Perpetual Limited
ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 6 months
ended 31 December 2017

Perpetual

Notes

Note that in this review:

- 1H18 refers to the financial reporting period for the six months ended 31 December 2017
- 2H17 refers to the financial reporting period for the six months ended 30 June 2017
- 1H17 refers to the financial reporting period for the six months ended 31 December 2016
- with similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 6 months ended 31 December 2017 (1H18). It also includes a review of its financial position as at 31 December 2017.

The following information should be read in conjunction with the Group's unaudited consolidated financial statements and associated notes for 6 months ended 31 December 2017.

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

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

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

Disclaimer

The following information should be read in conjunction with the Group's unaudited consolidated financial statements and associated notes for the 6 months ended 31 December 2017 and should also be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report for the financial year ended 30 June 2017 (FY17).The Group's unaudited consolidated financial statements for the 6 months ended 31 December 2017 were subject to independent review by KPMG.

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

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

OPERATING AND FINANCIAL REVIEW

FOR THE 6 MONTHS ENDED 31 DECEMBER 2017

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REVIEW OF GROUP

1 REVIEW OF GROUP

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

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

1.1 STRATEGY

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

Perpetual's Lead & Grow strategy seeks to build on the foundation of three core businesses, forming a scalable business model supported by shared central services and a strong brand.

Lead & Grow

Under the Lead & Grow strategy, Perpetual seeks to 'Lead' in each of the Group's core businesses, 'Extend' into adjacent segments, products and markets where the Group has natural, sustainable competitive advantage, and 'Explore' new markets and new opportunities for the Group to capture sustainable growth over the long term.

Perpetual Investments seeks to maintain its strong leadership position in Australian equities and leverage its capabilities to move into logical, adjacent products and strategies. The growth opportunities for Perpetual Investments, in addition to global equities, are in credit strategies and multi asset strategies.

Perpetual Private seeks to maintain its strategic objective to lead in high net worth (HNW) advice and wealth management to its target client segments of 'business owners', 'established wealthy' and 'professionals'. These segments play to our existing strengths across holistic advice, research, investments, fiduciary and philanthropy. Perpetual Private will source new prospects through targeted referral channels and deepen existing client relationships to maximise the opportunity to cross-sell products and services whilst continuing to transform the client experience to improve client advocacy.

Perpetual Corporate Trust seeks to build on its market-leading businesses in debt market services and managed fund services. Debt Markets Services seeks to maintain its market-leading position in the provision of trustee, custody and standby services to debt capital and securitisation markets and enhance its position through the provision of value-added services via its data services capability. Managed Funds Services will continue to leverage its scale in the market and further extend into adjacencies such as providing responsible entity and investment management services to managed investment schemes.

On 20 November 2017, Mr Lloyd announced that he will be stepping down from the CEO role on 30 June 2018.

1.2 GROUP FINANCIAL PERFORMANCE

The following table summarises the Group's performance over the last three periods.

Financial Summary

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
Operating revenue	266.8	263.0	252.4	1%	6%
Total expenses	(165.3)	(165.7)	(160.7)	-	(3%)
Underlying profit before tax (UPBT)	101.5	97.3	91.7	4%	11%
Underlying profit after tax (UPAT)[1,2]	71.5	71.3	65.7	-	9%
Significant items	(3.5)	-	0.4	n/a	n/a
Net profit after tax (NPAT)	68.1	71.3	66.0	(4%)	3%
UPBT margin on revenue (%)	38	37	36	1	2
Diluted earnings per share (EPS)[3] on UPAT (cps)	153.0	152.6	140.7	-	9%
Diluted EPS on NPAT (cps)	145.5	152.6	141.5	(5%)	3%
Dividends (cps)	135.0	135.0	130.0	-	4%
Return on Equity (ROE)[4] on UPAT (%)	22	23	22	(1)	-

1. UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 -- Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been audited by the Group's external auditors, however, the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited, for details refer Section 3.2.

2. Effective tax rate is 29.5%.

3. Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue of 46,761,728 for 1H18 (2H17: 46,706,627 shares and 1H17: 46,663,727 shares).

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

For the 6 months to 31 December 2017, Perpetual's UPAT was $71.5 million and NPAT was $68.1 million.

The 1H18 UPAT results were 9% higher than 1H17 and flat to 2H17 principally due to:

- average levels of equity markets being 7% higher than 1H17 and 1% higher than 2H17 which positively impacted average funds under management and advice
- new business growth within Perpetual Private and Perpetual Corporate Trust, noting lower non-market revenues in Perpetual Private compared to 2H17, and higher performance fees earned in 1H18
- ongoing expense discipline while continuing to invest in Lead & Growth initiatives, partially offset by
- net outflows and prior period distributions within Perpetual Investments, and
- higher staff costs, legal expenses and higher performance fee expenses, with lower variable remuneration compared to 2H17.

The 1H18 NPAT results were 3% higher than 1H17 and 4% lower than 2H17 principally due to the previously disclosed litigation costs during 1H18 in addition to the movements in UPAT above.

The Perpetual Board determined a 1H18 fully franked interim dividend of 135 cents per share, up 5 cents per share or 4% on 1H17, and consistent with 2H17. The interim dividend is payable on 26 March 2018. Refer to Section 1.3 for details.

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

1.2.1 REVENUE

The main drivers of total revenue are the value of Funds Under Management (FUM) in Perpetual Investments and Funds Under Advice (FUA) in Perpetual Private, which are primarily influenced by the level of the Australian equity market. At the end of 1H18, Perpetual Investments' FUM and Perpetual Private's FUA were around 80% and 57% exposed to equity markets respectively.

The average S&P/ASX All Ordinaries Price Index (All Ords) of 5,898 in 1H18 was up 7% on the average All Ords of 5,514 in 1H17 and up 1% on the average All Ords of 5,813 in 2H17[1].

In 1H18, Perpetual generated $266.8 million of total operating revenue, which was $14.4 million or 6% higher than 1H17, and $3.8 million or 1% higher than 2H17. Revenue was positively impacted by higher levels of FUM and FUA as a result of higher levels of equity markets. Performance fees earned were $5.3 million, $1.4 million higher than 1H17 and $2.5 million higher than 2H17.

