neither the relative Total Shareholder Return (TSR) or Earnings Per Share (EPS) performance hurdles were achieved. Consequently, these Performance rights did not vest and lapsed in full.

In relation to fixed remuneration in FY20 there will be no Fixed Pay increases planned for the Board, CEO, Group Executives and most senior leaders in Perpetual. Perpetual employ almost 1000 employees. Whilst the Remuneration Report only covers Key Management Personnel, we do acknowledge the many people in our organisation for their daily contribution to delivering quality client outcomes. Consequently, the Board approved a fixed salary increase budget of 2.5% for those earning $150,000 per annum or less.

Changes to remuneration structures

The People and Remuneration Committee has a strong focus on the relationship between business performance, risk management and remuneration, and periodically reviews the Executive remuneration structure to ensure it remains appropriate. As a result of last year's review, the variable equity component for our new CEO was modified to include an additional longer-term absolute TSR performance hurdle that applies to half of any allocated equity under the variable incentive plan.

Remuneration Report (continued)

The Board determined that the executive remuneration framework will operate most effectively if all participants are aligned to a structure that contains consistent measures and hurdles. Effective 1 July 2019, each Executive will also be assessed against the absolute TSR performance hurdle, ensuring a consistent approach to remuneration with that of our CEO. Further details about this and other changes can be found in section 1.2 of this report.

Thank you for taking the time to read our Remuneration Report and we welcome your feedback.

Sylvia Falzon
Chairman, People and Remuneration Committee

Remuneration Report (continued)

The Remuneration Report is designed to provide shareholders with an understanding of Perpetual's remuneration policies and the link between our remuneration approach and Perpetual's performance, particularly for our Key Management Personnel (KMP) as defined under the Corporations Act 2001. Individual remuneration is provided for Perpetual's Non-executive Directors (NED's), the CEO and Executives (current and former).

This report has been prepared in accordance with section 300A of the Corporations Act 2001. The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001 and forms part of the Directors Report.

Contents

1. Key Management Personnel

1.1. Key Management Personnel (KMP)

The table below summarises Perpetual's current and former KMP for FY19:

Name	Position	Term as KMP in FY19
CEO and Managing Director		
Rob Adams[1]	Chief Executive Officer and Managing Director	Commenced 24 September 2018
Current Executives		
Chris Green[2]	Chief Financial Officer	Full year
David Lane	Group Executive, Perpetual Investments	Full year
Richard McCarthy[3]	Group Executive, Perpetual Corporate Trust	Commenced 15 October 2018
Sam Mosse[4]	Chief Risk Officer	Commenced 18 February 2019
Rebecca Nash	Group Executive, People and Culture	Full year
Kylie Smith[5]	Group Executive, Marketing and Communications	Full year
Mark Smith	Group Executive, Perpetual Private	Full year
Former Executives		
Gillian Larkins	Chief Financial Officer	Ceased 12 October 2018
Current Non-executive Directors		
Tony D'Aloisio	Chairman	Full year
Philip Bullock	Independent Director	Full year
Sylvia Falzon	Independent Director	Full year
Nancy Fox	Independent Director	Full year
Ian Hammond	Independent Director	Full year
Craig Ueland	Independent Director	Full year

1. Effective 24 September 2018 Mr Adams joined Perpetual as Chief Executive Officer (CEO) and Managing Director.

2. Mr Green joined Perpetual in July 2006 and held the role of Group Executive, Perpetual Corporate Trust from 2008-2018. Mr Green was Interim CEO from 9 June to 24 September 2018, assisting during the transition period until Mr Adams' appointment. Effective 15 October 2018 Mr Green was appointed Chief Financial Officer.

3. Mr McCarthy joined Perpetual in August 2007. On 15 October 2018, Mr McCarthy was seconded from the Perpetual Corporate Trust leadership team to the position of Acting Group Executive, Perpetual Corporate Trust. Following a rigorous recruitment process, effective 1 December 2018 Mr McCarthy was promoted to the position of Group Executive, Perpetual Corporate Trust.

4. Ms Mosse joined Perpetual on 18 February 2019 in the newly created role of Chief Risk Officer.

5. Following six years with Perpetual, Ms Smith resigned as Group Executive, Marketing and Communications effective 30 June 2019.

Remuneration Report (continued)

1.2 Summary of CEO and Group Executive remuneration arrangements

Perpetual has implemented a transparent remuneration model that is aligned to our business strategy and underpins our ability to attract and retain talented executives. The Board believes in alignment between performance incentives and long-term value creation for our clients and shareholders, with this being delivered through the adoption of a balanced set of performance measures and a majority weighting of incentives (if awarded) towards equity.

CEO Remuneration

Effective 24 September 2018, Mr Rob Adams joined Perpetual as the new CEO and Managing Director. Mr Adams' remuneration arrangements, announced to the market in May 2018, are largely in line with those of his predecessor, with Perpetual making some key changes to the variable incentive component. A decision was taken by the Board to modify his remuneration to include a longer-term hurdle which applies to half of the allocated equity component of the variable incentive with a reduction in the cash incentive.

The introduction of the additional performance hurdle on a portion of the equity award is designed to further strengthen alignment with the longer-term shareholder experience. There is also a higher proportion of the overall award payable in equity. Stretch is built into scorecards to ensure that payments awarded under the plan are commensurate with the overall performance of the Perpetual Group and value delivered to shareholders. The maximum opportunity under the variable incentive remains at 175% of target.

Full details of Mr Adams' variable remuneration arrangements are in Section 7 of this report.

CEO Sign-on Long Term Incentive

As previously disclosed to the market, on 24 September 2018, a sign-on equity incentive was granted to Mr Adams as Restricted shares with a face value of $900,000. Provided Mr Adams does not give notice of resignation and is not terminated for cause before the relevant vesting date, half of the sign-on incentive (Restricted shares worth $450,000) will vest on the second anniversary of his commencement date (24 September 2020) and the balance (Restricted shares worth $450,000) will vest on the fourth anniversary of his commencement date (24 September 2022).

Group Executive remuneration

Effective 1 July 2019 our Group Executives' variable remuneration arrangements were aligned with those of the CEO. The Board believes the Executive remuneration framework will operate most effectively if all participants have consistent measures and hurdles.

Group Executives will transition to a variable incentive structure with the following key changes:

<u>Absolute Total Shareholder Return (TSR) hurdle</u>

- an absolute Total Shareholder Return hurdle on half of the equity allocated; and
- a three and four-year vesting hurdle of 7-10% Compound Annual Growth Rate.

<u>An uplift in equity incentive targets for Group Executives only (excludes CEO)</u>

Given the introduction of the absolute TSR hurdle, Executives' target equity remuneration has been increased as a result of the vesting uncertainty introduced. In a similar way, Executives' potential remuneration was reduced when there was no additional hurdle in place at the time when the Variable Incentive Plan was introduced in FY17.

Remuneration Report (continued)

<u>Calibration Scale removal</u>

The calibration scale, introduced in FY17 as a design feature of the Variable Incentive Plan, created a foundation to drive greater differentiation of incentive outcomes for Executives where their performance was either higher or lower than target (100%) achievement. In practice, the Board assesses overall performance for each Executive, therefore it determined the calibration scale was no longer required.

Further information on current Group Executive FY19 remuneration arrangements are in Section 7 of this report.

Fixed Remuneration

In FY19, Mr Green, previously Group Executive Perpetual Corporate Trust, was appointed Chief Financial Officer, and Mr McCarthy was promoted into a KMP role. Both Executives received remuneration increases commensurate with their new positions. For all other Group Executives there were no remuneration increases for FY19 and it is not anticipated that there will be any increases for FY20.

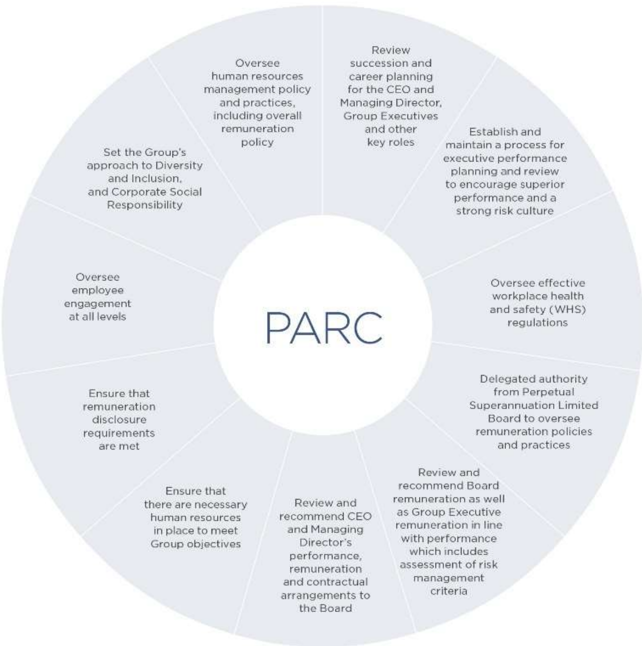
There were no increases in Board or Board Committee fees.

2. Governance

2.1 The People and Remuneration Committee

The People and Remuneration Committee (PARC) is a committee of the Board and is comprised of independent Non-executive Directors. Operating under delegated authority from the Board, the Committee evaluates and monitors people and remuneration practices to ensure that the performance of Perpetual is optimised with an appropriate level of governance while balancing the interests of shareholders, clients and employees.

The PARC's terms of reference are available on our website (www.perpetual.com.au) and are summarised as follows:



Remuneration Report (continued)

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

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

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

2.2 Use of external advisers

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

2.3 Corporate Social Responsibility

Our Commitment

Perpetual's Board and management have a long-standing commitment to good corporate governance. At Perpetual, we take advantage of opportunities to build our social, environmental and financial performance in ways that reflect our core values and enhance business sustainability. Indeed, success in Perpetual's core business, the management of people's money and the safekeeping of assets and securities, relies on this commitment.

We draw on our people for their experience, knowledge and expertise in investing, governance, financial advice and trusteeship to contribute positively to our clients and the community. We focus on activities where we can add the most value to society while minimising our environmental impact.

We are committed to doing our part to enrich our community by:

- Having the highest standards of corporate governance and business probity;
- Investing responsibly and encouraging sustainable business practices; and
- Contributing time and money to charities which we know have a track record of delivering on their promises.

Some examples of how we are achieving these goals include:

- Signatory to the United Nations Principles for Responsible Investment;
- Tax Transparency Code;
- Staff Giving Program; and
- Facilitating $11million in philanthropic funds across 261 endowments via the Perpetual Foundation.

Remuneration Report (continued)

In addition, the Board considers that its practices comply, and have complied throughout the year, with the ASX's Corporate Governance Council's Revised Governance Principles and Recommendations and is committed to transparent reporting on Sustainability risks including how the Executive and Board are mitigating these risks in pursuit of sustainable business performance.

The Corporate Responsibility and Sustainability Report

The Corporate Responsibility and Sustainability Report includes an overview of Perpetual's sustainability philosophy, the material risks that have been identified using the Perpetual risk management framework and relevant information about the associated strategies implemented to mitigate these risks. The Corporate Responsibility and Sustainability Report also includes:

- An overview of Perpetual's philosophy as it relates to corporate governance and how Perpetual complies with the ASX Corporate Governance Principles and Recommendations, 3rd edition (ASX Principles).
- Perpetual's approach to mitigating Environmental, Social and Governance (ESG) risks identified as material within the Perpetual Risk Appetite Statement (RAS), which is part of Perpetual's Risk Management Framework. This includes social sustainability, human capital and community risks.
- A summary of governance structures at Perpetual.

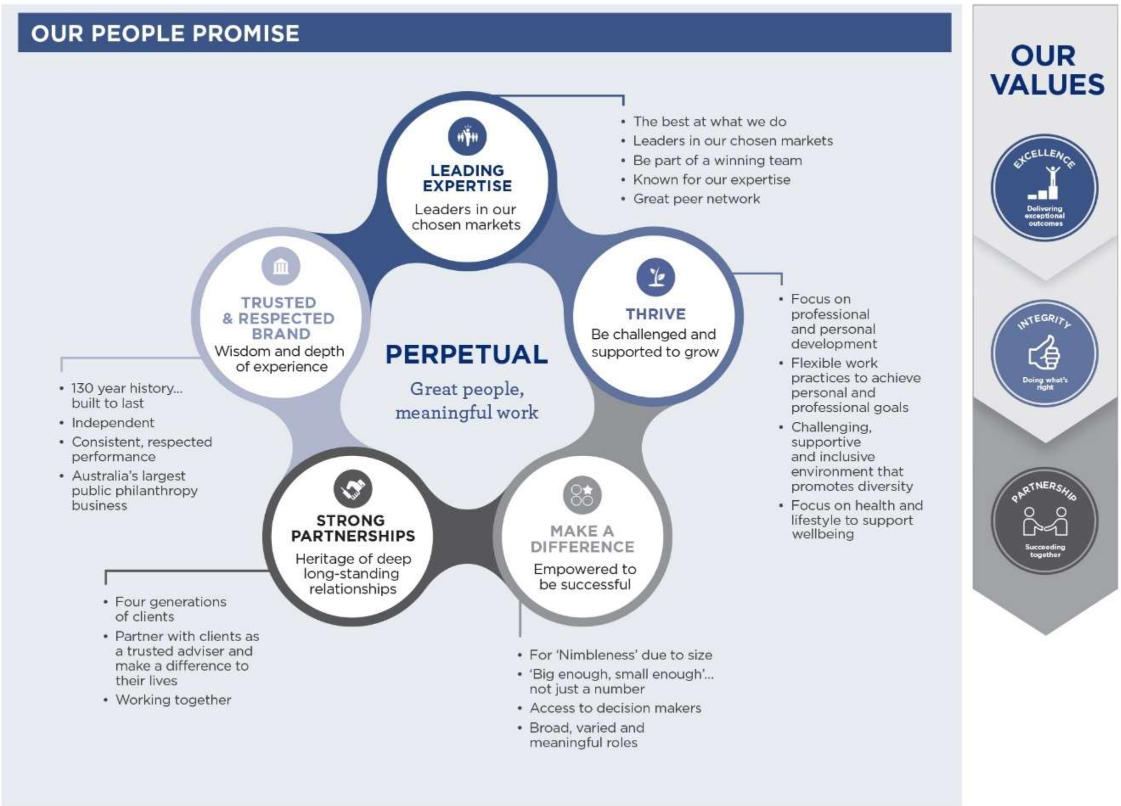
The Corporate Responsibility and Sustainability Report is approved by the Board and can be found on Perpetual's website at www.perpetual.com.au/Corporate-Governance.

Directors' Report for the year ended 30 June 2019 (continued)

Remuneration Report (continued)

3. Our people

Our people strategy, a key enabler of our business strategy, is focused on attracting and retaining the best talent with a promise of providing the opportunity to work with great people on meaningful work. The goal of the people strategy is to enable business growth by building the capabilities we need for the future and creating an environment in which our people can thrive.



3.1 Diversity and Inclusion

At Perpetual, we believe that building diverse and inclusive teams is the right thing to do, will enable growth and will deliver better outcomes for our people, clients and shareholders.

The Perpetual Board is responsible for the initial approval and any subsequent amendments to Perpetual's Diversity Policy, and PARC has oversight responsibility of this policy.

Our Diversity and Inclusion strategy is developed by our Diversity Council. The Perpetual Limited Executive Committee and PARC regularly review the progress of the Diversity and Inclusion strategy, as well as diversity metrics at the organisation and business unit level. For example:

- gender equality metrics (such as; women in senior leadership metrics, gender profiling at all levels, gender representation in talent and development programs, mobility and turnover);
- flexibility utilisation; and
- gender pay gap analysis.

The Board will also review the Diversity and Inclusion strategy at least annually including, the objectives set for achieving gender diversity and progress toward achieving them.

Remuneration Report (continued)

Key Diversity and Inclusion achievements in FY19 are outlined below.

DIVERSITY & INCLUSION KEY ACHIEVEMENTS FY19

FLEXIBILITY

Employees empowered with control over where, when, and how they deliver optimal business outcomes

- ✓ 86% of people feel that their leader promotes and encourages flexibility
- ✓ 93% of our people feel that they have the flexibility to manage work and caring responsibilities

GENDER EQUALITY

Building gender balanced leadership for Perpetual to deliver better business results

- ✓ 97% of our people believe that sex-based harassment is not tolerated at Perpetual
- ✓ We are working towards a 40% Women in Leadership target by 2020.
- ✓ 83% of our people support Perpetual’s focus on increasing women in leadership
- ✓ Achieved 50% gender balance in SLT high potential cohort
- ✓ Named WGEA Employer of Choice for Gender Equality
- ✓ Gender Pay Gap review and actions complete
- ✓ Continued targeted female talent development– Women in Banking and Finance mentoring for Success
- ✓ Held Women in Asset Management Lunch for female Analysts and Fund Managers

CULTURAL DIVERSITY

Building relationships, respect and opportunity for Aboriginal and Torres Strait Islander peoples

- ✓ Hosted 100% Human at Work Australasian Gathering - Michael Combs from Career Trackers spoke on indigenous leadership
- ✓ Continued commitment to Jawun: 5 secondees in 2019
- ✓ Progress towards delivery of Stretch RAP (2016-2019)
- ✓ Celebrated National Reconciliation Week and Harmony day
- ✓ Commitment to education and celebration of NAIDOC week

INCLUSION

Enabling our people to contribute in their distinctive way and recognising diversity of thought

- ✓ Celebration of Perpetual’s ‘Pride Day’
- ✓ Continuation of our Diversity and Inclusion Council

3.2 Employee benefits

We offer our employees a suite of benefits that are relevant to what we stand for as an organisation, with our employees electing to utilise what they each find most valuable. At Perpetual we embrace the provision of health and wellness programs for our employees through our Wealth, Health and Lifestyle benefits outlined below.

WEALTH	Employee share grant plan Targeted superannuation increase to 12% by 2020 Superannuation on parental leave Free financial health check Discounted financial advice	Employee banking offer Salary continuance insurance Death and TPD insurance Salary packaging Talent Referral Incentive Plan Investment employee offers
HEALTH	Employee health checks Flu vaccinations HCF Corporate health plans	Mental health program Employee assistance programs Healthy workplace snacks
LIFESTYLE	Contribution leave Purchased leave Flexible working Shopping and lifestyle discounts	Education assistance Paid parental leave Parental return to work bonus Sabbatical leave

In FY19, management arranged for an independent review of Perpetual's WHS policy and practices. This review confirmed Perpetual's compliance with relevant legislation and adoption of robust policies and practices while also suggesting some areas for improvement. PARC had oversight of the review and receive a WHS update at each meeting.

