Perpetual

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) for the six months ended 31 December 2010

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Note in this report:

- 1H10 refers to the financial reporting period for the six months ended 31 December 2009
- 2H10 refers to the financial reporting period for the six months ended 30 June 2010
- FY10 refers to the financial reporting period for the twelve months ended 30 June 2010
- 1H11 refers to the financial reporting period for the six months ended 31 December 2010
- 2H11 refers to the financial reporting period for the six months ending 30 June 2011
- FY11 refers to the financial reporting period for the twelve months ending 30 June 2011

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)

Perpetual is a diversified financial services company operating in three main sectors: funds management, financial advisory and trustee services. The Group operates primarily in Australia. Market factors influencing the performance of these sectors include global economic performance, stability of financial markets, investor confidence and behaviour, and government policy.

The following is a discussion and analysis of the Group's results of operations for the six months ended 31 December 2010 (1H11). It also includes a discussion of the Group's financial condition as at 31 December 2010.

The following information should be read in conjunction with the Group's unaudited condensed consolidated financial statements for the six months ended 31 December 2010 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 2010 (FY10).

The Group's unaudited condensed consolidated financial statements were subject to independent review by KPMG. KPMG's Independent Auditor's Review report to the members of the Group was unqualified.

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

A list of relevant ASX announcements since the start of 1H11 can be found at Appendix C. 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 discussion.

In 1H11, to facilitate a more targeted client approach, Perpetual has refined its sales and service vision. In line with this new client segmentation, the Group has transferred the direct distribution capability from the Private Wealth to the Perpetual Investments business. This transfer also aligns with Perpetual's management and reporting structure.

1H10 and 2H10 financial disclosure for Perpetual Investments and Private Wealth has been restated in this discussion to provide comparability with the segment reporting being adopted from 1H11. Refer to Appendix B for a table that details those reclassifications. None of these changes impacts the Group's previously reported consolidated underlying profit after tax, net profit after tax, earnings per share or return on equity.

Overview

Investment markets experienced a recovery in 1H11, buoyed by improved global economic prospects towards the end of the period in both the advanced and the emerging economies and reduced concerns about the European sovereign debt crisis. The S&P/ASX All Ordinaries Price Index (All Ords) increased by around 12% during 1H11, closing at 4,846.9 on 31 December 2010. The average All Ords for 1H11 was around 1.5% lower than during 2H10 and around 3% higher than during 1H10. This rebound in the Australian equity market had a positive impact on the Group's market-linked revenues, however investor sentiment remained fragile, with industry flows remaining subdued over the period.

1H11 Group underlying profit after tax (UPAT) was $41.0 million, up 13% or $4.6 million compared to $36.4 million in both 1H10 and 2H10. The improvement in UPAT reflected:

- the strong alignment between investment market performance and the Group's core investment revenues;
- full period contribution from the Private Wealth acquisitions of Grosvenor and Fordham;
- improved financial performance by the Group's mortgage processing business;
- a reduction in equity-based remuneration expense; and
- a lower effective tax rate.

1H11 Group net profit after tax (NPAT) was $35.0 million, down 29% or $14.2 million compared to $49.2 million in 1H10 and down 15% or $6.3 million compared to $41.3 million in 2H10. This decline in NPAT was principally due to:

– the foreshadowed lower rate of recovery of prior period losses in relation to the Exact Market Cash Fund (EMCF), reflecting the continuing maturity of securities in the portfolio at their face value;
– a $3.0 million after tax expense relating to the response to the private equity takeover proposal, which did not proceed; and
– a $10.6 million after tax non-cash asset impairment charge relating to the smartsuper business.

A FY11 interim fully franked dividend of 95 cents per share was declared by the Board, compared to 105 cents per share fully franked declared for both 1H10 and 2H10. The FY11 interim dividend is payable on 30 March 2011.

The Group's financial strength improved further in 1H11, with net tangible assets per share increasing by 15% to $4.56, compared to $3.95 at the end of FY10. At the end of 1H11, the Group's holdings of cash, cash equivalents and liquid investments totalled $232.1 million, compared to $237.5 million at the end of FY10.