Management has calculated the expected impact on revenue, across the business, for a 1% movement in the All Ords. Based on the level of the All Ords at the end of December 2017, a 1% movement impacts annualised revenue by approximately $2.4 million to $2.9 million. It is worth noting that this impact is not linear to the movement in the overall value of the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller impact on revenue as FUM and FUA are comprised of both equity market and non-equity market sensitive asset classes.

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

1.2.2 EXPENSES

Total expenses in 1H18 were $165.3 million, $4.6 million or 3% higher than 1H17, comprising:

- higher staff costs, legal expense and growth in performance fee expenses, partially offset by
- ongoing expense discipline.

Total expenses in 1H18 were $0.4 million lower than 2H17, comprising:

- expense discipline and lower variable remuneration, partially offset by
- higher staff costs, legal expenses and growth in performance fee expenses.

1.2.3 SIGNIFICANT ITEMS

Significant items were higher in 1H18 due to litigation costs as previously disclosed. The gain on sale of business reported during 1H17 pertains to the previously announced sale of a business in 2014.

Significant items	PROFIT/(LOSS) AFTER TAX		
FOR THE PERIOD	1H18	2H17	1H17
	$M	$M	$M
Litigation costs	(3.5)	-	-
Gain on sale of business	-	-	0.4
Total significant items	(3.5)	-	0.4

[1] The All Ords closed at 6,167 on 31 December 2017, up 8% on the closing level on 31 December 2016 of 5,719 and up 7% on the closing level on 30 June 2017 of 5,764.

1.3 SHAREHOLDER RETURNS AND DIVIDENDS

Shareholder returns

FOR THE PERIOD		1H18	2H17	1H17	1H18 v 2H17	1H18 v 1H17
Diluted earnings per share (EPS) on UPAT[1]	cents	153.0	152.6	140.7	-	9%
Diluted EPS on NPAT	cents	145.5	152.6	141.5	(5%)	3%
Annualised return on average equity (ROE) on UPAT[2]	%	22.3	22.9	21.5	(1)	1
Annualised ROE on NPAT[2]	%	21.2	22.9	21.6	(2)	-

Dividends

FOR THE PERIOD		1H18	2H17	1H17	1H18 v 2H17	1H18 v 1H17
Fully franked dividends paid/payable	$M	62.9	62.9	60.5	-	4%
Fully franked dividends per ordinary share	cents	135.0	135.0	130.0	-	4%
Dividend payout ratio[3]	%	92.8	88.5	91.9	4	1
Dividends paid/payable as a proportion of NPAT[4]	%	92.4	88.2	91.7	4	1

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

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

A fully franked interim dividend for FY18 of 135 cents per share will be payable on 26 March 2018, which represents a dividend payout of 92.4% of 1H18 NPAT.

The Dividend Reinvestment Plan (DRP) will be operational for the interim dividend. No discount will apply and the DRP will be met by existing shares acquired on market. The ten-day volume weighted average price (VWAP) pricing period for the final dividend commences on 6 March 2018 and ends on 19 March 2018. A broker will be appointed to acquire existing shares to satisfy the DRP.

The Group's franking credit balance at the end of 1H18, prior to the payment of the FY18 interim dividend, was $45.9 million. This will enable $107 million of cash dividends or around 230 cents per share to be fully franked in the future (subject to Perpetual's dividend policy). After payment of the interim dividend for 1H18, the franking balance is capable of fully franking a further $44.2 million of cash dividends, or around 95 cents per share.

As at 31 December 2017, Perpetual Limited, the Group's parent entity, had retained earnings of $146.0 million (equivalent to around 314 cents per share).

1.4 SEGMENT RESULTS SUMMARY

Perpetual has three business units: Perpetual Investments, Perpetual Private and Perpetual Corporate Trust. The profitability of each business unit is heavily influenced by its key revenue drivers: Funds Under Management (FUM) for Perpetual Investments, Funds Under Advice (FUA) for Perpetual Private and Funds Under Administration (FUA) for Perpetual Corporate Trust.

The key segment results for 1H18 are summarised in the table below.

Segment results summary	OPERATING REVENUE			EBITDA[1]			PROFIT BEFORE/ AFTER TAX		
FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 $M	2H17 $M	1H17 $M	1H18 $M	2H17 $M	1H17 $M
Perpetual Investments	117.6	114.2	113.8	62.7	62.1	63.0	58.1	57.7	58.8
Perpetual Private	92.8	91.8	86.6	29.2	29.0	25.5	23.1	21.8	18.7
Perpetual Corporate Trust	49.6	48.2	44.5	23.7	24.0	20.5	19.8	19.9	16.8
Group Support Services	6.8	8.8	7.5	1.5	(0.6)	(0.3)	0.5	(2.1)	(2.6)
Totals before tax and significant items	266.8	263.0	252.4	117.1	114.4	108.6	101.5	97.3	91.7
Income tax expense							(30.0)	(26.0)	(26.1)
UPAT before significant items							71.5	71.3	65.7
Significant items after tax:									
Litigation costs[2]							(3.5)	-	-
Gain on sale of business							-	-	0.4
Statutory NPAT attributable to equity holders of Perpetual Limited							68.1	71.3	66.0

1. EBITDA represents earnings before interest costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.
2. Relates to Brickworks and WHSP matter as per 10 August 2017 ASX Announcement.

- Perpetual Investments reported profit before tax in 1H18 of $58.1 million, $0.7 million or 1% lower than 1H17 due to higher expenses partially offset by higher average FUM as a result of higher equity markets and higher performance fees earned, and $0.4 million or 1% higher than 2H17 as a result of higher average FUM as a result of higher equity markets and higher performance fees earned, partially offset by higher expenses.
- Perpetual Private reported profit before tax in 1H18 of $23.1 million, $4.4 million or 24% higher than 1H17, and $1.3 million or 6% higher than 2H17. This increase on 1H17 and 2H17 was primarily due to higher market related revenue as a result of higher equity markets with non-market related revenues higher than 1H17 and lower than 2H17.
- Perpetual Corporate Trust reported profit before tax in 1H18 of $19.8 million, $3.0 million or 18% higher than 1H17, and $0.1 million lower than 2H17. This result compared to 1H17 and 2H17 reflected strong issuance in securitisation markets and continued market activity within commercial property and managed investment funds, together with higher asset prices.