4. Our remuneration philosophy and structure

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

4.1 Remuneration principles

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

1. Attract, motivate and retain the desired talent within Perpetual
2. Balance value creation for shareholders, clients and employees
3. Facilitate the meaningful accumulation of Perpetual shares that drives an ownership mentality
4. Embed sound risk management
5. Be simple, transparent and easily understood and administered
6. Be supported by a governance framework that avoids conflict of interest and ensures that proper controls are in place

4.2 Remuneration policy and practice

Perpetual has implemented a transparent remuneration model that is aligned to our business strategy and supports the attraction of talent to the business. The remuneration structure for Perpetual Executives is designed to drive our strategy, reflect the importance of sound risk management and deliver outcomes aligned to Perpetual's shareholders and clients. The core elements of Perpetual's remuneration strategy in FY19 include both fixed and variable incentives as follows:

Fixed	Fixed remuneration	Set in consideration of the total target remuneration package and the desired remuneration mix for the role, taking into account the remuneration of market peers, internal relativities and the skill and expertise brought to the role. Calculated on a 'total cost to company' basis, consisting of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax (FBT).	Paid as cash

Remuneration Report (continued)

Variable Incentive (if payable)	Cash	Each participant has a Variable Incentive target, expressed as a defined $ target amount. Annual Variable Incentive outcomes are linked to performance against key business metrics directly linked to our strategy. The Variable Incentive is paid in both cash and equity.	
	Equity[1]	Equity must be retained for at least four years (For Group Executives, this is first as Share rights, then as Restricted shares. In addition, the CEO has a portion of his Equity in the form of Performance rights subject to a longer-term performance hurdle of absolute total shareholder return). The emphasis on equity ensures that Variable Incentive outcomes are linked to the shareholder's experience through reinforcing long-term ownership of Perpetual shares.	Awarded as equity

1. From FY20, the CEO and Group Executives will operate under a consistent equity structure with vesting subject to a long-term performance hurdle on a portion of any allocated equity

Fixed remuneration increases for FY20

Following a review of market fixed remuneration increase trends, Perpetual's average fixed remuneration budget increase across the organisation for FY20 was 2.5% for employees whose full time equivalent fixed remuneration is at or below $150,000 per annum. For those employees whose fixed remuneration is above $150,000, including the CEO and Group Executives, no budget increase was provided.

Asset Manager remuneration

Asset Manager (portfolio manager and investment analyst) remuneration policies align to Perpetual's performance-based remuneration philosophy and principles. Perpetual seeks to align remuneration outcomes to long-term value creation for shareholders and clients.

All Asset Managers have a portion of their variable remuneration determined by outcomes delivered against investment performance targets, which is generally assessed over one, two and three years. Portfolio managers managing mature funds and those who are growing businesses may have a portion of their remuneration aligned to other business measures. For example, Perpetual's Australian and Global Equities Portfolio Managers have their long-term incentives determined through a revenue share that provides a team based goal and focus whilst also aligning a portion of their remuneration directly to shareholder outcomes.

All Asset Managers have a portion of their variable remuneration awarded as deferred or long-term incentives every year. These awards vest over a range of timeframes; principally after three years. This cycle of rolling awards ensures continuous retention arrangements are in place and avoids cliff vesting events. For most Asset Managers, deferred incentives can be invested into either Perpetual equity or units in their own funds, further aligning Asset Managers to client outcomes and shareholder interests.

Remuneration Report (continued)

In FY19, our Equities asset management team's total variable reward outcomes are expected to be down approximately 20% on FY18.

General employee remuneration

Employees receive fixed pay, superannuation and are eligible to receive a short-term incentive.

Performance against a company scorecard determines the size of the bonus pool for the financial year. Relative divisional performance against divisional scorecards are one of a number of factors that determine the distribution of the bonus pool to each division. An individual's performance rating is then determined based on performance against objectives articulated at the commencement of the performance year. An individual's STI outcome is based on this performance rating, which is reflective of performance against targets in an individual scorecard, delivery of goals against Perpetual's 'The Way We Work' behavioural framework and an employee's approach to the management of risk.

Senior employees are eligible to participate in a long-term incentive plan. All other employees are eligible to participate in the One Perpetual Share Plan whereby eligible employees can be awarded annual grants of up to $1,000 of Perpetual shares subject to Perpetual meeting its profit target. Whilst performance has been challenging in FY19, the Board decided to allocate $500 of Perpetual shares to eligible employees in recognition of their contribution and to continue to align employee and shareholder interests. In addition, Perpetual offers a comprehensive range of employee benefits across wealth, health and lifestyle categories.

5. Managing risk within Perpetual

Risk management continues to be a fundamental focus within our business, with the Perpetual Board having the responsibility and commitment to ensure that Perpetual has a sound risk management framework in place. Perpetual's Risk Group is a centralised corporate function, managed by Ms Sam Mosse, Chief Risk Officer, who reports to the CEO. The Risk Group has developed risk measurement systems and practices that are utilised when determining 'at risk' remuneration. To this effect, risk management is a key performance metric.

Risk and behavioural performance

The Board, PARC and management have a range of mechanisms available to adjust remuneration and incentive outcomes to reflect behavioural, risk or compliance outcomes (both strong and poor) at a group, divisional and individual level.

The table below summarises the range of mechanisms available and their intended operation.

Mechanism	Description / intention of the mechanism
Risk dashboards (apply at a Group or divisional level)	Incentive funding can be adjusted (upwards or downwards) following a combined Audit, Risk and Compliance Committee (ARCC) and PARC review of group and divisional risk "dashboards", which are produced by the Risk and Internal Audit functions throughout the year as well as leading into financial year-end.

Remuneration Report (continued)

Behavioural ratings – The Way We Work and Risk goals (apply to all incentive plans)	Behavioural assessments exist for all employees at Perpetual. The behaviours component of the scorecard effectively moderates employee performance outcomes. Behavioural ratings are provided across a four-point scale (Red, Amber, Green, Blue) and can result in either upward (Blue rating) or downward (Amber, Red) adjustments to performance ratings and reward outcomes. Additionally, for the last four years including FY19, consistent risk goals have been agreed and cascaded to all employees that participate in the Group STI plan and in FY19 Perpetual introduced a specific risk rating for all employees.
Malus provisions (apply to all term incentive plans)	Allow for the Board to adjust or lapse any unvested incentive awards where, in the opinion of the Board, the participant has acted fraudulently, dishonestly, has breached their obligations to the Group, where outcomes have been misstated, or where the Board determines at its sole discretion that outcomes are inappropriate.
Clawback provisions (apply to all deferred STI and long-term incentive plans)	Allow for the Board to reclaim (or "clawback") vested incentives where, in the opinion of the Board, vesting occurred as a result of fraud, dishonesty, a breach of obligations or where outcomes have been misstated. This applies to both current and former employees.
Board Discretion (all incentive plans)	Overriding the above mechanisms, the Board, and in some instances management, have discretion to adjust proposed incentive or vesting outcomes, subject to the applicable rules governing each incentive plan. The discretion to vary incentive outcomes from the agreed formulas range from absolute unfettered discretions to more limited discretions which may only be applied in specific circumstances.

In addition to the above mechanisms, Perpetual undertakes the following practices:

- performing scenario testing on potential outcomes under new incentive plans;
- reviewing the alignment between proposed remuneration outcomes and performance achievement for incentive plans on an annual basis; and
- deferring a significant portion of variable remuneration into equity to align remuneration outcomes with longer-term shareholder value.

Link Between Risk and Reward

An employee's approach to managing risk is a key factor when considering an employee's yearly performance. Risk management performance measures are overlayed in employee scorecards as per the graphic over the page. These measures are considered when assessing overall performance and incentive payments.

Remuneration Report (continued)

FY19 risk performance

Overall risk performance within Perpetual has been positive with Executives across the business actively engaging in risk discussions and having a culture of high-risk awareness. Perpetual will continue to evaluate the effectiveness of its risk management framework and ensure that performance and reward outcomes of Executives and employees are reflective of their, and the Company's, performance in this regard.

Minimum shareholding guideline

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

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

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

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

As at 30 June 2019, progress towards the minimum shareholding target for each Executive was as follows:

Remuneration Report (continued)

	Value of eligible shareholdings as at 30 June 2019[1]	Value of minimum shareholding guideline	Target date to meet minimum shareholding guideline	Guideline met[2]
	$	$		
Executives				
R Adams	77,510	1,953,945	24 September 2023	
C Green	379,188	325,000	1 October 2013	✓
D Lane	149,487	276,068	10 April 2022	
R McCarthy	85,958	215,000	15 October 2023	
S Mosse	-	247,500	18 February 2024	
R Nash	391,607	312,045	15 August 2017	✓
K Smith[3]	174,113	194,868	1 September 2021	
M Smith	370,403	315,740	19 November 2017	✓

1. Value is calculated through reference to the closing Perpetual share price at 28 June 2019 of $42.24.
2. Executives have a five year transition period to meet their shareholding requirement.
3. The minimum shareholding guideline is no longer relevant for Ms Smith who resigned as Group Executive, Marketing and Communications effective 30 June 2019.

Hedging and share trading policy

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

Share dealing approval

Effective 1 July 2018, Perpetual issued a new policy for trading in Perpetual Securities which stipulates certain trading black-out periods and requires all employees to seek pre-trade approval via an automated platform. A copy of the policy was lodged with the ASX and appears on Perpetual's website at https://www.perpetual.com.au/about/corporate-governance/informed-market-and-share-dealings

6. Aligning Perpetual Group performance and reward

6.1 Setting performance expectations

Perpetual's purpose is enduring prosperity. For our shareholders, this means pursuing a strategy that is focused on delivering long-term sustainable value. In our view, this is best achieved by having highly engaged people creating superior client outcomes, which in turn delivers underlying earnings growth for shareholders. Successful delivery of the strategy is defined by clear client, people and financial measures which link our annual targets with our long-term strategic objectives; balancing short-term shareholder outcomes with the necessary investments for long-term sustainable growth.

As in prior years, in FY19 we adopted a balanced scorecard to measure and drive our performance. The scorecard was weighted 60% to financial measures and 40% to non-financial measures that are designed to deliver value in the current and future years, within appropriate risk tolerance levels. We set our balanced scorecard each year based on the business and financial plan approved by the Board. The business plan for FY19 was developed through a bottom-up build of strategic initiatives which support the longer-term strategy. The scorecard derived from the plan is tested with reference to a number of external market factors and in consideration of year on year progress against our strategic goals to ensure appropriate stretch is reflected in the targets for each measure.

6.2 Five year Group performance

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

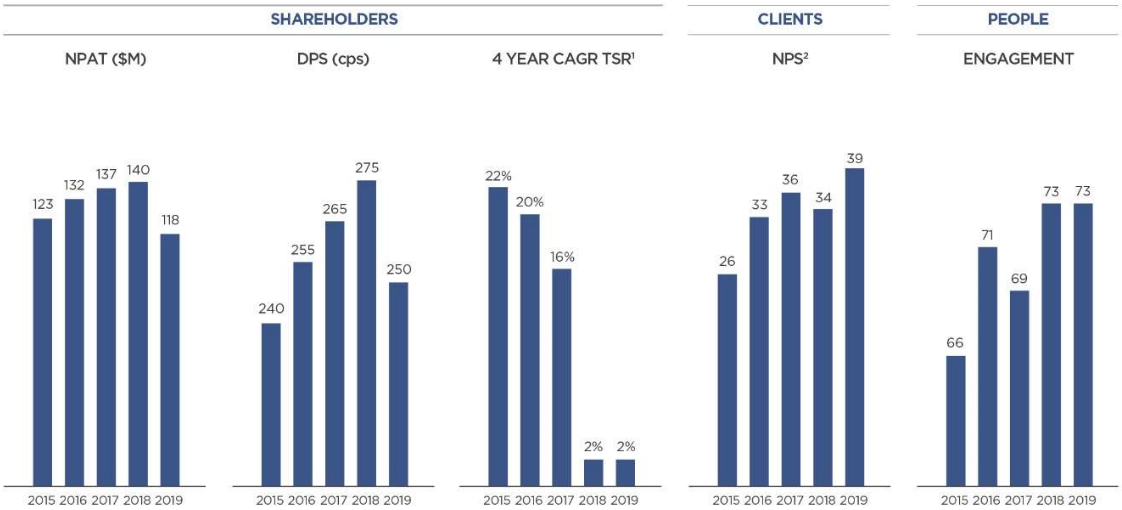
This section demonstrates the strong alignment between Perpetual Group performance and remuneration outcomes for Executives over the last five years.

The table below shows Perpetual's five year performance across a range of metrics and corresponding incentive outcomes. The movement in the variable pay of the CEO and Group Executives, in our view, has been fair and reasonable compared to Perpetual Group performance and resulting benefits to shareholders over the past five years. This is particularly apparent in FY19, with lower variable incentive outcomes (as a percentage of target), reflecting the Group's mixed balanced scorecard performance.

		30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Net profit after tax reported	$m	122.5	132.0	137.3	140.2	115.9
Basic earnings per share - NPAT	cps	274	291	300	305	251
Total dividends paid/payable per ordinary share[1]	cps	240	255	265	275	250
Closing share price	$	48.4	41.1	55.9	41.6	42.2
One year TSR	%	7	-10	42	-21	8
Three year CAGR TSR	%	32	10	10	-1	7
Four year CAGR TSR	%	22	20	16	2	2
Five year CAGR TSR	%	15	15	23	8	3
CEO - Variable Incentive as % of target[2]	%	103	107	79	34	65
Group Executives - Average Variable Incentive as % of target	%	108	105	91	76	56

1. Dividends paid are for the respective financial year.

2. CEO variable incentive outcomes for FY15 - FY18 are for Perpetual's previous CEO, Mr Lloyd. Mr Lloyd ceased employment with Perpetual in FY18, and therefore FY18 represents variable incentive cash only given the forfeiture of variable incentive equity for FY18. FY19 variable incentive outcomes are for Mr Adams.



1. Four year CAGR TSR disclosed to align with the performance hurdle period of the CEO and Group Executives from FY20.
2. NPS FY18 has been rebased from 39 to 34 to reflect new target markets.

Performance commentary

- FY19 NPAT was 17% lower than FY18. This outcome was driven predominantly by lower revenues in Perpetual Investments. Despite higher equity markets and the successful launch of the Perpetual Credit Income Trust, net outflows and prior period distributions resulted in lower average funds under management during the year. This 17% decrease in FY19 NPAT compares to 2% growth in FY18.
- Perpetual's dividend per share has moved broadly in line with NPAT and with the Board's policy to pay within a range of 80-100% of annualised NPAT. The decrease in the current year reflects the lower NPAT result.
- Shareholder returns have experienced a mixed result over the last five years. On an absolute basis the one-year TSR of 8% compared with negative 21% in the prior year reflects the decline in the share price over the course of FY18.
- The four year TSR CAGR remains stable at 2%.
- Net Promoter Score (NPS) was adopted as an organisational-wide client advocacy measure in FY13. It continues to be a critical measure, given our client-driven business and our long-term strategy. NPS targets are re-baselined each year. This includes adding and/or removing segments based on our strategy.
- The continued positive trends and FY19 results in our employee and client advocacy measures, and the continued investments in the business, position Perpetual well for the future.
- Our strategy recognises our people are key to our success. In FY19, we maintained our strong engagement score at 73% which positions Perpetual in the top quartile of Australian companies[1].

6.3 Measuring performance in FY19

Under our Variable Incentive plans, it is critical our balanced scorecard evaluates current and future value creation with a risk management overlay. This section explains the performance outcomes for FY19.

Pay for performance

- The Board's consideration of the outcomes for the year against a balanced set of key performance targets, detailed over the page, resulted in Group Executives achieving an average of 56% of Variable Incentive targets. This outcome correlates with company performance, and shows the strong

[1] Source: Kincentric (formerly Aon) 2019 Engagement benchmark data

link between Perpetual's company performance, incentive plans, and reward outcomes. For FY19, The CEO received 65% of his Variable Incentive target and 37% of his maximum opportunity.

- The range of Executive variable pay outcomes in FY19 is between 50% and 75% of target (excluding CEO), which the Board determined reflected the balance of performance outcomes across both financial and non-financial measures in FY19.
- The variable pay for our Executives is intentionally linked to performance against short and long-term drivers of our business. In FY19, Perpetual fell short of its NPAT target and some of the identified growth targets but delivered solid strategic, client and people outcomes.

Performance against our key balanced scorecard measures in FY19 is summarised below:

Strategic Measure	Weighting	Full Year Performance	
Financial		**Outcome**	**Comments**
Delivery of net profit after tax (NPAT) target	40%	Target range: $140-145m Actual: $116m Result: Below Plan	• In FY19 NPAT was $24m lower than the prior year. • The shortfall can be primarily attributed to lower than expected revenue in PI as a result of net outflows and lower performance fees.
Growth		**Outcome**	**Comments**
Growth in our target markets: Perpetual Corporate Trust (PCT) – New business revenue	20%	PCT result: Above Plan	**PCT** • PCT exceeded its new business growth targets in its MFS business in FY19 with an increasingly diverse revenue portfolio. • The acquisition and seamless integration of the RFi Roundtables business contributed to revenue growth and the establishment of a third business engine in Data and Analytics Solutions to support future growth and further diversify PCT. • The Singapore business is the leading independent trustee acting as a trustee for eight Singapore real estate investment trusts (and saw a 34% increase in revenue from FY18). • New business growth slowed in the securitisation market, due to lower public securitisation deals versus prior year and the impact of slower growth in mortgage lending and tighter credit.
Perpetual Private (PP) – Non-market related revenue PP – Net flows		PP result: Below Plan	**PP** • PP continued to report positive net flows in FY19, however fell short of agreed stretch targets. • PP has delivered 12 consecutive halves of positive net flows driven by our key strategic segments; a result that, we believe, has outperformed the private wealth market. • PP delivered higher Fordham revenue however this was offset by lower revenue from cash management facilities due to lower than average balances throughout the second half.
		PI result: Below Plan	**PI** • Net outflows of $3 billion in PI in FY19 contributed to the below plan outcome for the year. The negative flows were driven by institutional clients ($2.1 billion) and wholesale clients ($1.1 billion) in equities, in addition to ongoing outflows in legacy products ($0.5 billion).

Strategic Measure	Weighting	Full Year Performance	
Perpetual Investments (PI) – Annualised net revenue (ANR)			• The initial public offer of our Perpetual Credit Income Trust (Credit LIT) resulted in strong flows of $440 million (maximum raise achieved), and the successful additional fundraising of $101 million for Perpetual Equity Investment Company Limited (PIC), partially offset the negative flows into PI.
Clients		**Outcome**	**Comments**
Improve client advocacy – external net promoter score (NPS) performance	10%	Target: +32* Actual: +39 Result: Above Plan	The above plan FY19 NPS result was driven by: • a significant uplift in client advocacy among Perpetual Private clients, with continued outstanding results from Fordham clients and noteworthy improvements among clients of Perpetual Plus and Trust Services, with the Private Clients score a little lower and in line with expectations; • solid improvements in Perpetual Corporate Trust with improved advocacy among clients of both Debt Markets Services and Managed Fund Services as well as Data Services, balancing a decrease among Australian Referral Partners; and • steady state in Perpetual Investments with some mixed results across client groups. * re-based from FY18 outcome
Deliver investment performance for our clients. PI – Number of Funds in first and second quartile over one year PP – Percentage of Investment portfolios in first and second quartile over one year	10%	Target PI: 8 of 15 Funds Result: 7 PI Funds Below Plan Target PP: 50% of portfolios Result: 40% of portfolios Below Plan	PI • PI has seven of fifteen funds with performance in the top two quartiles[1] in FY19 which is slightly behind plan. PP • Two of PP's five investment strategies have delivered performance in the top two quartiles[1] in FY19 which is slightly behind plan.
People		**Outcome**	**Comments**
Improve the Perpetual people experience – Employee engagement	10%	Target: 74% Actual: 73% Result: Below Plan	• We have maintained our engagement score at 73%. This consistent outcome reflects our targeted action planning across the business. • Over the past six years Perpetual has increased by 20 points which is an exceptional outcome. • This result positions Perpetual in the top quartile of Australian companies, which external research demonstrates is a lead indicator of improved business outcomes over time including reduced turnover, attraction of key talent required to deliver on the business strategy and improved productivity.