Segment results summary

For the 6 month period	Operating Revenue			EBITDA [1]			Profit before/after tax		
	1H10 $m	2H10 $m	1H11 $m	1H10 $m	2H10 $m	1H11 $m	1H10 $m	2H10 $m	1H11 $m
Perpetual Investments	111.5	116.2	112.8	55.3	54.5	52.1	40.7	38.8	42.9
Private Wealth	41.8	59.0	56.9	13.0	17.3	15.2	10.7	14.5	11.6
Corporate Trust	41.6	45.9	52.3	19.4	16.2	20.1	17.8	14.5	18.9
Group and Support Services	5.2	5.1	5.1	(12.2)	(11.5)	(10.9)	(15.2)	(14.1)	(14.3)
Totals before tax and significant items	200.1	226.2	227.1	75.5	76.5	76.5	54.0	53.7	59.1
Income tax expense							(17.6)	(17.3)	(18.1)
Underlying profit after tax (UPAT)[2] before significant items							**36.4**	**36.4**	**41.0**
Significant items after tax:									
– EMCF gains							11.1	9.2	6.0
– Profit/(loss) on investments							1.7	(4.3)	1.6
– Private equity proposal response costs							-	-	(3.0)
– Impairment of intangible assets							-	-	(10.6)
Net profit after tax (NPAT) attributable to Perpetual Limited ordinary equity holders							**49.2**	**41.3**	**35.0**

[1] EBITDA represents earnings before financing costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense and significant items.
[2] Underlying profit after tax (UPAT) excludes certain items that are either significant by virtue of their size and impact on net profit after tax, or are 'one-off' in nature. UPAT has been calculated in accordance with the guidelines issued by the AICD and Finsia. It reflects management's assessment of the result for the ongoing business of the Group.

The following table presents the change in underlying profit before tax by business unit for 1H11 compared to 1H10 and 2H10:

Change in underlying profit before tax	1H11 v 1H10 $m	1H11 v 1H10 % change	1H11 v 2H10 $m	1H11 v 2H10 % change
Perpetual Investments	2.2	5	4.1	11
Private Wealth	0.9	8	(2.9)	(20)
Corporate Trust	1.1	6	4.4	30
Group and Support Services	0.9	6	(0.2)	(1)
Total	**5.1**	**9**	**5.4**	**10**

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 Private Wealth; and
– funds under administration (FUA) for Corporate Trust.

The Group earns the majority of its revenue based on a percentage of total assets under management, advice or administration. Reflecting the continued expansion of the Group's fee-for-service activities, around 32% of the Group's 1H11 revenues were charged on a per transaction or time basis, compared to 25% in 1H10 and 30% in 2H10.

Movements in key revenue drivers

The following table summarises the movements in each business unit's key revenue driver across the period. More detailed analysis is contained within the 'Review of Businesses' section.

At end of	1H10 $b	2H10 $b	Net flows $b	Other $b	1H11 $b	1H11 v 1H10 % variance	1H11 v 2H10 % variance
Perpetual Investments FUM	29.3	26.9	(1.3)	1.9	27.5	(6)	2
Private Wealth FUA	8.1	8.3	(0.1)	0.6	8.8	9	6
Corporate Trust FUA	222.4	210.5	(1.1)	-	209.4	(6)	(1)

The key driver of the Group's revenue is the average value of the Australian equity market over the period. The average value of the Australian equity market in 1H11, as represented by the All Ords, was around 3% higher than 1H10, but around 1.5% lower than 2H10.

The largest drivers of total revenue are the value of FUM within Perpetual Investments and FUA within Private Wealth, which are mainly influenced by the level of the Australian equity market. At the end of 1H11, Perpetual Investments' FUM and Private Wealth's FUA were around 74% and 57% exposed to equity markets respectively.