1.5 GROUP FINANCIAL POSITION

1.5.1 SUMMARY CONSOLIDATED BALANCE SHEET

AT END OF	1H18[1] $M	2H17[1] $M	1H17[1] $M
Assets			
Cash and cash equivalents	270.1	323.5	256.5
Liquid investments	83.7	63.1	76.1
Goodwill and other intangibles	301.3	304.4	307.5
Software	26.5	26.8	27.0
Other assets	176.2	176.8	172.7
Total assets	857.8	894.6	839.8
Liabilities			
Corporate loan facility	87.0	87.0	87.0
Other liabilities	123.7	173.2	134.5
Total liabilities	210.7	260.2	221.5
Net assets	647.1	634.4	618.3
Shareholder funds			
Contributed equity	508.6	501.8	501.2
Reserves	20.0	20.2	15.9
Retained earnings	118.5	112.4	101.2
Total equity	647.1	634.4	618.3

1. Excludes the asset and liability for the Perpetual Exact Market Cash Fund (EMCF) structured product.

1.5.2 BALANCE SHEET ANALYSIS

Key movements in Perpetual's consolidated Balance Sheet during 1H18 are described below.

Cash

Cash and cash equivalents decreased from $323.5 million at the end of 2H17 to $270.1 million at the end of 1H18, a decrease of $53.4 million or 20%.

Further detail can be found in section 1.6.1, 'Cash flow'.

Liquid investments

Liquid investments increased to $83.7 million at the end of 1H18 from $63.1 million at the end of 2H17. This increase was predominantly driven by additional investment in existing unit trusts and new incubation funds.

Goodwill and other intangibles

Goodwill and other intangibles decreased by $3.1 million to $301.3 million at the end of 1H18 due to amortisation charges during the period.

Other assets and liabilities

'Other assets' decreased to $176.2 million from $176.8 million at the end of 2H17 and 'Other liabilities' decreased to $123.7 million from $173.2 million at the end of 2H17. The decrease in other assets of $0.6 million is primarily attributable to a decrease in prepayments of $2.3 million and a decrease in deferred tax assets of $7.2 million offset by an increase in receivables of $9.0 million. The decrease in other liabilities of $49.5 million is predominantly attributable to a decrease in payables and employee benefits of $11.2 million and $18.9 million respectively in addition to a decrease in current tax liabilities of $19.4 million.

Loans

Movements in loans balances are described in section 1.6.2, 'Debt'.

Contributed equity

Contributed Equity has increased by $6.8 million since 2H17. This increase is primarily attributable to the vesting of shares under employee share plans.

Reserves

Total reserves have decreased by $0.2 million to $20.0 million at the end of 1H18 predominantly due to a net decrease in the Equity Compensation Reserve of $2.1 million offset by an increase in the Available-for-sale Reserve of $1.7 million.

1.6 CAPITAL MANAGEMENT

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

i) Maximising returns to shareholders

ii) Enabling strategy

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

iv) Withstanding shocks to the market.

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

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

At the end of 1H18, total base capital requirements were $175 million ($156 million for operational risk including regulatory capital requirements, $13 million for credit risk and $6 million for market risk), compared to $329 million of available liquid funds.

During 1H18, the Group has maintained balance sheet strength through:

- Continuing to maintain the overall credit quality of the Group's risk assets
- refinanced the committed debt facilities of $130 million, drawn to $87 million as at 31 December 2017, and
- strong discretionary expense discipline across each business unit and support group.

1.6.1 CASH FLOW

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M
Net cash from operating activities	30.6	116.1	42.3
Net cash used in investing activities	(21.0)	11.4	(3.5)
Net cash used in financing activities	(62.9)	(60.5)	(60.5)
Net (decrease)/increase in cash and cash equivalents	(53.3)	67.0	(21.7)

Cash decreased by $53.3 million in 1H18 compared to a $21.7 million decrease in 1H17 and a $67.0 million increase in 2H17.

Net cash from operating activities was lower in 1H18 compared with 1H17 predominantly due to changes in the composition of working capital with lower gross receipts compared with gross payments in the course of operations, and an increase in income taxes paid. Net cash used in investing activities was higher than 1H17 due to increased investments in available for sale assets, offset by a reduction in payments in PP&E and software. Net cash from financing activities was higher due to an increase in the final dividend paid compared with 1H17.

Net cash from operating activities was lower in 1H18 compared with 2H17 predominantly due to the payment of annual performance incentives and increased staff costs. Net cash used in investing activities was higher in 1H18 compared with 2H17 due to increased investments in unit trusts in 1H18 and a redemption of a seed fund in 2H17.

1.6.2 DEBT

AT END OF		1H18	2H17	1H17
Corporate debt	$M	87.0	87.0	87.0
Corporate debt to capital ratio (corporate debt/(corporate debt + equity))	%	11.9	12.1	12.3
Interest coverage calculation for continuing operations (EBIT/interest expense)	times	76x	77x	61x
Net tangible assets per share	$	6.59	6.10	5.95

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

Debt level: At the end of 1H18 Perpetual's gross corporate debt was $87 million. The Group's gearing ratio at the end of 1H18 was 11.9%, compared to 12.1% at the end of 2H17 and 12.3% at the end of 1H17. The gearing ratio remains well within Perpetual's stated risk appetite limit of 30%.

Lenders and debt maturity: Perpetual's corporate debt is currently sourced solely from a long term banking relationship with National Australia Bank. At the end of 1H18, the Group had a committed bank corporate debt facility of $130 million of which $87 million was drawn. The facility has greater than 12 months to its expiry date of 31 October 2019.

Covenants: Financial covenants related to the debt facility include minimum shareholders' funds, leverage, interest cover, capital adequacy ratios and limits on operational debt. At the end of 1H18, the Group was in compliance with all its debt covenants.