[1] Perpetual Funds assessed against the relevant Morningstar, Mercer Wholesale and Institutional surveys in their respective universes at 30 June 2019.

Remuneration Report (continued)

Strategic Measure	Weighting	Full Year Performance	
Strategy		**Outcome**	**Comments**
Deliver on priority projects	10%	Target: Projects are considered on plan if they have been delivered on time, on budget and have met business case results Results: PCT Data Analytics – On Plan PP Operating Model modernisation (Fusion) – Above Plan PCT platform modernisation – Below Plan	• PCT Data Analytics Solutions has been extended across all key lending asset classes and has developed new credit risk management, compliance and regulatory reporting capabilities. A major long-term client is onboarding the new capabilities and the platform is now marketable for further revenue opportunities for bank and non-bank lenders. • Throughout 2019, PP re-organised Trustee Services teams and uplifted Advice systems to enable focus on value adding client services at scale. Change was delivered ahead of plan and has contributed to higher Trustee Services NPS scores and higher people engagement scores. • PCT platform modernisation has narrowed its focus to re-platforming core legacy systems and as such PCT modernisation for the period was below plan. This approach however is in alignment with operational risk appetite and creates a scalable foundation on which further digital client experiences and end-to-end efficiencies can follow.

Key areas of investment

Perpetual has continued to invest in programs that will provide longer term value creation opportunities for productivity and revenue creation. These programs can be categorised by division as follows:

Perpetual Group
In FY19, Perpetual elevated its commitment to cyber security. In-house capability has been strengthened and execution of a continuous roadmap of initiatives to enhance security posture is underway. Cyber security is recognised as a fundamental part of Perpetual's trust proposition.

Investment in analytics in support services domains is contributing to agility and rigorous decision making.

Perpetual Corporate Trust (PCT)
In FY19, PCT has continued to invest in strategic initiatives to support organic and inorganic growth. Our three year "Telos" technology modernisation program to upgrade core systems and transition to cloud-based platforms will deliver operational efficiencies and enhanced security to combat cyber risk and fraud.

We continue to invest in Data and Analytics Solutions (DAS) (the third business engine) to support future growth and further diversification to our market leading trustee business. The acquisition of the RFi Roundtables business in December 2018 has accelerated growth in DAS and provided additional products and expertise aligned to our business strategy.

Perpetual Private (PP)
Our three year "Fusion" program to modernise the Trustee and Advice businesses and transform the client experience is in its final year. The upgrade of the technology platform supporting our advice and fiduciary clients has been delivered on or ahead of time. The centralisation of Trustee administration has led to a reduction in payment processing times for our clients. The benefits of this project include improvements in NPS across Advice and Trustee Services, controls and risk culture measures; and PP's employee engagement.

In FY19 PP launched a new "Partner led" Professional Services operating model (PSM) for our advice business designed to drive growth through deep segment knowledge and enhancing client experience, with the aim to bring the best of PP Solutions to every client interaction. The new model went live on 1 July 2019 for Partners and Advisors. Phase 2 will involve embedding the new model, centralisation of administration functions and the roll out of a digital client advice solution over the course of FY20.

Perpetual Investments (PI)
In FY19 PI successfully raised over $540 million of new investment capital via its listed vehicle strategy. The secondary capital raising for Perpetual Investment Company Limited (PIC) in the first half was fully subscribed raising $101m and increased the shareholder base by 28% which should increase liquidity in the stock and deliver economies of scale.

In March 2019, PI launched its second listed vehicle, Perpetual Credit Income Trust (PCI) LIT, which received strong support with the maximum targeted raise of $440m achieved. The listed trust commenced trading in May 2019.

Over the course of the year PI has undertaken significant work to optimise its operating model to facilitate delivery of further listed strategies to market.

PI undertook a review of the Wealthfocus investment options to drive efficiencies for the product suite which includes WealthFocus Investment Advantage, Super and Pension products. The customer experience was also improved by lowering the fee for Cash Funds and rebating the fee for WealthFocus Direct clients.

Other areas of investment included an upgrade of the of pre-trade compliance controls for all portfolios.

7. Variable Remuneration

Variable remuneration is designed to reward Executives for their performance during the performance year, provided they have achieved performance standards based on financial and non-financial measures focused on delivering short and long-term value. The variable remuneration structure is designed to drive business strategy with outcomes being aligned to shareholders.

7.1 Executive Variable Incentive plans

Features of the CEO Variable Incentive Plan

Under the CEO Variable Incentive Plan in FY19, the full Variable Incentive (cash and equity) is subject to performance against an annual balanced scorecard, with the CEO's Variable Incentive equity component for FY19 delivered as a grant of Share rights (50%) and Performance rights (50%) as follows:

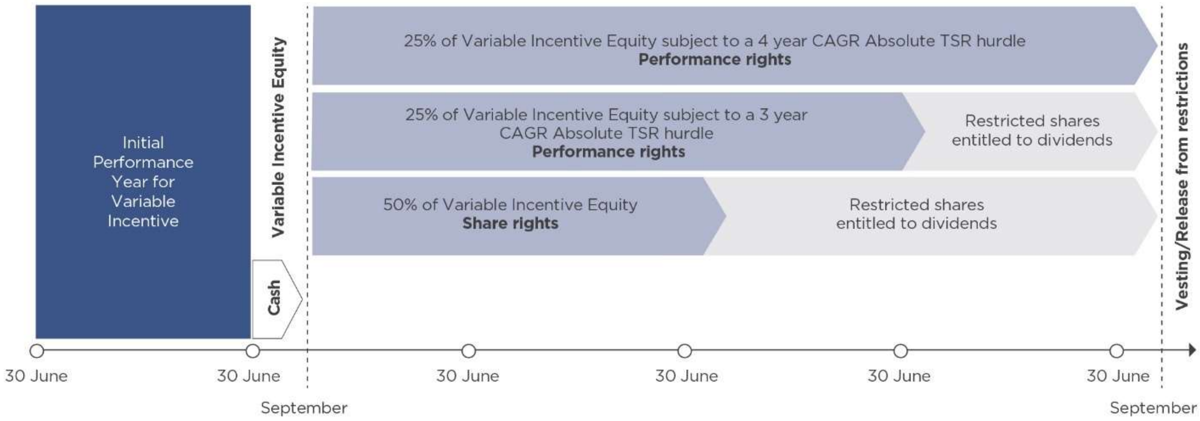
- Share rights (Variable Incentive equity – unhurdled) will vest on 1 September 2021 and convert into Restricted shares;
- Half of the Performance rights (Variable Incentive equity – hurdled) will vest on 1 September 2022 subject to a three-year Compound Annual Growth Rate (CAGR) absolute Total Shareholder Return (TSR) hurdle and convert to Restricted shares; and
- The remaining half of the Performance rights will vest on 1 September 2023 subject to a four-year CAGR absolute TSR hurdle and convert to unrestricted shares.

Any Restricted shares received on conversion of Share rights or Performance rights will be eligible to receive dividends and will be released from restrictions on 1 September 2023.

The absolute three and four year CAGR TSR performance hurdles will be aligned to the following achievement scale:

Compound annual growth in TSR	Percentage of relevant tranche of Performance rights that vest
Less than 7% per annum	0%
7% to 10% per annum	Straight-line vesting from 50% to 100%
10% or above per annum	100%

Malus and Clawback provisions give the Board the discretion to claw back vested and unvested equity.



The number of Share rights and Performance rights granted for FY19 performance was determined by dividing the relevant variable incentive award dollar amount by the face value of a Perpetual share on the trading day prior to the CEO's commencement date, using the five-day Volume Weighted Average Price (VWAP). From FY20, the VWAP methodology will be aligned with the Group Executives; being the five-day VWAP prior to the grant date.

Features of the Group Executive Variable Incentive Plan – FY19

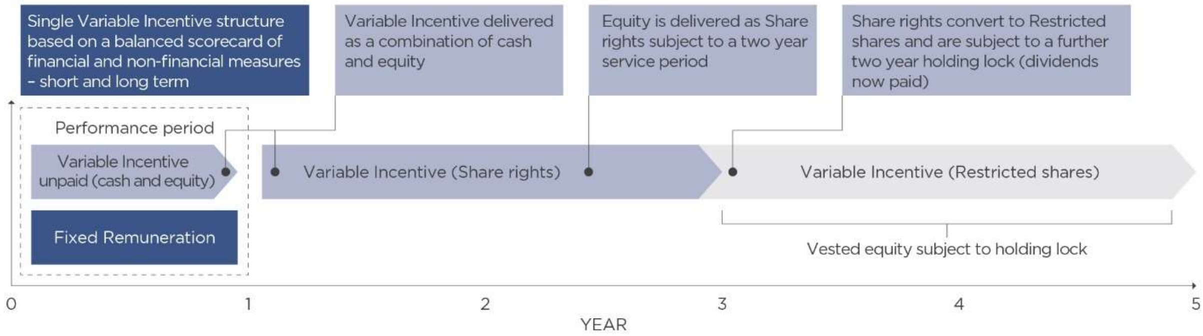
Under the Group Executive Variable Incentive Plan, a portion of the Variable Incentive is paid in cash shortly after the release of Perpetual's full year results. The balance is delivered as Share rights, which will convert to Restricted shares after two years, subject to ongoing employment conditions. The Restricted shares are subject to a further holding lock for two years, with no risk of forfeiture other than for summary dismissal.

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

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

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

Awards are granted on a face value basis using a five-day volume weighted average price in September each year following Perpetual's full year results.



Group Executive Variable Incentive plan – FY20

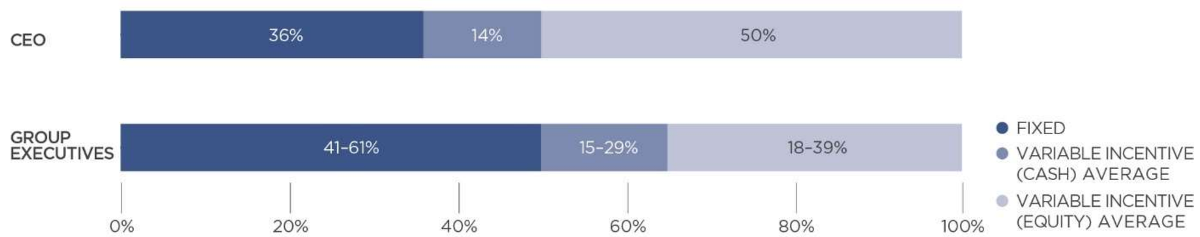
As outlined in Section 1.2, from FY20, the Group Executive Variable Incentive plan will be transitioned to the same hurdled variable incentive structure as the CEO. This includes an absolute TSR hurdle on half of the equity component, a CAGR 7-10% vesting range, an uplift to the equity component, and removal of a performance and reward calibration scale.

The Board believes it is advantageous for the CEO and Group Executives to have aligned Variable Incentive arrangements, with a majority weighting to equity providing long-term shareholder alignment.

Remuneration mix

Executives have a significant portion of their remuneration linked to performance and at risk, with the Board having the ability to risk adjust remuneration if required. There is a strong alignment to long-term incentives for Executives, as Perpetual believes in meaningful equity ownership for this key group.

Total remuneration continues to be determined using a range of factors including Perpetual's market peers. The table below shows the FY19 on-target remuneration mix (using full time equivalent remuneration) for the Executives under the CEO and Group Executive Variable Incentive plans.



Our long-term intention is to position all Executives with a Variable Incentive mix of one third cash and two thirds equity.

Remuneration Report (continued)

Determining the Variable Incentive

Individual Variable Incentive awards are determined through an assessment of performance against the Perpetual Group scorecard, divisional performance against divisional priorities and individual performance, which includes an assessment of behavioural expectations for all Executives. Executives must also meet risk and compliance requirements to be eligible to receive a Variable Incentive payment. Risk performance acts as a modifier to amend an individual's overall performance and reward outcome. In FY19, Variable Incentive weightings for Executives under the CEO and Group Executive Variable Incentive plans were as follows:

	Perpetual performance	Divisional performance	Individual performance
CEO	70%	0%	30%
Group Executives	70%	30%	

In line with our focus on delivering One Perpetual Group outcomes, the weightings for the CEO and Group Executives are 70% Perpetual performance and 30% divisional/individual performance. This combined focus on Perpetual Group and divisional/individual performance ensures shared accountability for overall Perpetual performance amongst Executives, balanced with divisional priorities.

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

Approval process

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

Remuneration Report (continued)

Total Variable Incentive outcome received in FY19 for Executives

The table below provides the total Variable Incentive outcome (both cash and equity portions) received by the Executives for the FY19 performance year.

Name	Variable Incentive Cash $	Variable Incentive Equity[1] $	Total Variable Incentive $	FY19 Variable Incentive (as % of Target)[2]	Percentage Forfeited	Maximum Opportunity @ 175% of target[3] $
Current Executives						
R Adams	249,315	886,508	1,135,823	65%	35%	3,057,984
C Green[4]	235,874	425,847	661,721	75%	25%	1,540,275
D Lane	150,000	200,000	350,000	50%	50%	1,225,000
R McCarthy[5]	80,153	104,167	184,320	60%	40%	537,602
S Mosse	22,045	35,673	57,718	50%	50%	202,014
R Nash	79,781	125,986	205,767	50%	50%	720,183
K Smith[6]	-	-	-	0%	100%	474,810
M Smith	147,854	294,521	442,375	50%	50%	1,548,313
Former Executives						
G Larkins[6]	-	-	-	0%	100%	316,789
Total	**965,022**	**2,072,702**	**3,037,724**			

1. For Group Executives, 100% of the Variable Incentive equity value will be awarded as Share rights for two years until vesting and will be satisfied by the conversion to Perpetual Limited shares for a further two year restricted period. For the CEO, 50% of the Variable Incentive is awarded as Share rights, and 50% as Performance rights with an absolute Total Shareholder Return hurdle.
2. Represents the total Variable Incentive outcome for FY19 (including the equity component) as a percentage of target Variable Incentive.
3. Maximum opportunity Executives may earn under the CEO or Group Executive Variable Incentive Plan.
4. Mr Green's Variable Incentive is reflective of his contribution as acting CEO for part of the year.
5. Mr McCarthy's Variable Incentive is reflective of his KMP role only.
6. Ms Smith and Ms Larkins resigned from Perpetual and as per the Group Executive Variable Incentive policy, they forfeited 100% of their FY19 Variable Incentive payment.

FY19 CEO performance and reward outcomes

The CEO's FY19 incentive outcome was determined with a 70% weighting placed on Company performance, while 30% was determined with reference to individual contribution to Perpetual during his circa nine months service.

Given the CEO commenced in September 2018, the board recognised key priorities for FY19 as part of the 30% individual component. Mr Adams' performance against the agreed key priorities has been strong over this period. Key achievements include the development of a clear set of strategic priorities for the next three to five years, a well progressed operating model review that will see the implementation of a new organisation structure, and consideration of both organic and inorganic growth prospects as part of the defined strategic plan.

The overall incentive outcome of 65% of target, is reflective of the strong individual contribution during his initial nine months, in the context of challenging financial performance for Perpetual in FY19.

Remuneration Report (continued)

Vesting of FY17 Variable Incentive Equity grants

A key design feature of the variable incentive plan for Executives is the alignment, via equity, between Executives and shareholders. The equity granted via Share Rights, to Executives in our first year (FY17) under the combined Variable Incentive Plan, is due to vest in September 2019. These Share Rights will convert to Restricted Shares and remain under a holding lock for a further two years. Given the equity was granted at a price of $55.52, Executives will need to significantly improve share price performance during the two-year holding lock to realise the equivalent grant value by the time the shares are released from the holding lock.

Termination of employment

Treatment upon termination of employment is as follows:

EVENT	UNPAID VARIABLE INCENTIVE (CASH AND EQUITY)	VARIABLE INCENTIVE (PERFORMANCE AND SHARE RIGHTS)	VARIABLE INCENTIVE (RESTRICTED SHARES)
• Resignation	No further variable incentive is payable	Forfeit	Retained under the plan with restriction periods continuing to apply
• Summary dismissal	No further variable incentive is payable	Forfeit	Forfeit
• Death	A pro-rated variable incentive based on the period of the performance year completed will be paid at the normal time entirely in cash subject to full year performance	Immediate vesting (subject to Board approval)	Immediate conversion to unrestricted shares (subject to Board approval)
• Mutual agreement • Retirement (requires Board approval)* • Redundancy • Total and Permanent Disablement (TPD) • By Perpetual with Notice	A pro-rated variable incentive based on the period of the performance year completed will be paid at the normal time entirely in cash subject to full year performance	Retained with vesting and restriction periods continuing to apply	Retained under the plan, with restriction periods continuing to apply

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

Malus and Claw-back provisions

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

7.2 Long-term incentive plan – closed plan

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

Whilst this LTI plan has now been replaced with the CEO and Group Executive Variable Incentive plans, Executives retained unvested LTI in this plan, with the final test being in October 2018. For this reason, the following information on LTI has been included.

Performance targets

LTI grants made to Executives up until October 2015 vest subject to two performance measures:

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

Performance target testing and re-testing guidelines

A three year performance testing period applies to relative TSR and EPS targets and performance is calculated and tested against the respective target on the third anniversary of the grant date. There is no re-testing of grants. The final test under the LTI plan occurred in October 2018 with zero shares vesting.

Termination of employment

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

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

Treatment of LTI on change of control

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

Remuneration Report (continued)

Alignment of LTI to Perpetual Group performance

The following table shows the vesting outcomes of the last five years of all LTI issued to Executives with EPS and relative TSR hurdles. During FY19, the equity did not vest.

	Annual LTI Grants over the last five years: vesting outcomes				
Hurdle	Grant date: 1 October 2011 Vesting date: 1 October 2014	Grant date: 1 October 2012 Vesting date: 1 October 2015	Grant date: 1 October 2013 Vesting date: 1 October 2016	Grant date: 1 October 2014 Vesting date: 1 October 2017	Grant date: 1 October 2015 Vesting date: 1 October 2018
EPS	30%	100%	100%	44%	0%
rTSR	100%	100%	56%	54%	0%

7.3 Employee share plans

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

Open Plans
Perpetual Limited Long-term Incentive Plan From February 2011, this is the primary plan used for LTI grants to eligible employees, and Executives in the CEO and Group Executive Variable Incentive plans 140 members with LTI (Performance rights) 43 members with LTI (Shares) 4 members with Variable Incentive equity
One Perpetual Share Plan (OPSP) This plan, introduced in FY15, awards eligible employees with annual grants of up to $1,000 worth of Perpetual shares subject to Perpetual meeting its profit target. 576 members

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 2019, the proportion of unvested shares and Performance rights (excluding unallocated shares as a result of forfeitures) held in Perpetual's employee share plans as a percentage of issued shares was 1.98%. This has remained flat compared to last year

The Board will ensure that the management of shares under employee incentive plans is in alignment with shareholder interests, and subject to the relevant regulatory requirements. Refer to page 23 for detail on the share dealing approval process.