The following table details the movement in average FUM and revenue margin over the last three reporting periods:

Average Perpetual Investments FUM	1H10 $b	2H10 $b	1H11 $b
Australian equities	17.8	18.7	18.9
Global equities	1.3	1.3	1.1
Quantitative investments	0.9	0.4	0.1
Equities	**20.0**	**20.4**	**20.1**
Cash and fixed interest	7.3	6.8	6.2
Other	1.1	1.2	1.2
Total	**28.4**	**28.4**	**27.5**
Average revenue margin	75bps	78bps	79bps

The key asset classes actively managed by the Group are equities, and cash and fixed interest. 1H11 closing FUM was $27.5 billion, or 2% higher than at the close of 2H10. However, average FUM decreased by 3% in 1H11, predominantly due to net outflows from the cash and fixed interest asset class.

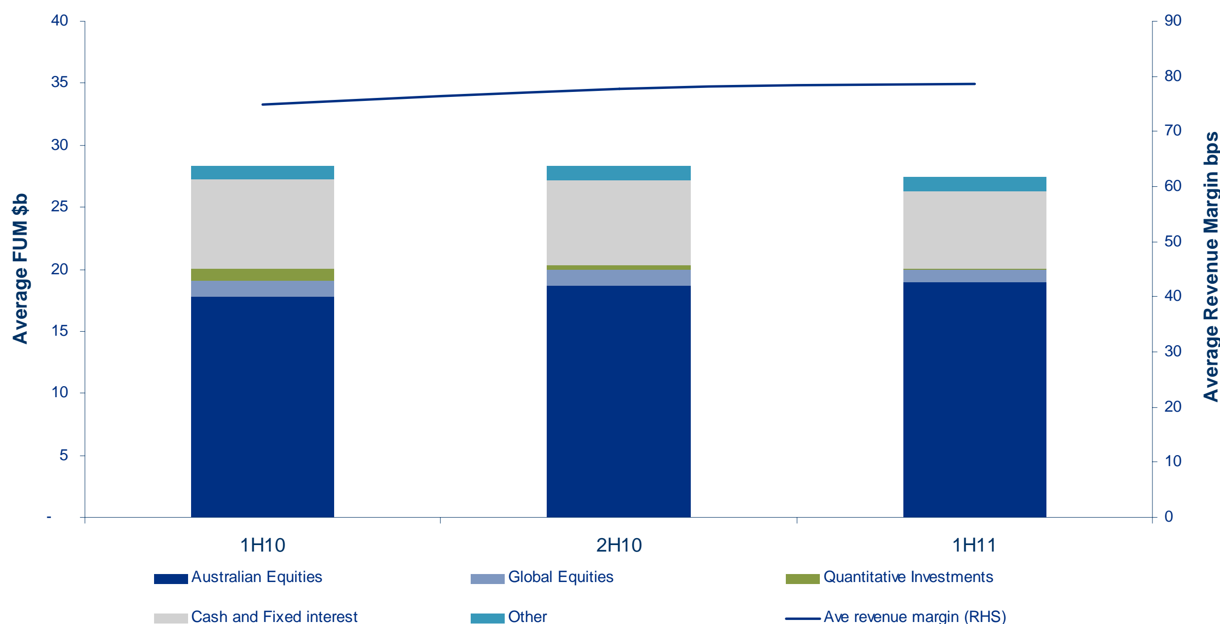
In 1H11, there was $1.3 billion of net outflows in Perpetual Investments, mainly from lower margin products:

- the cash and fixed interest asset class experienced net outflows of around $1.0 billion, versus $0.4 billion of net outflow in 2H10;
- the equities asset class experienced an aggregate $0.2 billion of net outflow – a $0.2 billion improvement on 2H10. Around $0.1 billion of this net outflow related to the closure of the Group's quantitative investment strategies and $0.1 billion related to net outflow from global equities. Net flow into actively managed Australian equity strategies was neutral during the period; and
- other assets, which includes investment assets backing Perpetual Protected Investments (PPI), reduced by $0.1 billion.

Private Wealth FUA increased by 6% to $8.8 billion during 1H11, reflecting the improvement in equity and credit market conditions since 30 June 2010.