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

1.7 REGULATORY ENVIRONMENT

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

Trend	Overview	Impact/Management
Social Licence	The Royal Commission into Banks & Financial Services commenced on 12 February 2018	The Group will monitor developments closely and will co-operate fully if requested.
Governance	A key regulatory trend generating significant interest among financial services participants. Examples include: • APRA's intention to regulate superannuation trustees' strategic and business planning practices • ASIC's intended product design and distribution obligations Much of current regulatory change is focussed on establishing new mechanisms for scrutinising governance practices	Perpetual is in compliance with existing Governance requirements. The Group will continue to monitor developments closely and will respond accordingly.
Personal information protection	Another key trend, which includes mandatory data breach reporting and cyber risk management.	The Group continues to work internally and with its external relationships to implement enhanced data protection processes in its privacy and information technology security frameworks.
Transparency	A regulatory trend which includes disclosure and reporting standards, like RG 97, MiFID II, the Common Reporting Standard and portfolio holdings disclosure.	Despite the operative challenges and associated cost with implementation, the Group considers increased transparency a reflection of good culture and governance. The Group continues its implementation responses for compliance with the required start dates.
New investment vehicle structures and schemes	Schemes such as the introduction of Corporate Collective Investment Vehicles and the Asia Region Funds Passport, have the potential to attract greater offshore investment monies.	The Group is actively assessing the market opportunities given its existing investment capabilities as it awaits the release of new legislation in FY18 and FY19.

1.8 BUSINESS RISKS

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

The risk management framework is underpinned by the Three Lines of Defence model. This model sees the first line, being business unit management, accountable for the day-to-day identification and management of risks. Perpetual's Group Risk and Group Compliance functions represent the second line and are responsible for overseeing first line activities. Internal Audit provides independent assurance, representing the third line, and reports to the ARCC.

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

Risk Category	Risk Description/Impact	Risk Mitigants
Compliance, Legal & Conduct	The risk that Perpetual breaches its compliance and legal obligations, leading to reputation damage, litigation, fines, breach of contract or adverse regulatory outcomes	• Independent Legal and Compliance teams • Compliance Risk Management Framework in place • Risk and compliance training • Policies and process to manage conflicts of interest • Independent issues assessment
	Manifestation of behaviours and practices (conduct) that are considered unethical or unacceptable, including actions that compromise the best interests of Perpetual's clients and the integrity of the market place	• Clearly defined expected behaviours of all individuals that form part of the performance assessment process • Implementation of the Three Lines of Defence risk practices • Whistleblowing arrangements managed by an independent vendor • Risk Culture measurement and reporting
Financial	Risk of inappropriate use of Perpetual financial resources, drivers of financial performance are not well understood or managed to expectations, or financial results inappropriately accounted for or disclosed	• Budget planning process • Reconciliation and review processes • Regular income and expense reviews • Internal and external auditors
	Exposure to, or reliance on, revenue streams linked to equity markets resulting in potentially volatile earnings (revenue diversity and asset pricing market risk)	• Diversification of revenue sources • Disciplined and active management of the cost base
	Impact upon profitability due to the loss of key clients	• Constant focus on servicing clients to the highest standards and acting in clients' best interests • Strong investment governance processes which support transparent and timely reporting to clients
Investment	The risk of loss resulting from ineffective investment strategies, management or structures resulting in sustained underperformance relative to peers and benchmarks	• Well defined and disciplined investment processes and philosophy for selection. • Established investment governance structure in place • Independent mandate monitoring and reporting
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes (but is not limited to) process, fraud and business continuity risks	• Clearly defined policies, procedures, roles and responsibilities • Controls testing in the form of control self-assessment • Business Continuity Planning Program • Independent assurance
	Cyber risk, including the risk of loss (both data and financial) resulting from unauthorised access to and/or tampering with Perpetual's IT systems or data	• Defined Information Security Program and IT Security policies • Implementation of operational security technology (including firewalls and antivirus) • Security (penetration) testing of key systems
Outsourcing	The risk that services performed by external service providers are not managed in line with the servicing contract or the operational standards required, resulting in potential negative impacts to shareholders and/or customers	• Partnered with well-regarded and proven strategic partners • Outsourced relationships are managed at a senior level • Outsourcing and vendor management framework, with legal contracts • Service level standards monitored
People	Exposure to changes in personnel, including an inability to attract or retain quality and appropriate people (particularly in key investment management roles)	• Succession planning, talent identification programs, reporting to the People and Remuneration Committee • Remuneration benchmarking and alignment of remuneration with long-term investment performance • Employee Engagement monitoring
	Exposure of staff, customers and suppliers to work health and safety (WH&S) issues with potential detrimental impact	• Well defined WH&S policies, procedures and training • WH&S Committee • Incident and Injury management processes

Risk Category	Risk Description/Impact	Risk Mitigants
Reputation	The risk arising from negative perception on the part of both existing and prospective clients, employees, counterparties, shareholders, investors, regulators or other stakeholders that can adversely affect Perpetual's ability to maintain existing, or establish new client relationships and business operations	• Application of Risk Appetite Statement • Effective Risk Management Framework that sets out how risk is managed • Effective issues management processes to respond to events that may arise • Media monitoring • Net Promoter Score measurement and reporting
Strategic	Adverse strategic decisions, ineffective implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect Perpetual's market position and client value proposition	• Considered strategic and business planning processes • Strategic measures cascaded through performance management • Application of Risk Appetite Statement in strategic decision-making

1.9 OUTLOOK

Perpetual is focused on executing its Lead & Grow strategy.

The long-term outlook for the Group is bolstered by the growing need for savings, advice and income in retirement underpinned by the compulsory superannuation regime and demographic changes. At the same time, external environmental factors, such as regulatory and political uncertainty, and market volatility can pose near-term challenges facing not just Perpetual but also the broader financial services industry.

Given the sensitivity of Perpetual's revenue and profitability to movements in Australian equity markets, net flows, and investment performance, near-term results are subject to significant variability, particularly during periods of high market volatility.

The Group remains confident that with continued investment in its core businesses and extensions into adjacent areas and new markets, it can continue to grow over time.

1.10 EVENTS SUBSEQUENT TO BALANCE DATE

A final dividend of 135 cents per share fully franked was declared on 22 February 2018 and is to be paid on 26 March 2018.

Other than the matter 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.

SECTION 2
REVIEW OF BUSINESSES

2 REVIEW OF BUSINESSES

The results and drivers of financial performance in 1H18 for the three Perpetual business units are described in the following sections. A description of revenues and expenses at the Group Support Services level is also provided.