Directors’ Report for the year ended 30 June 2019 (continued)

Remuneration Report (continued)

8. Data disclosures – Executives

Remuneration of Executives – Statutory Reporting

	Short-term benefits				Post-employment benefits		Equity-based benefits[5]			Termination payments	Total
Name	Cash salary[1] $	Variable Incentive Cash[2] $	Non-monetary benefits[3] $	Other[4] $	Superannuation $	Other long- term benefits[6] $	Variable Incentive Equity[7] $	Shares $	Performance rights $	$	$
Current Executives											
R Adams											
2019	**980,799**	**249,315**	**-**	**1,277**	**21,224**	**946**	**92,784**	**210,000**	**-**	**-**	**1,556,345**
2018	-	-	-	-	-	-	-	-	-	-	-
C Green											
2019	**584,165**	**235,874**	**-**	**1,674**	**24,674**	**(7,923)**	**382,022**	**-**	**14,617**	**-**	**1,235,103**
2018	481,576	225,792	-	1,703	23,039	6,686	279,624	19,337	(122,453)	-	915,305
D Lane											
2019	**502,383**	**150,000**	**24,899**	**3,458**	**24,674**	**2,186**	**110,608**	**62,596**	**-**	**-**	**880,804**
2018	501,570	235,200	25,979	1,548	23,039	917	54,380	338,556	-	-	1,181,189
R McCarthy											
2019[8]	**287,753**	**80,153**	**-**	**1,179**	**18,640**	**2,036**	**56,071**	**-**	**104,474**	**-**	**550,305**
2018	-	-	-	-	-	-	-	-	-	-	-
S Mosse											
2019	**169,899**	**22,045**	**-**	**-**	**12,235**	**171**	**6,013**	**176,823**	**-**	**-**	**387,185**
2018	-	-	-	-	-	-	-	-	-	-	-
R Nash											
2019	**582,840**	**79,781**	**10,502**	**1,674**	**30,568**	**13,660**	**165,137**	**-**	**5,674**	**-**	**889,836**
2018	589,582	125,096	1,750	1,703	29,468	9,859	138,337	9,365	(44,744)	-	860,416
K Smith											
2019	**363,912**	**-**	**-**	**1,674**	**24,674**	**(8,561)**	**(54,210)**	**-**	**11,081**	**-**	**338,570**
2018	364,174	115,520	-	1,703	23,039	3,908	56,103	4,402	44,272	-	613,119
M Smith											
2019	**606,626**	**147,854**	**-**	**1,674**	**24,674**	**13,454**	**331,271**	**-**	**17,197**	**-**	**1,142,750**
2018	605,128	217,641	-	1,703	23,039	9,666	252,096	19,384	(144,070)	-	984,587
Former Executives											
G Larkins											
2019	**227,419**	**-**	**-**	**-**	**13,785**	**(28,116)**	**(140,410)**	**-**	**10,317**	**-**	**82,995**
2018	699,226	168,559	-	1,703	29,468	11,374	211,871	17,897	(86,448)	-	1,053,650
G Lloyd[9]											
2019	**453,104**	**-**	**4,289**	**-**	**5,943**	**-**	**(479,221)**	**-**	**(304,176)**	**-**	**(320,062)**
2018	1,158,261	765,000	119,955	1,703	23,039	97,129	(20,606)	43,009	(329,869)	-	1,857,622
Total 2019	**4,758,900**	**965,022**	**39,690**	**12,610**	**201,091**	**(12,148)**	**470,065**	**449,419**	**(140,817)**	**-**	**6,743,832**
Total 2018	**4,399,517**	**1,852,808**	**147,684**	**11,766**	**174,131**	**139,540**	**971,805**	**451,951**	**(683,312)**	**-**	**7,465,889**

1. Cash salary is the ordinary cash salary received in the year including payment for annual, long service, sick or other types of paid leave taken.
2. Variable Incentive cash payments consist of cash payments to be made in September 2019 for the CEO and Group Executives.
3. Non-monetary benefits represents those amounts salary sacrificed from fixed remuneration to pay for benefits such as leased motor vehicles, car parking, and purchased leave.
4. Other short-term benefits relate to:
- salary continuance and death and total and permanent disability insurance provided as part of the remuneration package; and
- the value of accrued annual leave for FY19 less leave taken which is depicted as cash salary.

5. Share-based remuneration has been valued using the binomial method, which considers the performance hurdles relevant to each issue of equity instruments. The value of each equity instrument has been provided by PricewaterhouseCoopers. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including earnings per share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as total shareholder return hurdles, the number of shares expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements (except if service conditions are not met). The accounting treatment of non-market and market conditions are in accordance with accounting standards.
6. The value of accrued long service leave for FY19 less leave taken, which is depicted as cash salary.
7. Variable incentive equity includes costs incurred in FY19 for the final deferred STI award under the prior Executive pay structure and FY17, FY18 and FY19 Variable Incentive equity grants. Also included is the reversal of the Variable Incentive equity awarded in FY17 to Mr Lloyd, Ms Larkins and Ms Smith that was forfeited as part of their cessation of employment.
8. Mr McCarthy's remuneration is reflective of his KMP role only.
9. Whilst Mr Lloyd was not a KMP in FY19, given he received remuneration in FY19, Mr Lloyd's FY19 remuneration has been included. The negative equity compensation is a result of Mr Lloyd forfeiting unvested equity incentives on termination.

Remuneration Report (continued)

Remuneration of Executives – Actual remuneration received

The table below represents the actual remuneration received by the Executives during FY19. We believe by including this table, it makes it easier for shareholders and other stakeholders to understand the actual remuneration Executives received during the year. This table differs to the statutory remuneration table on page 37 that has been prepared in accordance with the Corporations Act and Australian Accounting Standards. The difference between the two tables is predominantly due to the accounting treatment of the share-based payments.

Name	Total fixed remuneration[1]	Variable Incentive cash[2]	Equity vested during year[3]	Dividends paid on unvested shares during year[4]	Sign-on and relocation benefits[5]	Payments made on termination	Total
	$	$	$	$	$	$	$
Current Executives							
R Adams	1,003,300	-	-	26,779	-	-	1,030,079
C Green	610,513	225,792	171,302	5,634	-	-	1,013,240
D Lane	555,414	235,200	150,655	7,997	-	-	949,266
R McCarthy	307,572	-	-	1,243	-	-	308,815
S Mosse	182,134	-	-	14,893	-	-	197,027
R Nash	625,584	125,096	107,064	3,521	-	-	861,265
K Smith	390,260	115,520	154,455	1,106	-	-	661,341
M Smith	632,974	217,641	151,124	4,970	-	-	1,006,709
Former Executives							
G Larkins	241,204	168,559	152,358	5,011	-	-	567,132
G Lloyd[6]	463,336	765,000	-	15,074	-	175,060	1,418,470
Totals	**5,012,291**	**1,852,808**	**886,957**	**86,226**	**-**	**175,060**	**8,013,342**

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

2. Represents the cash portion of Variable Incentive outcome for FY18 paid in September 2018. There is no FY18 Variable Incentive outcome for Mr Adams or Ms Mosse who joined Perpetual in FY19. There is no disclosed FY18 Variable Incentive for Mr McCarthy who was promoted to a KMP role in FY19.

3. Represents the value of equity grants awarded in previous years which vested during the year. For Mr Green, Ms Nash, Ms Smith, Mr Smith and Ms Larkins this represents the vesting of the deferred STI shares granted 1 September 2016 that vested 30 September 2018. For Mr Lane, this represents the second tranche of shares granted 10 April 2017, as a sign-on bonus that vested 30 September 2018. The shares were valued at $42.57, this being the closing market value of Perpetual shares on the vesting dates.

4. Dividends paid during FY19 on deferred STI shares, and sign-on shares granted to Mr Adams on 24 September 2018, Mr Lane on 10 April 2017 and Ms Mosse on 18 February 2019.

5. Mr Adams and Ms Mosse received a sign-on allocation of shares, details of which are outlined in the Unvested Shares and Performance rights table on page 41. Mr Adams and Ms Mosse did not receive any additional sign-on or relocation benefits.

6. Whilst Mr Lloyd was not a KMP in FY19, given Mr Lloyd received remuneration in FY19, for completeness he has been included in this table. Mr Lloyd received fixed remuneration, a cash only Variable Incentive for FY18, paid in September 2018 and a pro-rated long service leave payment of $175,060 on termination.

Remuneration Report (continued)

Remuneration components as a proportion of total remuneration

The remuneration components below are determined based on the Remuneration of the Executives – Statutory Reporting table on page 37. This table includes fixed remuneration and Variable Incentives – cash and equity.

Name	Fixed remuneration %	Performance linked benefits		Other Equity[1]	Total %
		Variable Incentive Cash %	Variable Incentive Equity %		
Current Executives					
R Adams	65%	16%	6%	13%	100%
C Green	49%	19%	32%	0%	100%
D Lane	63%	17%	13%	7%	100%
R McCarthy	56%	15%	29%	0%	100%
S Mosse	47%	6%	2%	45%	99%
R Nash	72%	9%	19%	0%	100%
K Smith[2]	100%	0%	0%	0%	100%
M Smith	57%	13%	30%	0%	100%
Former Executives					
G Larkins[2]	100%	0%	0%	0%	100%
G Lloyd[3]	100%	0%	0%	0%	100%

1. Other equity includes sign-on equity for Mr Adams, Mr Lane and Ms Mosse.
2. Ms Smith and Ms Larkins resigned from Perpetual. They therefore did not receive any Variable Incentive for FY19, with cash being 0% and equity being forfeited.
3. Mr Lloyd was not a KMP in FY19. Prior to his termination, Mr Lloyd received 100% fixed remuneration and no performance linked benefits or other equity.

Value of unvested remuneration that may vest in future years

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

	30/06/2020[1] Maximum $	30/06/2021[1] Maximum $	30/06/2022[1] Maximum $	30/06/2023[1] Maximum $	30/06/2024[1] Maximum $
CEO and Managing Director					
R Adams	457,142	368,329	247,983	25,698	3,735
Current Group Executives					
C Green	293,521	183,896	18,692	-	-
D Lane	170,861	93,519	8,779	-	-
R McCarthy	149,511	97,141	16,237	-	-
S Mosse	157,152	88,989	22,173	-	-
R Nash	117,492	58,911	5,530	-	-
M Smith	257,972	135,935	12,928	-	-

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

From FY20 Group Executives will be aligned to the CEO incentive structure with equity vesting over a longer time horizon (two, three and four years) in line with the introduction of an absolute TSR hurdle on 50% of any allocated equity.

Directors’ Report for the year ended 30 June 2019 (continued)

Remuneration Report (continued)

Shareholdings

The table below summarises the movement in holdings of ordinary shares held during the year and the balance at the end of the year, directly, indirectly, or by a related party.

Name	Total shares held at 1 July 2018	Purchases	Vesting of Shares	Vesting of Performance rights	Sales / Reductions	Total shares held at 30 June 2019	Shares held nominally at 30 June 2019[1]
Current Executives							
R Adams[2]	-	1,835	-	-	-	1,835	1,055
C Green	4,953	-	4,024	-	-	8,977	-
D Lane	-	-	3,539	-	-	3,539	-
R McCarthy[2]	271	-	1,764	2,721	2,721	2,035	-
S Mosse	-	-	-	-	-	-	-
R Nash	6,756	-	2,515	-	-	9,271	-
M Smith	22,973	-	3,550	-	14,831	11,692	2,923
Former Executives						-	
G Larkins	16,839		3,579		20,418	-	
K Smith	1,896	-	790	2,872		5,558	-

1. Shares held nominally are included in the "Total shares held at 30 June 2019" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

2. Mr Adams and Mr McCarthy held these shares prior to being a KMP.

Directors' Report for the year ended 30 June 2019 (continued)

Remuneration Report (continued)

Unvested share and Performance rights holdings of the Executives

The table below summarises the share and Performance rights holdings and movements by number granted to the Executives by Perpetual, for the year ended 30 June 2019. For details of the fair valuation methodology, refer to section 4-1 of the notes to, and forming part of the financial statements.

Name	Instrument	Grant date	Grant price	Vesting date	Held at 1 July 2018	Movement during the year: Granted	Movement during the year: Forfeited	Movement during the year: Vested	Held at 30 June 2019	Fair value of instrument at grant date
			$		Number of instruments	Number of instruments			Number of instruments	$
Current Executives										
R Adams[2]	Shares	24 September 2018	42.01	24 September 2020	-	10,712	-	-	10,712	42.01
	Shares	24 September 2018	42.01	24 September 2022	-	10,711	-	-	10,711	42.01
		Aggregate value[1]				$ 899,980	$ -	$ -		
C Green										
	Shares	1 September 2016	49.05	30 September 2018	4,024	-	-	4,024	-	49.05
	Performance rights	1 October 2015	33.07	1 October 2018	12,851	-	12,851	-	-	19.50
	Performance rights	1 September 2017	55.52	1 September 2019	9,308	-	-	-	9,308	46.93
	Performance rights	3 September 2018	44.29	1 September 2020	-	9,623	-	-	9,623	38.63
		Aggregate value				$ 426,203	$ 540,642	$ 171,302		
D Lane[2]	Shares	10 April 2017	52.27	30 September 2018	3,539	-	-	3,539	-	52.27
	Shares	10 April 2017	52.27	30 September 2019	1,148	-	-	-	1,148	52.27
	Performance rights	3 September 2018	44.29	1 September 2020	-	7,080	-	-	7,080	38.63
		Aggregate value				$ 313,573	$ -	$ 150,655		
R McCarthy[3]										
	Shares	4 September 2017	55.34	30 September 2019	2,449	-	-	-	2,449	55.34
	Shares	3 September 2018	44.29	30 September 2020	-	994	-	-	994	44.29
	Performance rights	1 October 2016	39.40	1 October 2019	5,076	-	-	-	5,076	39.40
	Performance rights	1 October 2017	44.64	1 October 2020	2,240	-	-	-	2,240	44.64
	Performance rights	1 October 2018	34.97	1 October 2021	-	2,859	-	-	2,859	34.97
		Aggregate value				$ 144,003	$ -	$ -		
S Mosse[2]	Shares	18 February 2019	35.37	1 October 2019	-	7,253	-	-	7,253	35.37
	Shares	18 February 2019	35.37	1 October 2021	-	4,661	-	-	4,661	35.37
		Aggregate value				$ 421,398	$ -	$ -		
R Nash	Shares	1 September 2016	49.05	30 September 2018	2,515	-	-	2,515	-	49.05
	Performance rights	1 October 2015	33.07	1 October 2018	4,989	-	4,989	-	-	19.50
	Performance rights	1 September 2017	55.52	1 September 2019	4,173	-	-	-	4,173	46.93
	Performance rights	3 September 2018	44.29	1 September 2020	-	4,460	-	-	4,460	38.63
		Aggregate value				$ 197,533	$ 209,887	$ 107,064		
K Smith	Shares	1 September 2016	49.05	30 September 2018	790	-	-	790	-	49.05
	Performance rights	1 October 2015	33.07	1 October 2018	2,872	-		2,872	-	19.50
	Performance rights	1 September 2017	55.52	1 September 2019	1,827	-	1,827	-	-	46.93
	Performance rights	3 September 2018	44.29	1 September 2020	-	2,047	2,047	-	-	38.63
		Aggregate value				$ 90,662	$ 163,638	$ 154,455		
M Smith	Shares	1 September 2016	49.05	30 September 2018	3,550	-	-	3,550	-	49.05
	Performance rights	1 October 2015	33.07	1 October 2018	15,119	-	15,119	-	-	19.50
	Performance rights	1 September 2017	55.52	1 September 2019	7,905	-	-	-	7,905	46.93
	Performance rights	3 September 2018	44.29	1 September 2020	-	9,788	-	-	9,788	38.63
		Aggregate value				$ 433,511	$ 636,056	$ 151,124		
Former Executive										
G Larkins	Shares	1 September 2016	49.05	30 September 2018	3,579	-	-	3,579	-	49.05
	Performance rights	1 October 2015	33.07	1 October 2018	9,071	-	9,071	-	-	19.50
	Performance rights	1 September 2017	55.52	1 September 2019	6,738	-	6,738	-	-	46.93
	Performance rights	3 September 2018	44.29	1 September 2020	-	6,751	6,751	-	-	38.63
		Aggregate value				$ 299,002	$ 902,832	$ 152,358		
G Lloyd[4]	Shares	1 September 2016	49.05	30 September 2018	10,767	-	10,767	-	0	49.05
	Performance rights	1 October 2015	33.07	1 October 2018	35,319	-	35,319	-	-	19.50
		Aggregate value[1]				$ -	$ 2,022,715	$ -		

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

2. Mr Adams' shares, Mr Lane's shares and Ms Mosse's shares are sign-on shares.

3. Mr McCarthy's shares and Performance rights were granted prior to his KMP appointment date of 15 October 2018. We've included his holdings and movements prior to 15 October 2018 for completeness.

4. Mr Lloyd's deferred STI shares granted 1 September 2016 and his Performance rights granted 1 October 2015 were forfeited 31 August 2018. Whilst Mr Lloyd was not a KMP in FY19, given his deferred shares and Performance rights were forfeited in FY19, they have been included for completeness.

Remuneration Report (continued)

Termination terms for Executives

Following are the Executive contractual arrangements. During the year Mr Chris Green was promoted to the position of Chief Financial Officer. At this point his contractual arrangements were brought into line with his peers.

Term	Who	Conditions
Duration of contract	All Executives	Ongoing until notice is given by either party
Notice to be provided by the Executive to terminate the employment agreement	CEO and Managing Director Group Executives	9 months 6 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	CEO and Managing Director Group Executives	9 months 6 months
Notice to be provided by Perpetual for summary dismissal	All Executives	No notice
Post employment restraint	CEO and Managing Director and Group Executives	12 months from the date on which notice of termination was given

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

9. Non-executive Director remuneration

9.1 Remuneration policy and data

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

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

Fee framework

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

Non-executive Directors' fees	FY18 $	FY19 $
Chairman	300,000	300,000
Directors	150,000	150,000
Audit, Risk and Compliance Committee Chairman	35,000	35,000
Audit, Risk and Compliance Committee member	17,000	17,000
People and Remuneration Committee Chairman	35,000	35,000
People and Remuneration Committee member	17,000	17,000
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 of $2,250,000 was approved by shareholders at the 2006 Annual General Meeting and has remained unchanged since this date. Total fees paid to Non-executive Directors in FY19 were $1,242,523. More details are provided in the table on page 44.

Remuneration Report (continued)

Retirement policy

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

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

No retirement benefits are paid to Non-executive Directors.