Average FUM revenue margin in Perpetual Investments continued to improve in 1H11 to 79 bps, compared to 75 and 78 bps in 1H10 and 2H10 respectively. This was primarily due to the relatively larger proportion of FUM in the equity asset class, which benefited from market growth, and a lower proportion in lower margin products such as cash, credit and quantitative investment strategies.

These trends can be seen from the following chart, which shows the Group's average FUM and revenue margin over the last three reporting periods.



Management calculates the expected impact on revenue derived from FUM and FUA for each 1% movement in the All Ords. Based on the level of the All Ords at the end of December 2010, a 1% movement in the market changes annualised revenue by approximately $2.0 million to $2.5 million. It is worth noting this movement is not linear to the overall value of the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller effect on revenue as FUM and FUA are comprised of both equity market and non-equity market-sensitive asset classes.

Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to:

- equity funds under the Group's management and advice performing broadly in line with the All Ords;
- the impact of FUM and FUA flows, both inflows and outflows, and their timing; and
- changes in channel, product mix and pricing policy can also affect the level of revenue earned from the Perpetual Investments and Private Wealth businesses.

Corporate Trust FUA decreased by just 1% over 1H11, as improved residential mortgage backed securities (RMBS) market conditions resulted in higher levels of issuance of RMBS securities, accompanied by reduced repayments by borrowers due to higher mortgage interest rates.

Mortgage processing volumes increased by 11% in 1H11 compared to 2H10, benefiting from a full period contribution from a major bank client secured in 1H10, which expanded operations over FY10.

Operating environment

The global economic recovery initially lost momentum on a broad front in mid 2010 as the impact of previous fiscal stimuli faded and the global household sector boosted the savings rate and used these funds primarily to reduce debt. During this period, advanced economies generally recorded only moderate growth, while growth in the emerging economies of Asia and Latin America softened, but remained quite strong. The slowdown in US economic growth proved temporary and a broad based rebound is currently underway. Although many policy challenges are ahead, the recovery appears to be self sustaining at this stage, which should support global investor sentiment going forward.

Meanwhile, the process of urbanisation and industrialisation in Asian countries has continued, requiring the importation of raw materials such as iron ore and coking coal, which has continued to support the Australian economy, although this impact was tempered by increases in official interest rates and an appreciation of the Australian dollar.

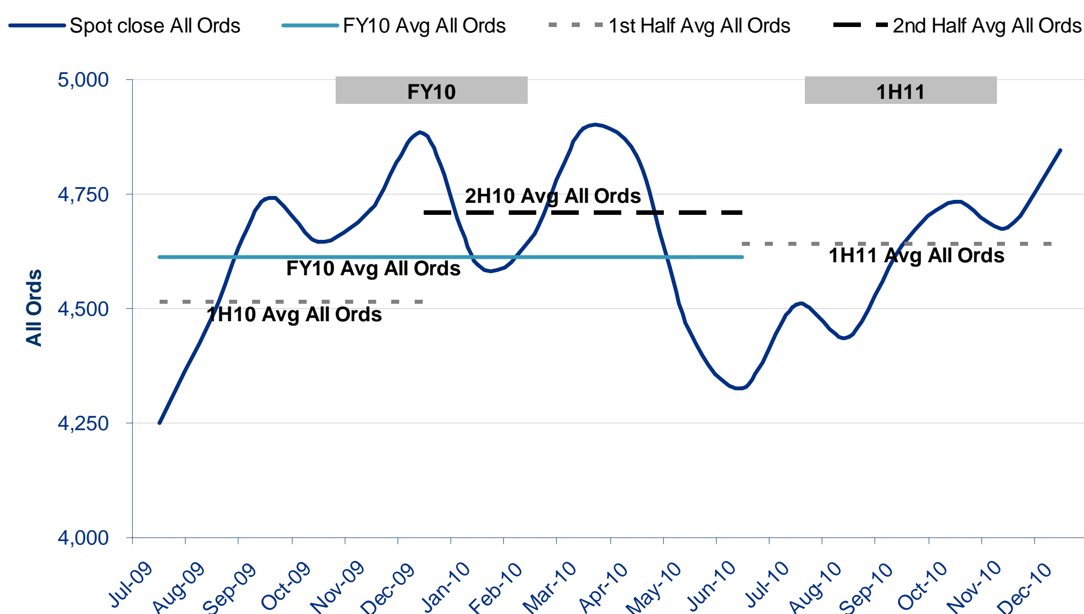
In November 2010, the Reserve Bank of Australia increased the overnight cash rate by 0.25% to 4.75%, the first rate rise in six months, to its highest level in two years, in response to the perceived increase in inflationary and growth pressures facing the Australian economy in 2011.