2.1 PERPETUAL INVESTMENTS

2.1.1 BUSINESS OVERVIEW

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

2.1.2 FINANCIAL PERFORMANCE

Perpetual Investments financial results

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
Revenue	117.6	114.2	113.8	3%	3%
Operating expenses	(54.9)	(52.1)	(50.9)	(5%)	(8%)
EBITDA	62.7	62.1	63.0	1%	-
Depreciation and amortisation	(1.3)	(1.3)	(1.3)	-	-
Equity remuneration expense	(3.4)	(3.2)	(2.8)	(7%)	(20%)
Profit before tax	58.1	57.7	58.8	1%	(1%)
Average FUM revenue margin (revenues/average FUM)	74bps	71bps	74bps	3bps	-
Average FUM	$31.6B	$32.2B	$30.7B	(2%)	3%

In 1H18, Perpetual Investments reported profit before tax of $58.1 million, $0.7 million or 1% lower than 1H17, and $0.4 million or 1% higher than 2H17. The result compared to 1H17 was driven by higher expenses, largely staff related costs, net outflows in 1H18 and 2H17 and prior period distributions, partially offset by higher revenue driven by higher average FUM and higher performance fees earned. The cost to income ratio in 1H18 was 51% compared to 48% in 1H17 and 49% in 2H17.

2.1.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Investments generated revenue of $117.6 million in 1H18, $3.8 million or 3% higher than 1H17, and $3.4 million or 3% higher than 2H17.

The key factors that impacted revenue in 1H18 compared to 1H17 included:

- higher average FUM as a result of higher average All Ords, 7% higher than 1H17, which was offset by prior period distributions (30 June 2017) and net outflows in 1H18 and 2H17, and
- higher equities performance fees earned in 1H18.

The key factors impacting revenue in 1H18 compared to 2H17 included:

- higher equities performance fees earned in 1H18, and
- lower average FUM mainly due to prior period distributions and net outflows partially offset by higher average All Ords, 1% higher than 2H17.

Average FUM revenue margins in 1H18 were 74 basis points (bps), flat to 1H17 and 3bps higher than 2H17. Movements in average margins are mainly brought about by changes in the mix of FUM between lower margin institutional and higher margin retail investors, as well as changes in the mix of asset classes such as cash (generally lower margin) and equities (generally higher margin) and the contribution of performance fees earned. Excluding performance fees earned the underlying average margins were relatively stable.

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

Revenue by asset class

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
By asset class:					
> Equities	100.6	97.8	97.6	3%	3%
> Cash and fixed income	13.0	12.5	12.0	5%	9%
> Other FUM related	3.9	3.8	3.9	3%	-
> Other non-FUM related	0.1	0.2	0.3	(52%)	(64%)
Revenues	117.6	114.2	113.8	3%	3%

Performance fees

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
By asset class:					
> Equities	4.1	1.3	2.7	209%	50%
> Cash and fixed income	1.2	1.5	1.3	(24%)	(8%)
Total performance fees	5.3	2.8	3.9	91%	35%

Revenue margin

FOR THE PERIOD	1H18 bps	2H17 bps	1H17 bps	1H18 v 2H17	1H18 v 1H17
By asset class:					
> Equities	83	79	82	4	1
> Cash and fixed income	39	37	41	2	(2)
> Other FUM related	80	79	78	1	2
Average revenue margin	74	71	74	3	-

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

Equities: Revenues represent fees earned on Australian and global equities products. Revenue in 1H18 was $100.6 million, an increase of 3% on 1H17 and an increase of 3% on 2H17. Revenue was positively impacted by higher average FUM, from higher market levels, partially offset by prior year distributions and net outflows. The average margin in 1H18 was 83bps, 1bps higher than 1H17 and 4bps higher than 2H17. These differences were due to channel mix and higher performance fees earned in 1H18.

Cash and fixed income: Revenues are derived from cash and fixed income products. Revenue in 1H18 was $13.0 million, an increase of 9% on 1H17 and 5% on 2H17. The increase in revenue was primarily due to higher average FUM and change in product mix.

Other FUM related: Revenue includes management fees for sub-advisory mandates and external funds on the WealthFocus platform. Revenue in 1H18 was $3.9 million, flat to 1H17 and an increase of 3% on 2H17.

Other non-FUM related: Revenue includes the interest earned on operational bank accounts across the business. The revenue decrease in 1H18 was mainly due to lower cash balances.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Investments in 1H18 were $59.6 million, $4.6 million or 8% higher than 1H17 and $3.0 million or 5% higher than 2H17. The increase in expenses was due to higher staff costs and higher equity performance fee expenses.

2.1.4 FUNDS UNDER MANAGEMENT

FUM and flows

FUM summary

AT END OF	1H18 $B	Net flows $B	Other[1] $B	2H17 $B	1H17 $B
Institutional	10.9	(0.8)	0.9	10.8	11.0
Intermediary (master fund and wrap)	16.0	-	0.9	15.1	15.2
Retail	5.6	-	0.4	5.2	5.4
Listed investment company	0.3	-	-	0.3	0.3
All distribution channels	32.8	(0.8)	2.2	31.4	31.9
Australian equities	23.3	(0.9)	1.9	22.3	23.4
Global equities	1.4	0.1	0.1	1.2	1.1
Listed investment company	0.3	-	-	0.3	0.3
Equities	25.0	(0.8)	2.0	23.8	24.8
Cash and fixed income	6.8	-	0.1	6.7	6.1
Other	1.0	-	0.1	0.9	1.0
All asset classes	32.8	(0.8)	2.2	31.4	31.9

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

Net flows

FOR THE PERIOD	1H18 $B	2H17 $B	1H17 $B
Institutional	(0.8)	(0.4)	0.3
Intermediary (master fund and wrap)	-	(0.3)	(0.1)
Retail	-	(0.2)	(0.2)
Listed investment company	-	-	-
All distribution channels	(0.8)	(0.9)	-
Australian equities	(0.9)	(1.3)	(0.1)
Global equities	0.1	-	(0.3)
Listed investment company	-	-	-
Equities	(0.8)	(1.3)	(0.4)
Cash and fixed income	-	0.5	0.4
Other	-	(0.1)	-
All asset classes	(0.8)	(0.9)	-

Perpetual's FUM as at 31 December 2017 was $32.8 billion, with net outflows for 1H18 predominately from the institutional channel, within Australian Equities.