Remuneration of the Non-executive Directors (statutory reporting)

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

Name	Short-term benefits Perpetual Board fees $	Post employment benefits Superannuation $	Total[1] $
Current Non-executive Directors			
T D'Aloisio			
2019	**279,469**	**20,531**	**300,000**
2018	279,951	20,049	300,000
P Bullock			
2019	**168,037**	**15,963**	**184,000**
2018	168,037	15,963	184,000
S Falzon			
2019	**178,082**	**16,918**	**195,000**
2018	178,082	16,918	195,000
N Fox			
2019	**168,037**	**15,963**	**184,000**
2018	168,037	15,963	184,000
I Hammond			
2019	**178,082**	**16,918**	**195,000**
2018	178,082	16,918	195,000
C Ueland			
2019	**168,516**	**16,007**	**184,523**
2018	168,493	16,007	184,500
Total 2019	**1,140,222**	**102,301**	**1,242,523**
Total 2018	1,140,682	101,818	1,242,500

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

Alignment with shareholder interests

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

Non-executive Directors do not receive share options. Perpetual Non-executive Directors are required to comply with Perpetual's Hedging and Share Trading policies.

Non-executive Director shareholdings

The table below summarises the Non-executive Director movement in holdings of ordinary shares held during the year and the balance at the end of the year. The table includes shares held both in total (directly or indirectly) and held by related parties.

Name	Total shares held at 1 July 2018	Purchases	Sales / Reductions	Total shares held at 30 June 2019	Shares held nominally at 30 June 2019[1]	1,000 shareholding requirement met
			Number of shares			
T D'Aloisio	7,821	260	-	8,081	8,081	✓
P Bullock	3,608	711	-	4,319		✓
S Falzon	2,670	2,372	-	5,042		✓
N Fox	3,300	700	-	4,000		✓
I Hammond	3,949	252	-	4,201	3,081	✓
C Ueland	3,000	-	-	3,000	1,500	✓

1. Shares held nominally are included in the "Total shares held at 30 June 2019" column. Total shares are held directly by the KMP and indirectly by the KMP's related parties, inclusive of domestic partner, dependents and entities controlled, jointly controlled or significantly influenced by the KMP.

10. Key terms

Balanced scorecard	The performance measures of financial, client, growth and people as agreed by the Board to assess short and long-term Perpetual Group performance for the purposes of determining the amount of variable remuneration payable (if any). More details are on pages 26-27.
CEO Variable Incentive plan	The Variable Incentive plan for the new CEO.
EPS	Earnings per share, this being net profit after tax divided by the average number of issued shares during the year. Previous long-term incentive grants, that Executives still hold, and are yet to vest, had two performance measures, one of which was EPS.
Equity	Equity includes both Share rights and Restricted shares. Under the Variable Incentive Plan, equity is delivered as Share rights. After a two year vesting period, Share rights are converted to Restricted shares, and are subject to a further two year holding lock period.
Executives	The Chief Executive Officer (CEO) and Managing Director and the Group Executives.
Fixed Remuneration	Fixed remuneration consists of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax.
Group	Perpetual Limited and its controlled entities
Group Executive Variable Incentive plan	The Variable Incentive plan for Group Executives introduced from 1 July 2016. This is also the plan that the former CEO participated in.
Group Executives	Direct reports of the CEO and Managing Director who are disclosed in this Report.
KMP	Key Management Personnel. Those people who have the authority and responsibility for planning, directing and controlling Perpetual's activities, either directly or indirectly. Key Management Personnel disclosed in this Report are the CEO and Managing Director, Group Executives and Non-executive Directors of Perpetual.
LTI	Long-term incentive. Up to October 2015, Executives received LTI through the Perpetual Limited Long-term Incentive Plan. Executives continue to hold unvested LTI. In FY17, the LTI Plan was replaced with a new Variable Incentive Plan.
Market peers	For the purposes of benchmarking remuneration practices and levels, Perpetual's market peers refer to listed companies in the diversified financial services industry (excluding major banks and other financial services companies in the Standard & Poor's (S&P)/ASX 20).
NPAT	NPAT is the net profit after tax in accordance with the Australian Accounting Standards.
Orient Capital	Independent adviser to Perpetual which provides assessment of relative total shareholder return performance based on Perpetual's comparative peer group.
Performance rights	Performance rights are granted to the CEO under the CEO Variable Incentive plan and were granted to Executives up to October 2015 under the previous Perpetual Long-term Incentive Plan.

Restricted shares	Once Share rights are held for a two year vesting period, and if the vesting conditions are met, Share rights are converted to Restricted shares on a one share for one Share right basis. Restricted shares are then held for a further two years.
rTSR	Total shareholder return is defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date. Relative total shareholder return (rTSR) compares Perpetual's TSR relative to the TSR of a comparator group of companies in the S&P ASX100 (excluding listed property trusts). Previous long-term incentive grants, that Executives still hold, and are yet to vest, have two performance hurdles, one of which is rTSR.
Share rights	Share rights are issued around September each year, following the performance period. Share rights have a two year vesting period, at which point, if the vesting conditions are met, they are converted to Restricted shares on a one share for one Share right basis.
STI	A short-term 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. The CEO and Group Executives participate in their own Variable Incentive plans, and therefore no longer participate in the Group STI plan.
Variable Incentive	Variable Incentive includes both cash and equity components of the CEO and Group Executives under their respective Variable Incentive plans.
Variable Remuneration	Refers to Variable Incentive payments awarded to the CEO under the CEO Variable Incentive Plan, to Group Executives under the Group Executive Incentive Plan, and to short-term incentives awarded to employees under the Group Short-term Incentive Plan.

Directors' Report for the year ended 30 June 2019 (continued)

Non-audit services provided by the External Auditor

Fees for non-audit services paid to KPMG in the current year were $305,784 (2018: $125,915).

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 that 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 2019 financial year is included at the end of this report.

Rounding off

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

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

Tony D'Aloisio	Rob Adams
Chairman	Chief Executive Officer and Managing Director

Sydney 22 August 2019

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

To the Directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Perpetual Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Martin McGrath

Partner

Sydney

22 August 2019

Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Section	2019 $'000	2018 $'000
Revenue	1-2	519,405	538,845
Expenses	1-3	(354,456)	(344,915)
Financing costs		(2,787)	(2,603)
Net profit before tax		**162,162**	**191,327**
Income tax expense	1-4	(46,233)	(51,100)
Net profit after tax		**115,929**	**140,227**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		136	205
Available-for-sale financial assets - net change in fair value		-	4,477
Available-for-sale financial assets - reclassified to profit or loss		-	(2,156)
Income tax on items that may be reclassified to profit or loss	1-4	-	(696)
Other comprehensive income, net of income tax		**136**	**1,830**
Total comprehensive income		**116,065**	**142,057**
Total comprehensive income attributable to:			
Equity holders of Perpetual Limited		116,065	142,057
Earnings per share			
Basic earnings per share – cents per share	1-5	250.9	305.0
Diluted earnings per share – cents per share	1-5	246.3	299.5

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 56 to 112.

Consolidated Statement of Financial Position as at 30 June 2019

	Section	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	3-1	299,587	320,237
Receivables	2-2	99,774	160,308
Current tax assets	1-4	1,846	-
Structured products – EMCF assets	5-1	252,522	282,993
Other assets		14,538	16,516
Total current assets		668,267	780,054
Other financial assets	2-3	69,663	74,969
Property, plant and equipment	2-4	26,564	25,764
Intangibles	2-5	345,779	327,672
Deferred tax assets	1-4	31,512	34,919
Other assets		10,483	2,101
Total non-current assets		484,001	465,425
Total assets		1,152,268	1,245,479
Liabilities			
Payables		52,574	39,285
Structured products – EMCF liabilities	5-1	252,169	282,514
Current tax liabilities	1-4	-	5,984
Employee benefits	2-7	40,716	56,482
Provisions	2-6	4,652	67,333
Total current liabilities		350,111	451,598
Payables		3,659	-
Borrowings	3-2	87,000	87,000
Deferred tax liabilities	1-4	16,244	12,618
Employee benefits	2-7	15,352	13,982
Provisions	2-6	17,663	19,147
Total non-current liabilities		139,918	132,747
Total liabilities		490,029	584,345
Net assets		**662,239**	**661,134**
Equity			
Contributed equity	3-3	519,201	508,673
Reserves	3-4	20,008	24,196
Retained earnings		123,030	128,265
Total equity attributable to equity holders of Perpetual Limited		**662,239**	**661,134**

The Consolidated Statement of Financial Position is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 56 to 112.

Consolidated Statement of Changes in Equity for the year ended 30 June 2019

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2018	550,249	(41,576)	18,893	5,303	128,265	661,134	661,134
Adjustment on initial application of AASB 9, net of tax	-	-	-	(5,031)	5,031	-	-
Adjustment on initial application of AASB 15, net of tax	-	-	-	-	(3,784)	(3,784)	(3,784)
Adjusted balance at 1 July 2018	**550,249**	**(41,576)**	**18,893**	**272**	**129,512**	**657,350**	**657,350**
Total comprehensive income/(expense)	-	-	-	136	115,929	116,065	116,065
Movement on treasury shares	386	12,264	(13,661)	-	1,011	-	-
Repurchase of shares on market	-	(2,122)	-	-	-	(2,122)	(2,122)
Equity remuneration expense	-	-	14,368	-	-	14,368	14,368
Dividends paid to shareholders	-	-	-	-	(123,422)	(123,422)	(123,422)
Balance at 30 June 2019	**550,635**	**(31,434)**	**19,600**	**408**	**123,030**	**662,239**	**662,239**

$'000	Gross contributed equity	Treasury share reserve	Equity compensation reserve	Other reserves	Retained earnings	Equity holders of Perpetual	Total
Balance at 1 July 2017	550,405	(48,639)	16,734	3,473	112,408	634,381	634,381
Total comprehensive income/(expense)	-	-	-	1,830	140,227	142,057	142,057
Movement on treasury shares	(156)	7,063	(8,276)	-	1,369	-	-
Equity remuneration expense	-	-	10,435	-	-	10,435	10,435
Dividends paid to shareholders	-	-	-	-	(125,750)	(125,750)	(125,750)
De-recognition of a controlled entity		-	-	-	11	11	11
Balance at 30 June 2018	**550,249**	**(41,576)**	**18,893**	**5,303**	**128,265**	**661,134**	**661,134**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 56 to 112.

Consolidated Statement of Cash Flows for the year ended 30 June 2019

	Section	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		552,125	579,133
Cash payments in the course of operations		(374,964)	(367,208)
Dividends received		180	132
Interest received		6,911	6,474
Interest paid		(2,788)	(2,620)
Income taxes paid		(48,784)	(71,638)
Net cash from operating activities	1-7	**132,680**	**144,273**
Cash flows from investing activities			
Payments for property, plant, equipment and software		(20,002)	(15,907)
Payments for investments		(35,437)	(36,155)
Payment for acquisition of a business		(13,481)	(1,000)
Proceeds from sale of investments		41,134	31,289
Net cash used in investing activities		**(27,786)**	**(21,773)**
Cash flows from financing activities			
Repurchase of shares on market		(2,122)	-
Dividends paid		(123,422)	(125,750)
Net cash used in financing activities		**(125,544)**	**(125,750)**
Net decrease in cash and cash equivalents		(20,650)	(3,250)
Cash and cash equivalents at 1 July		320,237	323,487
Cash and cash equivalents at 30 June	3-1	**299,587**	**320,237**

The Consolidated Statement of Cash Flows is to be read in conjunction with the 'Notes to and forming part of the financial statements' set out on pages 56 to 112.

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

Perpetual is an independent Australian wealth manager operating in Australia and Singapore and provides a diverse range of financial products and services including asset management, financial advice and trustee services via its three business segments, supported by Group Support Services.

Perpetual Investments	Supplies investment products and services to retail, corporate, superannuation and institutional clients.
Perpetual Private	Delivers a range of tailored wealth advice services to high net worth individuals, charities, not-for-profit and other philanthropic organisations. The comprehensive suite of financial advisory services includes financial advice, portfolio management, estate planning and administration, trustee services, as well as tax advice and accounting services provided by Fordham.
Perpetual Corporate Trust	Provides trustee and fiduciary services to institutional clients including custodial, trustee responsible entity and other ancillary services to Managed Investment Funds in Australia and Singapore, as well as specialised trust management and accounting services to the debt capital markets and data services to the Australian securitisation market.
Group Support Services	Comprising Group Investments, Finance, Technology, Risk & Compliance, People & Culture and Marketing & Communications.

ii. Geographical information

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

iii. Major customer

The consolidated entity does not rely on any major customer.

Notes to and forming part of the financial statements for the year ended 30 June 2019

1-1 Operating segments (continued)

	Perpetual Investments[1] $'000	Perpetual Private $'000	Perpetual Corporate Trust $'000	Total $'000
30 June 2019				
Major service lines				
Equities	169,138	-	-	169,138
Cash and fixed income	27,024	-	-	27,024
Other FUM related	6,594	-	-	6,594
Market related	-	120,387	-	120,387
Non-market related	-	65,573	-	65,573
Income from structured products	7,245	62	-	7,307
Debt Market Services	-	-	61,616	61,616
Managed Funds Services	-	-	51,232	51,232
Total revenue by Major service line	210,001	186,022	112,848	508,871
Interest revenue	303	77	67	447
Total revenue for reportable segment	210,304	186,099	112,915	509,318
Depreciation and amortisation	(2,637)	(9,738)	(7,456)	(19,831)
Reportable segment net profit before tax	79,947	41,160	47,654	168,761
Reportable segment assets	300,367	202,638	210,142	713,147
Reportable segment liabilities	(282,367)	(25,499)	(12,999)	(320,865)
Capital expenditure	402	5,699	9,145	15,246
30 June 2018				
Major service lines				
Equities	197,274	-	-	197,274
Cash and fixed income	24,360	-	-	24,360
Other FUM related	8,000	-	-	8,000
Market related	-	120,502	-	120,502
Non-market related	-	65,839	-	65,839
Income from structured products	7,391	71	-	7,462
Debt Market Services	-	-	57,550	57,550
Managed Funds Services	-	-	45,730	45,730
Total revenue by Major service line	237,025	186,412	103,280	526,717
Interest revenue	299	85	28	412
Total revenue for reportable segment	237,324	186,497	103,308	527,129
Depreciation and amortisation	(2,435)	(8,984)	(6,516)	(17,935)
Reportable segment net profit before tax	112,487	46,110	42,574	201,171
Reportable segment assets	325,856	211,928	249,504	787,288
Reportable segment liabilities	(307,553)	(27,056)	(69,671)	(404,280)
Capital expenditure	79	6,192	3,387	9,658

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

	2019 $'000	2018 $'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	509,318	527,129
Add: Group and Support Services revenue	12,954	9,533
Net realised gains on sale of investments	426	2,183
Unrealised losses on financial assets	(3,293) [2]	-
Total revenue from continuing operations	519,405	538,845
Net profit before tax		
Total net profit before tax for reportable segments	168,761	201,171
Financing costs	(2,787)	(2,603)
Legal expenses	-	(4,970)
Impairment of assets	-	(28)
Net realised gains on sale of investments	426	2,183
Group and Support Services expense	(4,238)	(4,426)
Net profit before tax	162,162	191,327
Total assets		
Total assets for reportable segments	713,147	787,288
Group and Support Services assets	439,121	458,191
Total assets	1,152,268	1,245,479
Total liabilities		
Total liabilities for reportable segments	320,865	404,280
Group and Support Services liabilities	169,164	180,065
Total liabilities	490,029	584,345

[2]Segment information for Perpetual Investments includes $126k of unrealised losses for the Exact Market Cash Funds. Total amount of unrealised losses on financial assets for the consolidated entity is $3.4m.

1-2 Revenue

	2019 $'000	2018 $'000
Revenue from contracts with customers	501,699	519,263
Income from structured products	7,307	7,462
Dividends	159	142
Interest and unit trust distributions	13,233	9,795
Net realised gains on sale of investments	426	2,183
Unrealised losses on financial assets	(3,419)	-
	519,405	538,845

Accounting policies

The consolidated entity has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The consolidated entity recognises revenue when it transfers control over a product or service to a customer.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

Revenue from contracts with customers

The consolidated entity earns revenue from the provision of financial products and services. These include investment management and administration, financial advisory and trustee services (including responsible entity, superannuation, philanthropic and estate administration).

The majority of the consolidated entity's revenue arises from service contracts where performance obligations are satisfied over time. Customers obtain control of services as they are delivered, and revenue is recognised over time as those services are provided. The implementation of AASB 15 on this type of revenue has resulted in the consolidated entity reducing opening retained earnings as at 1 July 2018 by $3.8m and recognising an equivalent amount in as a contract liability. Refer to section 6-4.

Investment management and administration revenue is calculated as a percentage of the funds invested in accordance with the investment mandates or the respective product disclosure statements. Some investment products and mandates include performance fees, which are contingent on achieving or exceeding a defined performance hurdle and the revenue is recognised when it is highly probable that a significant reversal in the cumulative amount of the revenue would not occur. Whilst performance fees are recognised over time, they are typically constrained until meeting or exceeding the performance hurdle due to market volatility.

Revenue from financial advisory services is assessed on a contract by contract basis. Revenue is recognised over the period the services are provided. Revenue may be charged on a fixed fee, fee for service (`time and costs') or as a percentage of assets under administration basis:

- Under fixed fee contracts, revenue is recognised as the related services are provided on a percentage of completion basis, or when specified milestones in the contract have been achieved. Fees received in advance are deferred as a contract liability until the service has been provided.
- Revenue charged under fee for service contracts is recognised based on the amount the consolidated entity is entitled to invoice for services performed to date, based on the contracted rates.

1-2 Revenue (continued)

Revenue from contracts with customers (continued)

Trustee Services is also assessed on a contract by contract basis. Contracts may include a fee to establish a trust, as well as ongoing trustee and other service fees. Establishment fees are recognised when the trust has been established and is based on the standalone value of the service.

A small part of the consolidated entity's revenue is recognised at a point in time, generally when a performance obligation is linked to a particular event (i.e. an application or redemption transaction for a customer). Revenue is recognised when the consolidated entity executes a specific transaction on behalf of the customer. The implementation of AASB 15 has had no impact on this revenue.

Income from structured products
Income represents fees earned from managing the Exact Market Cash Funds.

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

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

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

Net realised gains on sale of investments
Net gain on sale of investments represents proceeds less costs on sale of financial assets.

Unrealised gains/(losses) on financial assets
Represents movement in the fair value of the consolidated entity's financial assets classified as Fair Value Through Profit and Loss (FVTPL).