By the end of 1H11, the prices for many of Australia's export commodities were at very high levels, allowing Australia to enjoy one of the highest terms of trade in its history, which has underpinned a significant rise in national income. This rise was driven by strong growth in Asia and was not particularly sensitive to the associated rise in the Australian dollar. Unfortunately, other sectors of the Australian economy were not so fortunate, with tourism, manufacturing and education struggling.

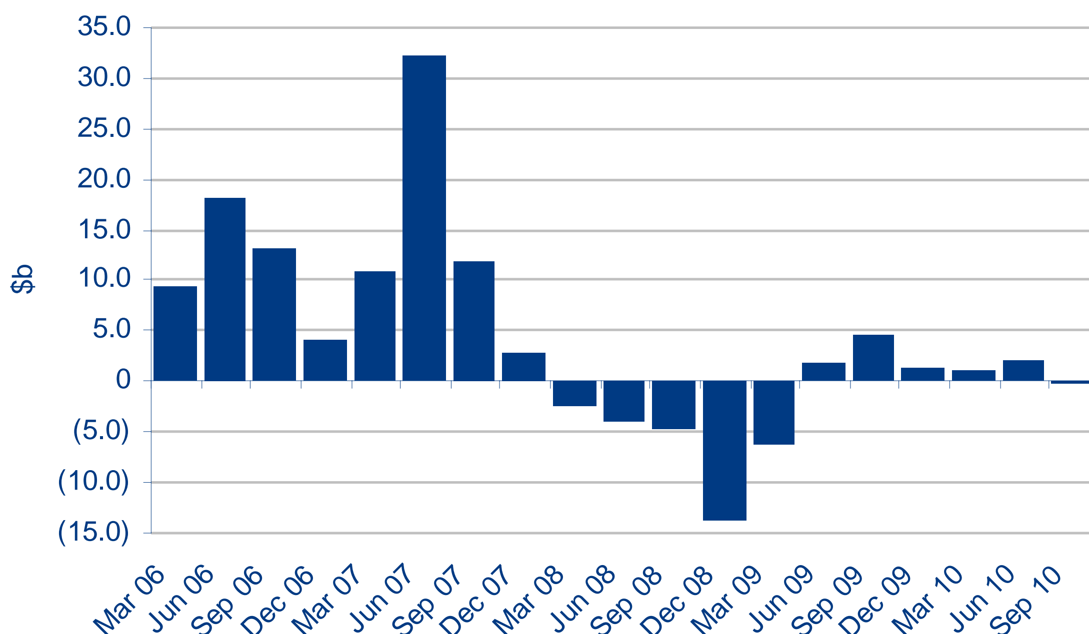
Financial market sentiment also improved in the September 2010 quarter in response to European policy initiatives to address their government debt problems. These risks have lessened for the time being, but the associated bank sector vulnerabilities remain a significant challenge in 2H11, and might impinge on the pace of the global recovery if they intensify. Nonetheless, at present the outlook for global sharemarkets has improved.

Accordingly, investor confidence has improved but it remains cautious, with the domestic household sector continuing to be selective in their spending and borrowing decisions, which has underpinned the rise in the national savings rate.