Excess/(under) investment performance per annum - Gross as at end December 2017[a]

Period	Australian Share Fund	Industrial Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Share Plus Fund	Ethical Share Fund	Diversified Income Fund	Perpetual Active Fixed Interest Fund	Perpetual Global Share Fund[b]
1 year	(0.5)%	1.9%	0.2%	1.2%	6.7%	(0.6)%	3.8%	1.6%	7.5%
3 year pa	(0.6)%	(0.1)%	0.5%	0.6%	2.3%	3.0%	2.6%	1.2%	2.2%
5 year pa	0.5%	0.2%	7.1%	2.0%	5.1%	4.3%	2.9%	1.1%	4.8%
7 year pa	1.6%	0.4%	8.5%	3.3%	6.3%	6.7%	3.0%	1.4%	3.4%
10 year pa	2.5%	1.4%	8.4%	3.9%	6.1%	6.2%	1.9%	1.2%	-

a. Compared to relevant benchmarks. The table provides no allowance for management expenses, redemption fees or taxation.

b. Includes performance in the incubation period.

Further to the above, the majority of Perpetual Investments' main funds outperformed over the medium and long-term time horizons and were represented in the first or second quartile of performance rankings over a five, seven and ten-year period[2].

[2] Mercer wholesale surveys, quartile rankings, December 2017.

2.2 PERPETUAL PRIVATE

2.2.1 BUSINESS OVERVIEW

Perpetual Private provides a range of advice and trustee services for high net worth individuals in the target segments of 'business owners', 'established wealthy' and 'professionals'. It had $13.7 billion of FUA at the end of 1H18.

Perpetual Private aims to be the leading provider of advice and wealth management for high net worth individuals, families, businesses and not-for-profit organisations. A key part of Perpetual Private is its philanthropic business and Perpetual is one of Australia's largest managers of philanthropic funds, with $2.7 billion in FUA for charitable trusts and endowment funds as at the end of 1H18.

2.2.2 FINANCIAL PERFORMANCE

Perpetual Private financial results

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
Market related revenue	61.0	57.9	55.7	5%	10%
Non-market related revenue	31.8	34.0	30.9	(6%)	3%
Total revenues	92.8	91.8	86.6	1%	7%
Operating expenses	(63.6)	(62.9)	(61.1)	(1%)	(4%)
EBITDA	29.2	29.0	25.5	1%	15%
Depreciation and amortisation	(4.4)	(5.0)	(5.0)	12%	12%
Equity remuneration expense	(1.6)	(2.1)	(1.7)	25%	6%
Profit before tax	23.1	21.8	18.7	6%	24%
Closing FUA	$13.7B	$13.5B	$13.3B	2%	3%
Average FUA	$13.4B	$13.3B	$13.0B	1%	3%
Market related revenue margin	91bps	86bps	85bps	5bps	6bps

In 1H18, Perpetual Private reported profit before tax of $23.1 million, $4.4 million or 24% higher than 1H17 and $1.3 million or 6% higher than 2H17. The result compared to both 1H17 and 2H17 was due to higher revenues as a result of higher equity markets, continued positive net flows and non-market related revenues higher compared to 1H17 and lower compared to 2H17. During 1H18 Perpetual Private experienced continued new client growth within the high net worth segment. The cost to income ratio in 1H18 was 75% compared to 78% in 1H17 and 76% in 2H17.

2.2.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Private generated revenue of $92.8 million in 1H18, $6.2 million or 7% higher than 1H17 and $1.0 million or 1% higher than 2H17 principally due to:

- higher average FUA due to equity market increases and positive net flows
- higher funds management activity, and
- non-market related activity, primarily Fordham (tax and accounting) which was higher compared to 1H17 and lower compared to 2H17.

Perpetual Private's market related revenue margin was 91bps in 1H18, 6bps higher than 1H17 and 5bps higher than 2H17 due to changes in portfolio mix and lower than expected fund rebates paid.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Private in 1H18 were $69.6 million, $1.8 million or 3% higher than 1H17 and $0.4 million or 1% lower than 2H17.

The increase compared to 1H17 was primarily due to higher staff costs partially offset by lower amortisation. The decrease compared to 2H17 was primarily due to lower variable remuneration and lower amortisation partially offset by an increase in staff costs.

2.2.4 FUNDS UNDER ADVICE

Funds under advice

AT END OF	1H18 $B	Net flows $B	Other[1] $B	2H17 $B	1H17 $B
Total FUA	13.7	0.2	-	13.5	13.3

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

Perpetual Private's FUA at the end of 1H18 was $13.7 billion, $0.4 billion higher than 1H17 and $0.2 billion higher than 2H17, primarily due to positive net flows and higher equity markets, partially offset by distributions.

2.3 PERPETUAL CORPORATE TRUST

2.3.1 BUSINESS OVERVIEW

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

Debt Markets Services – provides trustee, custody and standby services to the debt capital and securitisation markets, specialised trust management and accounting services to the debt capital markets, and data warehouse and investor reporting to the Australian securitisation market and

Managed Funds Services – operates in Australia and Singapore, providing outsourced responsible entity, trustee and custody services across a variety of asset classes including property, infrastructure, private equity, emerging markets and hedge funds.

2.3.2 FINANCIAL PERFORMANCE

Perpetual Corporate Trust financial results

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
Debt Markets Services	27.9	26.6	25.5	5%	10%
Managed Funds Services	21.7	21.6	19.1	-	14%
Total revenues	49.6	48.2	44.5	3%	11%
Operating expenses	(25.9)	(24.2)	(24.1)	(7%)	(8%)
EBITDA	23.7	24.0	20.5	(1%)	16%
Depreciation and amortisation	(3.1)	(3.2)	(3.0)	1%	(3%)
Equity remuneration expense	(0.7)	(0.9)	(0.6)	22%	(11%)
Profit before tax	19.8	19.9	16.8	-	18%
Funds under administration					
- Debt Markets Services	$448.3B	$454.1B	$445.0B	(1%)	1%
- Managed Funds Services	$214.2B	$203.8B	$199.1B	5%	8%

In 1H18, Perpetual Corporate Trust reported profit before tax of $19.8 million, $3.0 million or 18% higher than 1H17, and $0.1 million lower than 2H17. The result compared to 1H17 reflected strong underlying revenue growth in both the Debt Market Services and Managed Funds Services businesses, partially offset by higher staff costs to support new business growth and higher legal expenses. The cost to income ratio in 1H18 was 60% compared to 62% in 1H17 and 59% in 2H17.