1-3 Expenses

	2019 $'000	2018 $'000
Staff related expenses excluding equity remuneration expense	185,381	194,504
Occupancy expenses	17,623	18,638
Administrative and general expenses	115,070	98,527
Distributions and expenses relating to structured products	5,299	5,104
Equity remuneration expense	11,058	9,750
Depreciation and amortisation expense	20,025	18,364
Impairment of assets	-	28
	354,456	344,915

Accounting policies

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

1-4 Income taxes

	2019 $'000	2018 $'000
Current year tax expense		
Current year tax expense	41,665	60,156
Prior year adjustments	(751)	(5,236)
Total current tax expense impacting income taxes payable	40,914	54,920
Deferred tax expense		
Prior year adjustments	469	287
Temporary differences	4,850	(4,107)
Total deferred tax expense	5,319	(3,820)
Total income tax expenses	46,233	51,100
Net profit before tax for the year	162,162	191,327
Prima facie income tax expense calculated at 30% (2018: 30%) on profit for the year	48,649	57,398
– Recognition of previously unrecognised capital and revenue losses	(1,922)	(1,156)
– Prior year adjustments	(282)	(4,948)
– Other non-taxable income/expenses and tax credits	(295)	(369)
– Other non-deductible expenses	83	175
Total	46,233	51,100
Effective tax rate (ETR)	28.5%	26.7%
Income taxes payable at the beginning of the year	5,984	22,645
Income taxes payable for the financial year	40,914	54,920
Less: Tax paid during the year	(48,784)	(71,638)
Other	40	57
Income taxes (receivable)/payable at the end of the year	(1,846)	5,984
Represented in the Statement of Financial Position by:		
Current tax (assets)/liabilities	(1,846)	5,984

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

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

Explanation of variance to the legislated 30% tax rate
The consolidated entity's effective tax rate for the year was 28.5% (2018: 26.7%). The 1.5% reduction in the effective tax rate compared to the legislated 30% is mainly attributed to the utilisation of previously unrecognised capital losses and prior year adjustments relating to the Research and Development tax concession.

Notes to and forming part of the financial statements for the year ended 30 June 2019

1-4 Income taxes (continued)

Capital tax (gains)/losses calculated at 30% tax in Australia
The total tax benefits of realised capital losses are $27,872,955 (30 June 2018: $28,439,742), comprising $3,000,000 (30 June 2018: $3,000,000) recognised in deferred tax assets and $24,872,955 (30 June 2018: $25,439,742) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior years and are available to be utilised by the Australian income tax consolidated group in future years.

Movement in deferred tax balances

2019	Balance 1 July 2018 $'000	Recognised in profit or loss $'000	Acquired in Business Combination $'000	Balance 30 June 2019 $'000
Deferred tax assets				
Provisions and accruals	8,791	535	236	9,562
Capital expenditure deductible over five years	43	(33)	-	10
Employee benefits	21,118	(4,318)	52	16,852
Property, plant and equipment	1,191	349	-	1,540
Recognised revenue losses	430	(122)	-	308
Recognised capital losses	3,000	-	-	3,000
Other items	346	(106)	-	240
Deferred tax assets	34,919	(3,695)	288	31,512
Deferred tax liabilities				
Intangible assets	(10,452)	1,624	(2,002)	(10,830)
Unrealised net capital gains	(2,156)	1,026	-	(1,130)
Contract liabilities	-	(1,135)	-	(1,135)
Capital raising costs	-	(2,959)		(2,959)
Other items	(10)	(180)	-	(190)
Deferred tax liabilities	(12,618)	(1,624)	(2,002)	(16,244)
Net deferred tax assets	22,301	(5,319)	(1,714)	15,268

2018	Balance 1 July 2017 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Balance 30 June 2018 $'000
Deferred tax assets				
Provisions and accruals	9,272	(481)	-	8,791
Capital expenditure deductible over five years	379	(336)	-	43
Employee benefits	18,289	2,829	-	21,118
Property, plant and equipment	1,080	111	-	1,191
Recognised revenue losses	614	(184)	-	430
Recognised capital losses	3,000	-	-	3,000
Unrealised net capital losses	24	-	(24)	-
Other items	667	(321)	-	346
Deferred tax assets	33,325	1,618	(24)	34,919
Deferred tax liabilities				
Intangible assets	(12,664)	2,212	-	(10,452)
Unrealised net capital gains	(1,484)	-	(672)	(2,156)
Other items	-	(10)	-	(10)
Deferred tax liabilities	(14,148)	2,202	(672)	(12,618)
Net deferred tax assets	19,177	3,820	(696)	22,301

1-4 Income taxes (continued)

Accounting policies

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

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

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

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

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

	2019	2018
1-5 Earnings per share		
	Cents per share	
Basic earnings per share	250.9	305.0
Diluted earnings per share	246.3	299.5
	$'000	**$'000**
Net profit after tax attributable to equity holders of Perpetual Limited	115,929	140,227
	Number of shares	
Weighted average number of ordinary shares (basic)	46,206,314	45,969,419
Effect of dilutive potential ordinary shares (including those subject to rights)	866,056	857,016
Weighted average number of ordinary shares (diluted)	47,072,370	46,826,435

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 2019

1-6 Dividends

	Cents per share	Total amount $'000	Franked / Unfranked	Date of payment
2019				
Final 2018 ordinary	140	65,204	Franked	8 Oct 2018
Interim 2019 ordinary	125	58,218	Franked	29 Mar 2019
Total amount	265	123,422		
2018				
Final 2017 ordinary	135	62,875	Franked	29 Sep 2017
Interim 2018 ordinary	135	62,875	Franked	26 Mar 2018
Total amount	270	125,750		

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's Dividend Reinvestment Plan (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 2019 ordinary	125	58,218	Franked	30 Sep 2019

[1]Calculation based on the ordinary shares on issue as at 30 June 2019.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

Dividend franking account	2019 $'000	2018 $'000
Amount of franking credits available to shareholders for subsequent financial years	45,108	56,606

The above available amounts are based on the balance of the dividend franking account at 30 June 2019 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 $20,157,000 (2018: $28,660,000).

Accounting policies

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

1-7 Net cash from operating activities

	2019 $'000	2018 $'000
Reconciliation of profit for the year to net cash from operating activities		
Profit for the year	115,929	140,227
Items classified as investing/financing activities:		
Profit on sale of investments	(426)	(2,183)
Deferred acquisition consideration	(3,893)	1,000
Assets acquired from business combinations	(2,130)	-
Non-cash items:		
Depreciation and amortisation expense	20,025	18,364
Equity remuneration expense	11,058	9,750
Transfer to foreign currency translation reserve	(136)	(304)
Reinvestment of dividends and unit distributions	(3,253)	(2,015)
Accrued fixed asset additions	742	(763)
Mark to market movements on financial assets	3,419	-
Other	(375)	-
(Increase)/decrease in assets		
Receivables	60,534	(64,000)
Current tax assets	(1,846)	-
Other assets	(6,404)	4,170
Deferred tax assets	3,407	(1,594)
Increase/(decrease) in liabilities		
Payables	16,948	(14,405)
Provisions	(64,165)	65,261
Current tax liabilities	(5,984)	(16,661)
Deferred tax liabilities	3,626	(1,530)
Employee benefits	(14,396)	8,956
Net cash from operating activities	132,680	144,273

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

RFi Roundtables Pty Ltd

On 3 December 2018, Perpetual acquired a 94% controlling interest in RFi Roundtables Pty Ltd (RFi).

As at 30 June 2019 the acquisition accounting balances are provisional and have been accounted for in these financial statements on that basis. These balances may be revised up to 12 months from the acquisition date in accordance with Australian Accounting Standards Board AASB 3 – *Business Combinations*.

The acquisition of RFi extends the consolidated entity's ability to offer data and analytics business by providing credit risk portfolio analytics to the banking and financial services industry and is aligned with the consolidated entity's growth strategy.

This acquisition was not material to the consolidated entity's assets or results.

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.

2-2 Receivables

	2019 $'000	2018 $'000
Current		
Trade receivables	94,352	93,583
Less : Provision for doubtful debts	(1,407)	(1,081)
	92,945	92,502
Other receivables[1]	6,829	67,806
	99,774	160,308

[1]Refer to section 3-5 for further information.

Movements in the provision for doubtful debts are as follows:

	2019 $'000	2018 $'000
Balance as at beginning of the year	1,081	3,356
Doubtful debts provided for during the year	972	827
Receivables written off during the year as uncollectible	(646)	(3,102)
Balance as at end of the year	1,407	1,081

Movements in the provision for doubtful debts have been recognised in Administrative and general expenses in section 1-3. Amounts charged to the provision account are generally written off when there is no expectation of additional recoveries. In subsequent periods, any recoveries of amounts previously written off are credited against Administrative and general expenses in section 1-3. Based on the analysis at the end of the reporting period, the impairment under the expected credit loss (ECL) method is considered to be immaterial and no amount is recognised in the financial statements.

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 method, less an allowance for ECL. Collectability of trade receivables is reviewed on an ongoing basis and at balance date, in addition to the ECL, specific impairment losses are recorded for any doubtful debts.

2-3 Other financial assets

	2019 $'000	2018 $'000
Non-current		
Listed equity securities	2,383	2,343
Unlisted unit trusts	66,758	72,109
Other	522	517
	69,663	74,969

Accounting policies

Financial assets
The consolidated entity’s investments in equity securities and unlisted unit trusts have previously been classified as available-for-sale financial assets. On adoption of AASB 9, these assets are now classified at FVTPL. Refer to section 4-1 (i) - (a).

Notes to and forming part of the financial statements for the year ended 30 June 2019

2-4 Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Project work in progress $'000	Total $'000
Year ended 30 June 2019				
Cost	9,672	59,897	908	70,477
Accumulated depreciation	(8,128)	(35,785)	-	(43,913)
Carrying amount	1,544	24,112	908	26,564
Movement				
Balance as at 1 July 2018	2,086	18,133	5,545	25,764
Additions	281	289	5,855	6,425
Transfers from work in progress	-	10,492	(10,492)	-
Depreciation	(823)	(4,802)	-	(5,625)
Balance as at 30 June 2019	1,544	24,112	908	26,564

Accounting policies

Recognition and measurement

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

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

Project work in progress

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

Depreciation

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

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

2-5 Intangibles

$'000	Goodwill	Intangible assets: Customer contracts	Capitalised software	Project work in progress	Other	Total
Year ended 30 June 2019						
At cost	289,790	62,362	80,553	5,217	2,157	440,079
Accumulated amortisation	-	(41,018)	(51,625)	-	(1,657)	(94,300)
Carrying amount	289,790	21,344	28,928	5,217	500	345,779
Balance at 1 July 2018	276,959	20,961	26,144	3,059	549	327,672
Additions	12,831	6,674	398	12,437	-	32,340
Transfers	-	-	10,279	(10,279)	-	-
Amortisation expense	-	(6,291)	(7,893)	-	(49)	(14,233)
Balance as at 30 June 2019	289,790	21,344	28,928	5,217	500	345,779
Year ended 30 June 2018						
At cost	276,959	55,688	69,875	3,059	2,157	407,738
Accumulated amortisation	-	(34,727)	(43,731)	-	(1,608)	(80,066)
Carrying amount	276,959	20,961	26,144	3,059	549	327,672
Balance at 1 July 2017	276,959	27,096	21,139	5,706	337	331,237
Additions	-	-	94	8,991	244	9,329
Transfers	-	-	11,638	(11,638)	-	-
Amortisation expense	-	(6,135)	(6,727)	-	(32)	(12,894)
Balance as at 30 June 2018	276,959	20,961	26,144	3,059	549	327,672

	2019 $'000	2018 $'000
Goodwill Impairment Testing		
The following cash-generating units have significant carrying amounts of goodwill:		
Perpetual Private	146,490	146,490
Perpetual Corporate Trust	139,804	126,973
Australian Equities (Perpetual Investments)	3,496	3,496
	289,790	276,959

2-5 Intangibles (continued)

Goodwill Impairment Testing (continued)

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

- The value in use is estimated based on the net present value of future cash flow projections to be realised from each of the CGUs over the next two years plus a terminal value.
- The pre-tax discount rates used in the current year ranged from 15.0% to 17.2% (2018: 14.4% to 16.7%).

The forecast cash flows used in impairment testing are based on assumptions as to the level of profitability for each business over a projected two year period. These forecasted cash flows are based on the FY2020-FY2021 Business Plan which has been approved by the Board. The main drivers of revenue growth are the value of funds under management (FUM) in the Australian Equities CGU, funds under advice (FUA) in the Perpetual Private CGU and securitisation and capital flows in the Perpetual Corporate Trust CGU. A terminal value with a growth rate of 2.5% has also been applied.

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

The estimated recoverable amount is greater than the carrying value for each CGU. For the estimated recoverable amount to be equal to the carrying amount, the pre-tax discount rate would have to increase from 15.0% to 33.6% (2018: 14.4% to 34.7%).

Accounting policies

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

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

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

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

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

- capitalised software: 2.5 - 8 years
- customer contracts and relationships acquired: 5 - 15 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.

	2019 $'000	2018 $'000
2-6 Provisions		
Current		
Insurance and legal provision[1]	53	64,653
Operational process review provision	3,083	1,570
Lease straight line liability	1,487	1,081
Other provisions	29	29
	4,652	67,333

[1]Refer to section 3-5 for further information.

Non-current		
Lease straight line liability	17,663	19,147
	17,663	19,147

2-6 Provisions (continued)

$'000	Carrying amount at 1 July 2018	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2019
Legal provision	64,653	-	(129)	(64,471)	53
Operational process review provision	1,570	5,438	(653)	(3,272)	3,083
Lease straight line liability	20,228	13,307	(156)	(14,229)	19,150
Other provisions	29	-	-	-	29
Total provisions	86,480	18,745	(938)	(81,972)	22,315

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

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

Legal provision
A provision for litigation is recognised when reported litigation claims arise and are measured at the cost that the consolidated entity expects to incur in settling the claim (refer to section 3-5).

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

2-7 Employee benefits

Aggregate liability for employee benefits, including on-costs

	2019		2018	
$'000	**Current**	**Non-current**	**Current**	**Non-current**
Provision for annual leave	5,720	-	5,626	-
Provision for long service leave	7,440	3,141	6,758	2,995
Other employee benefits[1]	27,556	12,211	43,455	10,987
Restructuring provision	-	-	643	-
	40,716	15,352	56,482	13,982

[1] Short-term incentives (STI) and deferred STI.

The non-current portion of the long service leave provision has been discounted using a rate of 2.7 per cent (2018: 3.9 per cent) which is based on the 10 year corporate bond rate.

The number of full time equivalent employees at 30 June 2019 was 960 (2018: 936).

$'000	Carrying amount at 1 July 2018	Additional provision made	Unused amounts reversed	Payments made	Carrying amount at 30 June 2019
Restructuring provision	643	-	(48)	(595)	-

Accounting policies

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

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

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

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.

	2019 $'000	2018 $'000
3-1 Cash and cash equivalents		
Bank balances	136,044	109,137
Short-term deposits	163,543	211,100
	299,587	320,237

Short-term deposits represent rolling 90 day term deposits.

In accordance with the consolidated entity's Group Policy - Treasury, the consolidated entity mainly holds cash and cash equivalents to support its regulatory capital requirements of $156.7 million as at 30 June 2019 (2018: $155.5 million).

	2019 $'000	2018 $'000
3-2 Borrowings		
The consolidated entity has access to the following line of credit:		
Total facility used (Non-current)	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 weighted average floating interest rate of 2.67 per cent at 30 June 2019, inclusive of the undrawn line fee (2018: 3.33 per cent). Repayment of the existing facility of $87 million is due on 31 October 2020.

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 for the year ended 30 June 2019. 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 Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

	2019 $'000	2018 $'000
3-3 Contributed equity		
Fully paid ordinary shares 46,574,426 (2018: 46,574,426)	550,635	550,249
Treasury shares 348,813 (2018: 560,569)	(31,434)	(41,576)
	519,201	508,673

	2019 Number of shares	2019 $'000	2018 Number of shares	2018 $'000
Movements in share capital				
Balance at beginning of year	46,013,857	508,673	45,832,544	501,766
Shares issued:				
- Movement on treasury shares	211,756	10,528	181,313	6,907
Balance at end of year	46,225,613	519,201	46,013,857	508,673

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

Terms and conditions

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

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

Accounting policies

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

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

	2019 $'000	2018 $'000
3-4 Reserves		
General reserve	103	103
Available-for-sale reserve	-	5,031
Foreign currency translation reserve	305	169
	408	5,303
Equity compensation reserve	19,600	18,893
	20,008	24,196

Accounting policies

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.

	2019 $'000	2018 $'000
3-5 Commitments and contingencies		
(a) Commitments		
Capital expenditure commitments		
Contracted but not provided for and payable within one year	763	12,109

Operating lease commitments predominantly related to premises
At 30 June, the future minimum lease payments under non-cancellable leases were payable as follows:

	2019 $'000	2018 $'000
Not later than one year	15,970	16,615
Later than one year and not later than five years	59,807	63,335
Later than five years	28,803	47,893
	104,580	127,843

Accounting policies

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

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

	2019 $'000	2018 $'000
3-5 Commitments and contingencies (continued)		
(b) Contingencies		
Contingent liabilities		
Bank guarantee in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to trading activities	1,000	1,000
Bank guarantee in favour of the Australian Securities and Investments Commission in relation to the provision of responsible entity services and custodial services	10,000	10,000
Bank guarantee issued in respect of the lease of premises of The Trust Company Limited	1,612	1,796
Bank guarantee issued in respect of the lease of premises of Perpetual Limited	644	644
	13,256	13,440

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.

On 10 November 2017, the plaintiffs agreed to a settlement in relation to their claim against TrustCo which was approved by the Supreme Court Victoria on 30 January 2018. Following formalisation of the settlement, a provision of $64m was recognised (refer section 2-2) and a corresponding receivable was recognised for the reimbursement from the insurers. The settlement amount was paid during the period.

All proceedings against TrustCo have been dismissed and this matter is now closed.

Accounting policies

Contingent liabilities

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

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.

	2019 $'000	2018 $'000
Cash and cash equivalents	299,587	320,237
Trade receivables	92,945	92,502
Other receivables and other financial assets	7,351	68,323
Listed equity securities and unlisted unit trusts	69,141	74,452

4-1 Financial risk management (continued)

i. Credit risk (continued)

The consolidated entity has adopted AASB 9 effective from 1 July 2018 which has resulted in changes to the classification and measurement of financial assets and the basis on which impairment of financial assets are measured. For further information on the impact of these changes, refer to section 6-4 (b).

Credit risk is managed on a functional basis across the various business segments. As a result of the swap agreements between the EMCF and the consolidated entity, the consolidated entity consolidates EMCF and is hence exposed to credit risk on its exposure to the $252.5 million (2018: $283.0 million) of underlying investments held by the EMCF.

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

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

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

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

(b) Other financial assets
The consolidated entity's exposure to trade receivables is influenced mainly by the individual characteristic of each customer.

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

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

The consolidated entity held cash and cash equivalents of $299.6 million at 30 June 2019 (2018: $320.2 million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated ‘BBB’ 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 2019					30 June 2018				
	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000
Trade and other receivables	3,949	3,377	1,443	8,202	16,971	2,827	3,126	568	5,126	11,647

Notes to and forming part of the financial statements for the year ended 30 June 2019

4-1 Financial risk management (continued)

i. Credit risk (continued)

(b) Other financial assets (continued)

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

	2019 $'000	2018 $'000
Trade and other receivables	1,407	1,081

The impaired financial assets relate mainly to independent customers and investors who are in unexpectedly difficult economic situations, where the consolidated entity is of the view that the full carrying value of the receivable cannot be recovered. The consolidated entity does not hold any collateral against the trade and other receivables.