2.3.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Corporate Trust generated total revenues of $49.6 million in 1H18, $5.1 million or 11% higher than 1H17 and $1.4 million or 3% higher than 2H17 principally due to:

- Strong issuance in securitisation markets, primarily RMBS - Banks and RMBS - Non-banks, and
- continued high market activity within commercial property and managed investment funds, together with higher asset prices.

In 1H18, Debt Markets Services revenue was $27.9 million, $2.4 million or 10% higher than 1H17 and $1.3 million or 5% higher than 2H17. The primary driver for the increase on 1H17 was continued issuance in securitisation markets.

In 1H18, Managed Fund Services revenue was $21.7 million, $2.6 million or 14% higher than 1H17 and $0.1 million higher than 2H17. The increase compared to 1H17 was primarily due to continued growth in the property market and managed investment funds.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Corporate Trust in 1H18 were $29.7 million, $2.0 million or 7% higher than 1H17 and $1.4 million or 5% higher than 2H17. The primary drivers of the increase in expenses on 1H17 and 2H17 were higher staff costs to support new business growth and higher legal expenses.

2.3.4 FUNDS UNDER ADMINISTRATION

Funds under administration

AT END OF	1H18 $B	2H17 $B	1H17 $B
Market Securitisation			
RMBS - bank	64.9	58.2	48.9
RMBS - non bank	55.4	50.9	49.5
CMBS and ABS	45.8	45.1	43.0
Balance Sheet Securitisation			
RMBS - repos	196.2	206.0	212.1
Covered bonds	68.1	76.0	77.0
Debt Markets Services securitisation[1]	430.4	436.1	430.5
Other Debt Market Services	17.9	18.0	14.5
Debt Markets Services	448.3	454.1	445.0
Managed Fund Services	214.2	203.8	199.1
Total FUA	662.4	657.9	644.1

1. Includes warehouse and liquidity finance facilities.

At the end of 1H18, Debt Market Services FUA was $448.3 billion, an increase of $3.3 billion or 1% on 1H17 and a decrease of $5.8 billion or 1% on 2H17.

- Market Securitisation FUA continued to grow strongly in 1H18 via increased issuance, particularly within RMBS - Bank and RMBS - Non-bank portfolios. We saw a corresponding decrease in utilisation of Balance Sheet Securitisation by issuers during 1H18, and
- RMBS runoff rates have been largely consistent to 1H17 and 2H17 levels.

At the end of 1H18, Managed Fund Services FUA was $214.2 billion, an increase of $15.1 billion or 8% on 1H17 and an increase of $10.4 billion or 5% on 2H17.

2.4 GROUP SUPPORT SERVICES

2.4.1 OVERVIEW

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

2.4.2 FINANCIAL PERFORMANCE

Group Support Services financial results

FOR THE PERIOD	1H18 $M	2H17 $M	1H17 $M	1H18 v 2H17	1H18 v 1H17
Revenue	6.8	8.8	7.5	(22%)	(8%)
Operating expenses	(5.4)	(9.4)	(7.8)	43%	31%
EBITDA	1.5	(0.6)	(0.3)	328%	571%
Depreciation and amortisation	(0.3)	(0.2)	(0.2)	(76%)	(60%)
Equity remuneration expense	0.6	-	(0.6)	1280%	202%
Interest expense	(1.3)	(1.3)	(1.5)	-	17%
Profit before tax	0.5	(2.1)	(2.6)	123%	119%

In 1H18, revenue from the Group's cash and principal investments was $6.8 million, $0.7 million or 8% lower than 1H17 due to lower investment income and $2.0 million or 22% lower than 2H17 due to lower gains from disposals of Perpetual's seed fund investments.

In 1H18, Group Support Services expenses were $6.4 million, $3.7 million or 37% lower than 1H17 primarily due to expense discipline and lower variable remuneration and $4.5 million or 41% lower than 2H17 primarily due to expense discipline and lower variable remuneration.

SECTION 3
APPENDICES

3 APPENDICES

3.1 APPENDIX A: SEGMENT RESULTS

PERIOD	1H18					2H17					1H17				
	Perpetual Investments $M	Perpetual Private $M	Perpetual Corporate Trust $M	Group Support Services $M	Total $M	Perpetual Investments $M	Perpetual Private $M	Perpetual Corporate Trust $M	Group Support Services $M	Total $M	Perpetual Investments $M	Perpetual Private $M	Perpetual Corporate Trust $M	Group Support Services $M	Total $M
Operating revenue	117.6	92.8	49.6	6.8	266.8	114.2	91.8	48.2	8.8	263.0	113.8	86.6	44.5	7.5	252.4
Operating expenses	(54.9)	(63.6)	(25.9)	(5.4)	(149.8)	(52.1)	(62.9)	(24.2)	(9.4)	(148.6)	(50.9)	(61.1)	(24.1)	(7.8)	(143.8)
EBITDA	62.7	29.2	23.7	1.5	117.1	62.1	29.0	24.0	(0.6)	114.4	63.0	25.5	20.5	(0.3)	108.6
Depreciation and amortisation	(1.3)	(4.4)	(3.1)	(0.3)	(9.1)	(1.3)	(5.0)	(3.2)	(0.2)	(9.6)	(1.3)	(5.0)	(3.0)	(0.2)	(9.6)
Equity remuneration	(3.4)	(1.6)	(0.7)	0.6	(5.2)	(3.2)	(2.1)	(0.9)	-	(6.3)	(2.8)	(1.7)	(0.6)	(0.6)	(5.7)
EBIT	58.1	23.1	19.8	1.8	102.8	57.7	21.8	19.9	(0.8)	98.5	58.8	18.7	16.8	(1.0)	93.3
Interest expense	-	-	-	(1.3)	(1.3)	-	-	-	(1.3)	(1.3)	-	-	-	(1.5)	(1.5)
UPBT	58.1	23.1	19.8	0.5	101.5	57.7	21.8	19.9	(2.1)	97.3	58.8	18.7	16.8	(2.6)	91.7

3.2 APPENDIX B: BRIDGE FOR 1H18 STATUTORY ACCOUNTS AND OFR

	1H18 Statutory Accounts	OFR UPAT adjustments	1H18 OFR	EMCF	Legal Expenses	Total adjustments
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	269,267	(2,457)	266,810	(2,457)	-	(2,457)
Staff related expenses excluding equity remuneration expense	(93,163)		(93,163)			
Occupancy expenses	(9,293)		(9,293)			
Administrative and general expenses	(47,297)		(47,297)			
Distributions and expenses relating to structured products	(2,457)	2,457		2,457		2,457
Equity remuneration expense	(5,158)		(5,158)			
Depreciation and amortisation expense	(9,085)		(9,085)			
Legal Expenses	(4,970)	4,970			4,970	4,970
Financing costs	(1,280)		(1,280)			
Net profit before tax	96,564	4,970	101,534	-	4,970	4,970
Income tax expense	(28,513)	(1,491)	(30,004)		(1,491)	(1,491)
Net profit after tax	68,051	3,479	71,530	-	3,479	3,479
Net profit after tax consolidated entity	68,051	3,479	71,530	-	3,479	3,479
Net profit after tax attributable to equity holders of Perpetual Limited	68,051	3,479	71,530	-	3,479	3,479
Legal Expenses			(3,479)			
Net profit after tax attributable to equity holders			68,051			

3.3 APPENDIX C: AVERAGE FUNDS UNDER MANAGEMENT

Average FUM by asset class

FOR THE PERIOD	1H18 $B	2H17 $B	1H17 $B	1H18 v 2H17	1H18 v 1H17
Australian equities	22.3	23.1	22.5	(3%)	(1%)
Global equities	1.3	1.2	1.1	8%	18%
Listed investment company	0.3	0.3	0.3	-	-
Total equities	23.9	24.6	23.9	(3%)	0%
Cash and fixed income	6.7	6.7	5.8	-	16%
Other	1.0	0.9	1.0	11%	-
Total average FUM	31.6	32.2	30.7	(2%)	3%

3.4 APPENDIX D: FULL TIME EQUIVALENT EMPLOYEES (FTE)

Total FTE employees

AT END OF	1H18	2H17	1H17
Perpetual Investments	162	156	155
Perpetual Private	402	391	387
Perpetual Corporate Trust	187	177	168
Group Support Services	159	167	158
Total operations	910	891	869
Permanent	899	874	857
Contractors	11	17	12
Total operations	910	891	869

3.5 APPENDIX E: DIVIDEND HISTORY

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

Year	Dividend	Date paid	Dividend per share	Franking rate	Company tax rate	DRP price
FY18	Interim	26 Mar 2018	135 cents	100%	30%	Not determined at time of publication
FY17	Final	29 Sep 2017	135 cents	100%	30%	$52.33
FY17	Interim	24 Mar 2017	130 cents	100%	30%	$51.86
FY16	Final	28 Sep 2016	130 cents	100%	30%	$45.93
FY16	Interim	24 Mar 2016	125 cents	100%	30%	$42.93
FY15	Final	25 Sep 2015	125 cents	100%	30%	$40.61
FY15	Interim	27 Mar 2015	115 cents	100%	30%	$54.20
FY14	Final	3 Oct 2014	95 cents	100%	30%	$45.54
FY14	Interim	4 Apr 2014	80 cents	100%	30%	$50.32
FY13	Final	4 Oct 2013	80 cents	100%	30%	$38.66
FY13	Interim	5 Apr 2013	50 cents	100%	30%	$40.71
FY12	Final	5 Oct 2012	40 cents	100%	30%	$27.00
FY12	Interim	29 Mar 2012	50 cents	100%	30%	$24.34
FY11	Final	27 Sep 2011	90 cents	100%	30%	$22.40
FY11	Interim	30 Mar 2011	95 cents	100%	30%	$28.44
FY10	Final	28 Sep 2010	105 cents	100%	30%	$29.60
FY10	Interim	1 Apr 2010	105 cents	100%	30%	$35.21
FY09	Final	30 Sep 2009	60 cents	100%	30%	$37.78
FY09	Interim	13 Mar 2009	40 cents	100%	30%	N/A
FY08	Final	12 Sep 2008	141 cents	100%	30%	N/A
FY08	Interim	14 Mar 2008	189 cents	100%	30%	N/A
FY07	Final	14 Sep 2007	187 cents	100%	30%	N/A
FY07	Interim	16 Mar 2007	173 cents	100%	30%	N/A
FY06	Special	12 Sep 2006	100 cents	100%	30%	N/A
FY06	Final	12 Sep 2006	164 cents	100%	30%	N/A
FY06	Interim	17 Mar 2006	162 cents	100%	30%	N/A
FY05	Special	12 Sep 2005	100 cents	100%	30%	N/A
FY05	Final	12 Sep 2005	130 cents	100%	30%	N/A
FY05	Interim	18 Mar 2005	130 cents	100%	30%	N/A
FY04	Special	17 Sep 2004	200 cents	100%	30%	N/A
FY04	Final	17 Sep 2004	80 cents	100%	30%	N/A
FY04	Special	23 Jun 2004	50 cents	100%	30%	N/A
FY04	Interim	19 Mar 2004	70 cents	100%	30%	N/A

3.6 GLOSSARY

ABS	Asset backed securities
ADI	Authorised Deposit-taking Institution
AICD	Australian Institute of Company Directors
AFSL	Australian Financial Services Licence
All Ords	All Ordinaries Price Index
ANR	Annualised net revenue
ARCC	Audit, Risk and Compliance Committee
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
B	Billion
bps	Basis point (0.01 of 1%)
CMBS	Commercial mortgage backed securities
cps	Cents per share
DMS	Debt Markets Services
DPS	Dividend(s) per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation of intangible assets, equity remuneration expense, and significant items
EMCF	Perpetual Exact Market Cash Fund
EPS	Earnings per share
Finsia	Financial Services Institute of Australasia
FTE	Full time equivalent employee
FUA	Funds under advice or funds under administration
FUM	Funds under management
Group	Perpetual Limited and its controlled entities (the consolidated entity) and the consolidated entity's interests in associates
HNW	High net worth
M	Million
MFS	Managed Funds Services

NPAT	Net profit after tax
OFR	Operating and Financial Review
PCT	Perpetual Corporate Trust
PDS	Product Disclosure Statement
PI	Perpetual Investments
PP	Perpetual Private
RBA	Reserve Bank of Australia
RMBS	Residential mortgage-backed securities
ROE	Return on equity
S&P	Standard & Poor's
T15	Transformation 2015
TrustCo	The Trust Company Limited
UPAT	Underlying profit after tax
UPBT	Underlying profit before tax
VWAP	Volume weighted average price

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