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 2019, total base capital requirements were $173 million ($157 million for operational risk, $12 million for credit risk and $4 million for market risk), compared to $354 million of available liquid funds.

The $157 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 six month forecast of liquid assets, cash flows and balance sheet is reviewed by the Board on a semi-annual basis 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 2020 (refer to section 3-2 for further information).

Notes to and forming part of the financial statements for the year ended 30 June 2019

4-1 Financial risk management (continued)

ii. Liquidity risk (continued)

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

	30 June 2019			30 June 2018		
	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	52,574	3,659	56,233	39,285	-	39,285
Borrowings	-	87,000	87,000	-	87,000	87,000
	52,574	90,659	143,233	39,285	87,000	126,285

There are no financial liabilities maturing in more than five years as at 30 June 2019 (2018: $nil).

iii. Market risk

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

The consolidated entity is subject to the following market risks:

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

4-1 Financial risk management (continued)

iii. Market risk (continued)

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

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

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

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
At 30 June 2019				
Financial assets				
Cash and cash equivalents	138,387	161,200	-	299,587
Receivables	1,298	-	98,476	99,774
Other financial assets	-	2	69,661	69,663
	139,685	161,202	168,137	469,024
Financial liabilities				
Payables	-	-	56,233	56,233
Borrowings	87,000	-	-	87,000
	87,000	-	56,233	143,233
At 30 June 2018				
Financial assets				
Cash and cash equivalents	109,137	211,100	-	320,237
Receivables	1,340	-	158,968	160,308
Other financial assets	-	2	74,967	74,969
	110,477	211,102	233,935	555,514
Financial liabilities				
Payables	-	-	39,285	39,285
Borrowings	87,000	-	-	87,000
	87,000	-	39,285	126,285

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 2019		30 June 2018	
	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	369/(369)	369/(369)	164/(164)	164/(164)

The impact on net 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 2019 (6,699), a 1 per cent movement in the market changes annualised revenue by approximately $1.75 million to $2.25 million.

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

Due to the adoption of AASB 9 *Financial Instruments* from 1 July 2018, unrealised gains/losses on financial assets held within incubation funds are now taken through profit and loss (previously taken through Other Comprehensive Income).

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

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

4-1 Financial risk management (continued)

iii. Market risk (continued)

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

(e) Market risks arising from the Exact Market Cash Funds
The consolidated entity is further subject to market risks through the Exact Market Cash Funds (EMCF). The funds were established with the purpose of providing an exact return utilising the Bloomberg AusBond Bank Bill Index (the benchmark index) to investors. The impact of the EMCF on the consolidated entity's financial results is dependent on the performance of the fund relative to the benchmark. In addition, unrealised gains/losses are now taken through profit and loss in accordance with AASB 9.

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 2019. 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 2019				
Financial assets				
Listed equity securities	2,383	-	-	2,383
Unlisted unit trusts	-	66,758	-	66,758
Structured products - EMCF assets	50,582	201,940	-	252,522
	52,965	268,698	-	321,663

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2018				
Financial assets				
Available-for-sale listed equity securities	2,343	-	-	2,343
Available-for-sale unlisted unit trusts	-	72,109	-	72,109
Structured products - EMCF assets	3,607	279,384	-	282,991
	5,950	351,493	-	357,443

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 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.

	2019		2018	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Structured products – EMCF liabilities	252,169	252,522	282,514	282,993

v. Capital risk management

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

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

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

(c) Gearing policy
The current gearing policy aims to target an investment grade credit rating by maintaining a corporate debt to capital ratio (corporate debt/(corporate debt + equity)) of 30% or less and EBIT interest cover (EBIT/interest expense) of more than ten times. Based on the corporate debt of $87.0 million, the gearing ratio is 11.6% as at 30 June 2019 (2018: 11.6%) and well within the stated gearing policy. The EBIT interest cover ratio for the consolidated entity as at 30 June 2019 was 73 times (2018: 75 times).

4-1 Financial risk management (continued)

Accounting policies

The consolidated entity initially recognises receivables 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) Financial assets at fair value through profit or loss
Financial assets are mandatorily classified and measured at fair value through profit or loss on initial recognition. Attributable transaction costs are recognised in profit or loss when incurred. Financial assets mandatorily classified at fair value through profit or loss are measured at fair value and changes recognised in profit or loss.

(b) Receivables
Receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, 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.

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

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

(d) 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.

	2019 $'000	2018 $'000

5-1 Structured products assets and liabilities

i. Exact Market Cash Funds

	2019 $'000	2018 $'000
Current assets		
Perpetual Exact Market Cash Fund	176,610	185,513
Perpetual Exact Market Cash Fund No. 2	75,912	97,480
	252,522	282,993
Current liabilities		
Perpetual Exact Market Cash Fund	176,410	185,267
Perpetual Exact Market Cash Fund No. 2	75,759	97,247
	252,169	282,514

The Exact Market Cash Funds' current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds' investors. The difference between the current assets and current liabilities balance has been recorded in profit and loss (from 1 July 2018).

The Perpetual Exact Market Cash Fund (EMCF 1) was established with the purpose of providing an exact return that matched the Bloomberg AusBond Bank Bill Index (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of $3 million (2018: $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 (2018: $1.5 million) to be called upon in the event that Perpetual does not meet its obligations.

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-1 Structured products assets and liabilities (continued)

i. Exact Market Cash Funds (continued)

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

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

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

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

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

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

30 June 2019	**AAA to AA- $'000**	**A+ to A- $'000**	**BBB+ to BBB- $'000**	**Total $'000**
Corporate bonds and money market securities	58,792	46,046	8,405	113,243
Mortgage and asset backed securities	88,697	-	-	88,697
Cash	50,582	-	-	50,582
	198,071	46,046	8,405	252,522

30 June 2018	**AAA to AA- $'000**	**A+ to A- $'000**	**BBB+ to BBB- $'000**	**Total $'000**
Corporate bonds and money market securities	76,100	65,914	14,367	156,381
Mortgage and asset backed securities	122,257	748	-	123,005
Cash	3,607	-	-	3,607
	201,964	66,662	14,367	282,993

Notes to and forming part of the financial statements for the year ended 30 June 2019

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.

	2019 $'000	2018 $'000
1 per cent increase	2,525	2,304
1 per cent decrease	(2,525)	(2,304)

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

In addition, any variance between the consolidated entity's current assets EMCF balance and the consolidated entity's current liabilities EMCF balance would be reflected in profit and loss.

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 unitholders 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 unitholders 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 that have previously been classified as available-for-sale and measured at fair value. On adoption of AASB 9, these assets are now mandatorily classified at FVTPL.

	2019 $'000	2018 $'000

5-2 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the consolidated entity was Perpetual Limited.

	2019 $'000	2018 $'000
Result of the parent entity		
Profit after tax for the year	91,584	124,927
Other comprehensive income	-	1,113
Total comprehensive income for the year	**91,584**	**126,040**
Financial position of the parent entity at year end		
Current assets	297,836	280,804
Total assets	**933,844**	**928,904**
Current liabilities	211,181	187,146
Total liabilities	**246,166**	**221,945**
Total equity of the parent entity comprising:		
Share capital	519,201	508,673
Reserves	19,698	23,688
Retained earnings	148,779	174,598
Total equity	**687,678**	**706,959**

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

	2019 $'000	2018 $'000
Uncalled capital of the controlled entities	12,450	12,450

In the ordinary course of business, contingent liabilities exist in respect of claims and potential claims against the parent entity. The parent entity does not consider that the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, are likely to have a material effect on its operations or financial position.

	2019 $'000	2018 $'000

5-2 Parent entity disclosures (continued)

Operating lease commitments

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

	2019 $'000	2018 $'000
Not later than one year	9,703	9,286
Later than one year and not later than five years	43,315	41,479
Later than five years	12,044	23,583
	65,062	74,348

Operating leases are predominantly related to premises.

Parent entity guarantees

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

- Guarantee to secure a bank facility ($87,000,000 is utilised) of a controlled entity amounting to $130,000,000 (2018: $130,000,000).

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-3 Controlled entities

Name of company	Beneficial interest 2019 %	Beneficial interest 2018 %	Country of incorporation and principal place of business
Perpetual Limited[5]			
Controlled Entities [1]			
Australian Trustees Limited[5]	100	100	Australia
Commonwealth Trustees Pty. Ltd.[2]	100	100	Australia
Fordham Business Advisors Pty Ltd[2]	100	100	Australia
Perpetual Acquisition Company Limited[5]	100	100	Australia
Perpetual Assets Pty. Ltd.[2]	100	100	Australia
Perpetual Australia Pty Limited[2,5]	100	100	Australia
Perpetual Digital Holdings Pty Limited[2]	100	100	Australia
Perpetual Investment Management 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	100	100	Australia
Perpetual Tax and Accounting Pty Ltd[2]	100	100	Australia
Perpetual Trust Services Limited	100	100	Australia
Perpetual Trustee Company (Canberra) Limited[5]	100	100	Australia
Perpetual Trustee Company Limited[4]	100	100	Australia
Perpetual Trustees Consolidated Limited[5]	100	100	Australia
Perpetual Trustees Queensland Limited[5]	100	100	Australia
Perpetual Trustees Victoria Limited[5]	100	100	Australia
Perpetual Trustees W.A. Ltd[5]	100	100	Australia
Queensland Trustees Pty. Ltd.[2]	100	100	Australia
Perpetual Australian Equity Model Portfolio	100	100	Australia
Perpetual Capital Accumulation Portfolio	100	100	Australia
Perpetual Exact Market Cash Fund	100	100	Australia
Perpetual Exact Market Cash Fund No. 2	100	100	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-3 Controlled entities (continued)

Name of company	Beneficial interest 2019 %	Beneficial interest 2018 %	Country of incorporation and principal place of business
Entities under the control of Perpetual Acquisition Company Limited			
The Trust Company Limited	100	100	Australia
Fintuition Pty Limited[2]	100	100	Australia
Fintuition Institute Pty Limited[2]	100	100	Australia
Skinner Macarounas Pty Limited[2]	100	100	Australia
Entities under the control of Perpetual Digital Holdings Pty Limited			
Perpetual Digital Pty Ltd[2]	100	100	Australia
Perpetual Roundtables Pty Limited[2,6]	94	-	Australia
Entities under the control of Perpetual Trustee Company Limited			
Perpetual Corporate Trust Limited	100	100	Australia
Perpetual Custodians Ltd	100	100	Australia
Perpetual Legal Services Pty Limited[2,7]	100	100	Australia
P.T. Limited	100	100	Australia
Entities under the control of P.T. Limited			
Perpetrust Nominees Proprietary Limited[2]	100	100	Australia
Entities under the control of The Trust Company Limited			
Perpetual (Asia Holdings) Pte. Ltd.	100	100	Singapore
The Trust Company (Australia) Limited	100	100	Australia
The Trust Company (UTCCL) Limited	100	100	Australia
Perpetual C T (Asia) Limited	100	100	Hong Kong
Entities under the control of The Trust Company (Australia) Limited			
The Trust Company (Nominees) Limited	100	100	Australia
The Trust Company (PTAL) Limited	100	100	Australia
The Trust Company (RE Services) Limited	100	100	Australia
Entities under the control of Perpetual (Asia Holdings) Pte. Ltd.			
Perpetual (Asia) Limited	100	100	Singapore
Entities under the control of The Trust Company (RE Services) Limited			
The Trust Company (Sydney Airport) Limited	100	100	Australia
Associates			
Loan RQ Ltd[3]	26	26	Australia

[1] Entities in bold are directly owned by Perpetual Limited.

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

[3] The carrying amount of this investment is $nil (2018: $nil).

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

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

[6] Company was acquired on 3 December 2018 as RFi Rountables Pty Ltd. Name changed to Perpetual Roundtables Pty Limited on 21 December 2018.

[7] Indirectly owned through Perpetual Legal Services Charitable Trust.

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-4 Deed of cross guarantee

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

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

The subsidiaries to the Deed forming the Closed Group are:

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

A summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Financial Position comprising the Closed Group as at 30 June 2019 are set out below.

	Year ended 30 June 2019 $'000	**Year ended 30 June 2018 $'000**
Revenue	154,715	140,972
Expenses	(61,390)	(19,008)
Financing costs	(2,787)	(2,603)
Net profit before tax	**90,538**	**119,361**
Income tax benefit	1,414	5,610
Net profit after tax	**91,952**	**124,971**
Other comprehensive income, net of income tax	-	1,778
Total comprehensive income	91,952	126,749
Total comprehensive income attributable to:		
Equity holders of the Company	91,952	126,749

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-4 Deed of cross guarantee (continued)

	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	125,180	148,523
Receivables	201,151	118,869
Current tax assets	1,887	-
Structured Products - EMCF assets	252,522	282,993
Prepayments	12,995	14,931
Total current assets	593,735	565,316
Non-current assets		
Other financial assets	590,537	642,138
Property, plant and equipment	11,952	12,452
Intangibles	166	215
Deferred tax assets	28,912	33,754
Total non-current assets	631,567	688,559
Total assets	1,225,302	1,253,875
Current liabilities		
Payables	173,396	129,973
Structured Products - EMCF liabilities	252,169	282,514
Current tax liabilities	-	5,984
Employee benefits	13,152	12,377
Provisions	59,645	76,334
Total current liabilities	498,362	507,182
Non-current liabilities		
Borrowings	87,000	87,000
Deferred tax liabilities	1,198	2,185
Employee benefits	3,141	2,995
Total non-current liabilities	91,339	92,180
Total liabilities	589,701	599,362
Net assets	635,601	654,513
Equity		
Contributed equity	519,201	508,672
Reserves	19,698	23,689
Retained earnings	96,702	122,152
Total equity	635,601	654,513

5-5 Unconsolidated structured entities

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

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

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

Investment funds - Company managed	**Carrying amount $'000**	**Maximum exposure to loss[1] $'000**
Year ended 30 June 2019		
Statement of Financial Position line item		
Other financial assets - non-current	66,739	63,571
Year ended 30 June 2018		
Statement of Financial Position line item		
Other financial assets - non-current	72,086	65,646

[1] The maximum exposure to loss is the maximum loss that could be recorded through profit and loss as a result of the involvement with these entities.

Company managed investment funds

The Company manages investment funds through asset management subsidiaries. Control over these managed investment funds may exist since the Company has power over the activities of the fund. However, these funds have not been consolidated because the Company does not have the ability to affect the level of returns and is not exposed to significant variability in returns from the funds. The Company earns management fees from the management of these investment funds which are commensurate with the services provided and are reported in revenue from the provision of services. Management fees are generally based on the value of the assets under management. Therefore, the fees earned are impacted by the composition of the assets under management and fluctuations in financial markets. The revenue earned is included in revenue from the provision of services 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 2019

5-6 Share-based payments

i. Employee share purchase plans

(a) Long-term Incentive Plan (LTI)

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

(b) One Perpetual Share Plan (OPSP)

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

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

(c) Details of the movement in employee shares

All shares granted under the LTI and OPSP plans in the 2019 financial year were issued 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, $11,058,095 (2018: $9,750,466) of amortisation relating to shares, performance rights and share rights was recognised as an expense with the corresponding entry directly in equity.

Shares are granted to eligible employees under the LTI plan. The number of shares granted is determined by dividing the value of the grant by the VWAP of Perpetual shares traded on the ASX in the five business days up to and including the grant date.

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

Number	Opening balance 1 July	Vested shares	Shares purchased on market	Forfeited shares	Granted shares	Closing balance at 30 June
2019	560,569	(361,756)	150,000	(93,618)	93,618	348,813
2018	741,882	(181,313)	-	(73,013)	73,013	560,569

ii. Rights

During the year, the Company granted $16,393,698 (30 June 2018: $8,203,095) of share rights and performance rights in accordance with the LTI plan.

Share rights are granted to Executives under the Variable Incentive Plan. The number of share rights granted is determined by dividing the value of the grant by the VWAP of Perpetual shares traded on the ASX in the five business days up to and including the grant date.

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-6 Share-based payments (continued)

ii. Rights (continued)

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

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

30 June 2019					Movement in number of rights granted				
Grant date	Vest date	Expiry date	TSR hurdle or non-TSR hurdle	Issue price	1 July 2018	Granted	Forfeited	Vested	Outstanding at 30 June 2019
Oct 2015	Oct 2018	Sep 2022	TSR	$19.50	38,672	-	(38,672)	-	-
Oct 2015	Oct 2018	Sep 2022	Non TSR	$33.07	184,712	-	(755)	(183,957)	-
Oct 2016	Oct 2019	Sep 2023	Non TSR	$39.40	124,388	-	(4,585)	(12,288)	107,515
Sep 2017	Sep 2019	Sep 2032	Non TSR	$46.93	29,951	-	(8,565)	-	21,386
Oct 2017	Oct 2018	Sep 2032	Non TSR	$44.64	3,989	-	-	(3,989)	-
Oct 2017	Oct 2020	Sep 2032	Non TSR	$44.64	119,266	2,912 [1]	(5,543)	(1,065)	115,570
Sep 2018	Sep 2020	Sep 2033	Non TSR	$37.03	-	39,749	(8,798)	-	30,951
Oct 2018	Oct 2019	Oct 2033	Non TSR	$39.77	-	112,223	-	-	112,223
Oct 2018	Oct 2020	Sep 2033	Non TSR	$37.29	-	1,417	-	-	1,417
Oct 2018	Oct 2021	Oct 2033	Non TSR	$34.97	-	292,029	(1,713)	-	290,316
					500,978	448,330	(68,631)	(201,299)	679,378

[1] Performance rights granted during the year and back dated to October 2017.

5-6 Share-based payments (continued)

ii. Rights (continued)

30 June 2018					Movement in number of rights granted				
Grant date	**Vest date**	**Expiry date**	**TSR hurdle or non-TSR hurdle**	**Issue price**	**1 July 2017**	**Granted**	**Forfeited**	**Vested**	**Outstanding at 30 June 2018**
Oct 2014	Oct 2017	Oct 2017	TSR	$21.82	33,000	-	(15,183)	(17,817)	-
Oct 2014	Oct 2017	Oct 2017	Non TSR	$38.00	90,713	-	(22,166)	(68,547)	-
Aug 2015[1]	Oct 2017	Oct 2021	Non TSR	$38.00	789	-	-	(789)	-
Oct 2015	Oct 2018	Sep 2022	TSR	$19.50	38,672	-	-	-	38,672
Oct 2015	Oct 2018	Sep 2022	Non TSR	$33.07	238,804	-	(51,069)	(3,023)	184,712
Oct 2016	Oct 2019	Sep 2023	Non TSR	$39.40	145,451	-	(15,139)	(5,924)	124,388
Sep 2017	Sep 2019	Sep 2032	Non TSR	$46.93	-	51,055	(21,104)	-	29,951
Oct 2017	Oct 2018	Sep 2032	Non TSR	$44.64	-	3,989	-	-	3,989
Oct 2017	Oct 2020	Sep 2032	Non TSR	$44.64	-	126,098	(6,832)	-	119,266
					547,429	181,142	(131,493)	(96,100)	500,978

[1] Valuation date 1 October 2014.

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

	Valuation Date 1 Oct 2015	**Valuation Date 1 Oct 2016**	**Valuation Date 1 Sep 2017**	**Valuation Date 1 Oct 2017**	**Valuation Date 1 Sep 2018**	**Valuation Date 1 Oct 2018**	**Valuation Date 1 Oct 2018**	**Valuation Date 1 Oct 2018**
Performance period	3 years	3 years	2 years	3 years	2 years	1 year	2 years	3 years
Share price ($)	40.00	46.28	54.70	51.94	43.89	42.40	42.40	42.40
Dividend yield (%)	6.23	5.51	5.10	5.18	6.40	6.63	6.63	6.63
Expected volatility (%)	25	N/A	25	N/A	20	N/A	N/A	N/A
Risk free interest rate (%)	1.86	N/A	N/A	N/A	N/A	1.93	2.00	2.07

Accounting policies

Employee share purchase plans

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.

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

5-6 Share-based payments (continued)

Accounting policies (continued)

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 LTI 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 performance and 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.

Rights

Performance rights and share rights are issued for the benefit of eligible 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 rights grant date.

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

On vesting, the intention is to settle the 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 rights at the vesting date.

5-7 Key management personnel and related parties

Total compensation of key management personnel

	2019 $	2018 $
Short-term	5,776,222	6,411,774
Post-employment	201,091	174,131
Share-based	778,667	740,444
Other long-term	(12,148)	139,540
Total	6,743,832	7,465,889

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.

	2019 $	2018 $
5-8 Auditor's remuneration		
Audit and review services		
Auditor of the Company - KPMG Australia		
Audit and review of financial statements	757,844	642,723
Other assurance and regulatory audit services	517,528	354,559
Overseas KPMG firms:		
Audit and review services of other financial statements	35,531	26,494
Other assurance and regulatory audit services	22,611	25,985
	1,333,514	1,049,761
Audit and review services for non-consolidated managed funds, superannuation funds and other funds:		
Audit and review of managed funds and superannuation funds for which the consolidated entity acts as responsible entity[1]	1,185,740	1,022,116
Audit of other funds for which Perpetual acts as administrator or trustee[1]	1,143,510	1,052,317
Other regulatory audit services[1]	118,766	315,856
Total audit fee attributable to the audit and review of non-consolidated funds	2,448,016	2,390,289
	3,781,530	3,440,050

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

	2019 $	2018 $
Non-audit services		
KPMG Australia:		
Advisory services	256,530	93,500
Tax services	18,963	9,000
Other services	30,291	23,415
	305,784	125,915

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

Notes to and forming part of the financial statements for the year ended 30 June 2019

5-9 Subsequent events

A final dividend of 125 cents per share fully franked was declared on 22 August 2019 and is to be paid on 30 September 2019.

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

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 2019 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 2019 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 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 22 August 2019.

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 2019 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 financial assets which are measured at fair value.

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

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

This is the first set of the consolidated entity's financial report in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in section 6-4.

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

6-2 Basis of preparation (continued)

Use of judgements and estimates

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

(a) Judgements

Information about critical judgements in applying accounting policies in accordance with Australian Accounting Standard *AASB 10 Consolidated Financial Statements* is included in 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 2019 are included in the following notes:

- Section 1-2 Revenue
- Section 1-4 Income taxes
- 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 AASB, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

6-2 Basis of preparation (continued)

ii. Basis of preparation (continued)

(b) Assumptions and estimation uncertainties (continued)

Measurement of fair values (continued)

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

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

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

- 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

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.

6-3 Other significant accounting policies (continued)

(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.

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)

AASB 9 introduces a new impairment model calculated based on an `expected credit losses' (ECL) basis, replacing the model under AASB 139 calculated on a `historical loss' basis and applies to financial assets measured at amortised cost held by the consolidated entity.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the present value of the cash flows due to the entity in accordance with the contract and the present value of cash flows that the consolidated entity expects to receive.

The consolidated entity has applied the simplified approach under AASB 9 to calculate expected credit losses for Receivables. Under this approach, expected credit losses are calculated based on the life of the instrument. During this process, the probability of the non-payment of the receivables is assessed using the single loss rate approach.

Impairment losses on financial assets measured at amortised cost are recognised in profit or loss and deducted from the gross carrying amount of the assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

6-3 Other significant accounting policies (continued)

iv. Impairment (continued)

(b) Non-financial assets

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

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

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

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

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

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

6-4 Changes in significant accounting policies

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the consolidated entity's financial statements as at and for the year ended 30 June 2019.

The consolidated entity has initially adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 July 2018. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the consolidated entity's financial statements.

The effect of initially applying these standards is mainly attributed to the following:

- Unrealised gains/losses on the consolidated entity's financial assets are now taken through profit and loss (previously taken through other comprehensive income) refer section 1-2.

6-4 Changes in significant accounting policies (continued)

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

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue,* AASB *111 Construction Contracts* and related interpretations.

The consolidated entity has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 30 June 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 111 and related interpretations.

On 1 July 2018, the consolidated entity reduced opening retained earnings by $3.8 million to reflect the cumulative effect of applying the standard. The $3.8 million has been recognised as a contract liability and will be recognised as services to which they are provided. The impact on the consolidated entity's profit and loss for the current period is a $1.8 million increase. A contract liability of $2.5 million has been recognised in the current year as a result of the transition to AASB 15 from 1 July 2018.

(b) AASB 9 *Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

Classification and Measurement

There are three measurement classifications for financial assets under AASB 9: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Financial assets are classified into these measurement classifications on the basis of two criteria:

- The business model within which the financial asset is managed; and
- The contractual cash flow characteristics of the financial assets, whether the contractual cash flows represent solely payments of principal and interest.

As a result, financial assets are classified are as follows:

- Amortised cost: Financial assets with contractual cash flows that comprise solely payments of principal and interest (SPPI) only and which are held in a business model whose objective is to collect their cash flows;
- FVOCI: Financial assets with contractual cash flows that comprise solely payments of principal and interest (SPPI) only and which are held in a business model whose objective is to collect their cash flows or to sell; and
- FVTPL: All other financial assets not falling into the categories above are measured at FVTPL.

Fair Value Option for Financial Assets

A financial asset may be irrevocably designated at FVTPL on initial recognition when the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Equity Instruments

Non-traded equity investments may be designated at FVOCI on an investment by investment basis. If this election is made, gains or losses are not reclassified from other comprehensive income to profit or loss on disposal of the investment. However, gains or losses may be reclassified within equity.

At 30 June 2018 the consolidated entity held $74.5 million of Available-for-Sale (AFS) assets classified as Fair Value through Other Comprehensive Income (FVOCI), which includes the consolidated entity's incubation funds. Movements in the fair value of these assets were taken through the AFS reserve within equity.

From 1 July 2018, these financial assets are now classified as Fair Value Through Profit and Loss (FVTPL), with the associated unrealised and realised gains and losses taken to the income statement. The $5.0 million (net of tax) of unrealised gains held within the available-for-sale reserve at 30 June 2018 will remain in equity upon realisation, and not be recycled to the income statement.

6-4 Changes in significant accounting policies (continued)

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

The consolidated entity's cash and cash equivalents and receivables which had previously been classified as loans and receivables and measured at amortised cost under AASB 139 are now classified as amortised cost and continue to be measured at amortised cost under AASB 9.

The consolidated entity's payables and borrowings which had previously been classified and measured at amortised cost under AASB 139 continued to be classified and measured at amortised cost under AASB 9.

The consolidated entity's $252.5 million of structured products – EMCF assets also changed from FVOCI to FVTPL. There will be no change to the recognition or measurement of the corresponding $252.2 million liability that represents the obligation to fund investors and measured at cost, being redemption value. Refer to section 4-1 for further information on how these products are managed.

Net unrealised losses on the consolidated entity's financial assets amounted to $3.4 million for the year. Refer to section 1-2.

Impairment

Refer to section 6-3 (iv) (a) for details on how the consolidated entity measures impairment under the new impairment model introduced by AASB 9.

6-5 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet mandatory. The consolidated entity has not early adopted any of these standards or amendments in this financial report. Those that are applicable to the consolidated entity and will apply to future periods are described as follows:

(a) AASB 16 *Leases*

AASB 16 *Leases* replaces existing leases guidance, including AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* AASB 16 is effective for the consolidated entity's financial year commencing on 1 July 2019. The consolidated entity has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below. The actual impact of adoption could be different as new accounting policies are subject to change until the consolidated entity presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The consolidated entity will recognise new assets and liabilities for its operating leases of premises (refer to section 3-5). The nature of expenses related to those leases will now change because the consolidated entity will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the consolidated entity recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. While no net impact on cashflows, lease payments previously recognised as an operating cash outflow are now split between financing outflow (paydown of lease liability) and operating outflow (interest expense on unwind of discounting)

In addition, the consolidated entity will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the consolidated entity will include the payments due under the lease in its lease liability.

The consolidated entity has no contracted finance leases.

Based on the information currently available, the consolidated entity estimates that it will recognise additional lease liabilities of approximately $100 million and ROU assets of approximately $80 million as at 1 July 2019. After adjusting for amounts currently recorded on the balance sheet (representing the difference between the cumulative lease expense recognised and cash paid on these leases), this results in a reduction to retained earnings of approximately $5 million.

Transition

The consolidated entity plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The consolidated entity plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117 and Interpretation 4.

Directors' declaration

1. In the opinion of the Directors of Perpetual Limited (the 'Company'):

   (a) the consolidated financial statements and notes set out on pages 52 to 112, 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 2019 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the certain wholly owned subsidiaries identified in section 5-4 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and these entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Managing Director and the Chief Financial Officer for the financial year ended 30 June 2019.

4. The Directors draw attention to section 6-2(i) to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Sydney this 22nd day of August 2019.

Tony D'Aloisio
Director

Rob Adams
Managing Director

Independent Auditor's Report

To the shareholders of Perpetual Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Perpetual Limited (the Company).

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

- giving a true and fair view of the ***Consolidated Entity***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- 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 then ended;
- Notes (sections 1 to 6) including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Consolidated Entity*** consists of Perpetual Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

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

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

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

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition;
- Employee remuneration; and
- Valuation of goodwill.

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

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

KPMG

Revenue recognition ($502m)	
Refer to Section 1-2 'Revenue' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Consolidated Entity generates revenue from multiple products and services, including fees from investment management, securitisation, adviser and trustee services. Revenue recognition is a key audit matter given the complexity associated with the number of different revenue streams, and the significance of revenue to the Consolidated Entity's results. We focussed on the: • Key revenue streams, each with varying fee rates and contractual terms, which required significant audit effort to test the fees recognised. • Drivers of fee calculations, which include funds under management (FUM) and funds under advice (FUA). This information is sourced from several of the Consolidated Entity's third party service organisations which provide investment administration, custody and unit registry services. This required us to understand the key processes and assess the key controls of these service organisations relevant to the Consolidated Entity's revenue recognition. • Performance fees, for which the Consolidated Entity's revenue recognition policy is dependent on varying contractual terms. We involved our senior team members in assessing the Consolidated Entity's accounting policy for performance fees against the requirements of the accounting standards.	Our procedures included: • Enquiring of the Consolidated Entity to understand processes for key revenue streams, and testing key controls at the Consolidated Entity related to these revenue streams. • Assessing the Consolidated Entity's policies for recognition of revenue against the requirements of the accounting standards. • Testing statistical samples of revenue across each key revenue stream. We recalculated the revenue recognised based on the various fee rates in the underlying contracts, and the underlying FUM or FUA sourced from third party service organisation reports. We compared this to the revenue recognised by the Consolidated Entity. • Analysing data within each key revenue stream to identify trends and outliers and further inform our work. Examples of outliers included months where fees exhibit an inverse movement to FUM flows or client fees falling considerably outside of statistical trends. For outliers identified, we recalculated the revenue recognised based on the underlying contracts, and the FUM or FUA. We compared this to the revenue recognised by the Consolidated Entity. • Obtaining and reading the Consolidated Entity's third party service organisations' GS007 (*Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services*) assurance reports to understand the service organisations' processes and assess controls related to investment administration, custody and unit registry. • Assessing the reputation, professional competence and independence of the auditors of the GS007 assurance reports. • Testing a sample of performance fee revenue recognised to the Consolidated Entity's bank statements. We recalculated the performance fee based on the underlying contractual terms and product performance relative to the market benchmark. We compared this to the performance fee revenue recognised by the Consolidated Entity.

<table>
<tr><th colspan="2">Employee remuneration ($196m)</th></tr>
<tr><td colspan="2">Refer to Section 1-3 ‘Expenses’ and Section 5-6 ‘Share-based payments’ of the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Employee remuneration is a key audit matter due to the size of the balance relative to the Consolidated Entity’s results and its complex share incentive programs. We focussed on the:
• Valuation methodology and inputs, such as the share price and vesting period, used by the Consolidated Entity and its external valuation experts in the valuation of share incentive rights granted during the year. This necessitated the involvement of senior team members to assess the valuation methodology and inputs used by the Consolidated Entity.
• Largely manual calculation of equity remuneration expenses, which increases the risk of error. This required significant audit effort.
• Complexity of the Consolidated Entity’s share incentive programs, which increases the risk of interpretational differences against the principles based criteria contained in accounting standards.</td><td>Our procedures included:
• Enquiring of the Consolidated Entity and inspecting a sample of share incentive programs to understand the remuneration process, structure and various share incentive program offerings.
• Assessing the Consolidated Entity’s accounting policy for share incentive program arrangements against the principles based criteria in the accounting standards.
• Evaluating the Consolidated Entity’s external valuation expert’s scope of work, competence and objectivity with respect to their valuation of share incentive program rights granted during the year.
• Assessing the valuation methodology against industry practice and the requirements of the accounting standards.
• Checking the grant date share price and vesting period used in the external expert’s valuation against the Consolidated Entity’s share price and share incentive program agreements.
• Testing a statistical sample of equity remuneration expenses. We checked the various inputs to the Consolidated Entity’s manual calculation, such as grants, vests and forfeitures to underlying offer letters, share incentive program agreements and the grant date fair value calculated by the Consolidated Entity’s external valuation expert. We recalculated the equity remuneration expense and compared this to the expense recognised by the Consolidated Entity.
• Assessing the Consolidated Entity’s disclosures of the key terms and valuation assumptions, as required by the accounting standards.</td></tr>
</table>

Valuation of goodwill ($290m)	
Refer to Section 2-5 'Intangibles' of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Consolidated Entity's annual testing of goodwill for impairment is a key audit matter given the: • Size of the balance (being 25.2% of total assets); and • Net outflow of funds under management (FUM) experienced by the Consolidated Entity in the current year, which increases the possibility of goodwill being impaired. We focussed on the significant forward-looking assumptions the Consolidated Entity applied in its value in use models, including: • Forecast operating cash flows, growth rates and terminal growth rates. These assumptions include subjective drivers such as FUM, funds under advice (FUA), securitisation and capital flows which are difficult to predict as they rely on the Consolidated Entity's expectations of future customer activity and market performance. This increases the risk of inaccurate forecasts or a wider range of possible outcomes. • Discount rates, including Cash Generating Unit (CGU) specific risk premiums. These are complicated in nature and vary according to the conditions and environment the specific CGU is subject to from time to time. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • Considering the appropriateness of the value in use method applied by the Consolidated Entity to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • Assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • Assessing the accuracy of previous Consolidated Entity forecasts to inform our evaluation of forecasts incorporated in the models. • Comparing the forecast cash flows contained in the value in use models to Board approved forecasts. • Challenging the Consolidated Entity's forecast operating cash flows and growth assumptions in light of the net outflow of FUM. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations. We considered differences for the Consolidated Entity's operations. We used our knowledge of the Consolidated Entity, its past performance, business, customers and our industry experience. • Independently developing a range of discount rates considered comparable using publicly available market data for comparable entities, adjusted by CGU specific risk factors. • Considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and to focus our further procedures. • Assessing the disclosures in the financial report using our understanding of the issues obtained from our testing, and against the requirements of the accounting standards.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 8 to 47 of the Directors' report for the year ended 30 June 2019.

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

KPMG

KPMG

Martin McGrath

Partner

Sydney

22 August 2019

Securities exchange and investor information

2019 Annual General Meeting

The 2019 Annual General Meeting of the Company will be held at Perpetual's offices, Level 18, 123 Pitt Street, Sydney on 17 October 2019 commencing at 10:00am.

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 2019.

Distribution schedule of holdings as at 31 July 2019	Number of holders	Number of shares
1 – 1,000 shares	18,403	7,058,185
1,001 – 5,000 shares	5,181	10,771,918
5,001 – 10,000 shares	476	3,335,236
10,001 - 50,000 shares	244	4,302,098
50,001 – 100,000 shares	15	1,095,825
100,001 and over shares	26	20,011,164
Total	24,345	46,574,426

Twenty largest shareholders as at 31 July 2019

Name	Number of ordinary shares	Percentage of issued capital
HSBC Custody Nominees (Australia) Limited	9,005,710	19.34%
JP Morgan Nominees Australia Limited	2,426,700	5.21%
Citicorp Nominees Pty Limited	1,735,862	3.73%
Milton Corporation Limited	1,231,982	2.65%
National Nominees Limited	1,158,070	2.49%
BNP Paribas Noms Pty Ltd (Agency Lending)	601,680	1.29%
CS Third Nominees Pty Limited	429,001	0.92%
Carlton Hotel Ltd	423,973	0.91%
Enbeear Pty Ltd	368,841	0.79%
Australian Foundation Investment Company Limited	360,028	0.77%
Citicorp Nominees Pty Limited (CFS Inv. A/c)	236,441	0.51%
Queensland Trustees Pty Ltd (Long Term Incentive Share Plan)[1]	179,215	0.38%
Queensland Trustees Pty Ltd (Executive Share Plan)[1]	175,829	0.38%
J S Millner Holdings Pty Limited	166,300	0.36%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	164,201	0.35%
BNP Paribas Noms Pty Ltd (DRP)	161,884	0.35%
Diversified United Investment Limited	160,000	0.34%
Pacific Custodians Pty Limited	154,766	0.33%
AMP Life Limited	132,806	0.29%
Argo Investments Limited	130,000	0.28%
Total	19,403,289	41.66%

[1] The total number of shares held by Queensland Trustees Pty Ltd as trustee of the various Employee Share Plans is 355,044 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 2019 Annual General Meeting are encouraged to complete and return the proxy form that accompanies the notice of meeting enclosed with this report.

On-market buyback

There is no current on-market buyback.

Final dividend

The final dividend of 125 cents per share will be paid on 30 September 2019 to shareholders entitled to receive dividends and registered on 5 September 2019, being the record date.

Enquiries

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

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

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

Locked Bag A14
Sydney South NSW 1235

Any other enquiries which you may have about the Company can be directed to the Company's registered office, or visit the Company's website at www.perpetual.com.au

Principal registered office
Level 18
123 Pitt Street
Sydney NSW 2000

Tel: (02) 9229 9000
Fax: (02) 8256 1461

Company Secretary
Eleanor Padman

Website address: www.perpetual.com.au

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123 Pitt Street
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Level 6, 10 Rudd Street
Canberra ACT 2601

VICTORIA
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525 Collins Street
Melbourne VIC 3000

SOUTH AUSTRALIA
Level 11, 101 Grenfell Street
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