The All Ords increased in value during the six months ended 31 December 2010 by around 12%, closing at 4,846.9 at the end of the period, compared to 4,324.8 at the end of 2H10. The average All Ords for 1H11 was around 1.5% lower than during 2H10 and around 3% higher than during 1H10. The following chart shows the movement in the daily All Ords as well as the average levels for 1H10, 2H10, FY10 and 1H11.



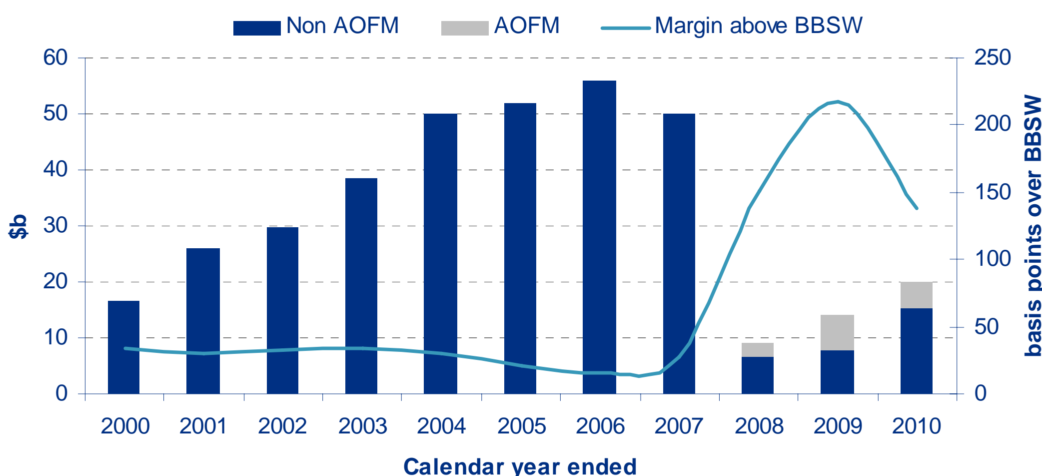
Despite the return of inflows into the funds management industry, these inflows continue to remain well below historic levels. Consistent with trends in other countries, there continues to be a skew of fund flows favouring index managers over active managers, such as Perpetual.



Source: Plan for Life September 2010

The above chart demonstrates the stalled recovery of net flows into the Australian funds management industry. Inflows remain well below pre Global Financial Crisis levels. Note that the September 2010 quarter recorded a net outflow position of around $0.1 billion.

Issuance in the RMBS market improved in 1H11 as investor concerns about the European sovereign debt crisis eased. Issuers returned to the market and were generally successful in issuing new securities, as shown in the following chart.



Source: w w w .AOFM.gov.au; S&P, Maquarie Bank and Perpetual

Regulatory environment

The regulatory environment continued to evolve over 1H11.

Implementation of the Government's response to the Ripoll parliamentary inquiry - *the Future of Financial Advice* – continued, with Treasury responsible for implementation and undertaking further consultation prior to drafting legislation.

The Future of Financial Advice policy proposes to:

- ban conflicted remuneration structures, including commissions and volume-based payments;
- introduce a statutory fiduciary duty requiring financial advisers to act in the best interests of their clients and to place the interests of clients ahead of their own;
- introduce an adviser charging regime that includes a requirement for retail clients to agree to fees and to annually renew (by opting in) to an adviser's continued services; and
- expand the provision of low-cost simple advice known as intra-fund advice to areas including transition to retirement and the nomination of beneficiaries.

The Government also provided its response to the Cooper review into the governance, efficiency and operation of Australia's superannuation system. In its response – *Stronger Super* – the Government endorsed 139 of the Cooper review's 177 recommendations. The reforms proposed by the Government can be summarised in four categories:

- *MySuper* – introduce a simple, low cost default superannuation product called MySuper, to increase the simplicity, transparency and comparability of default superannuation funds;
- SuperStream – commence the implementation of SuperStream, a package of measures designed to enhance the back office of superannuation, improve product productivity and make the superannuation system easier to use;
- self managed superannuation – implement a range of measures that will improve the integrity of SMSFs and increase community confidence in the sector; and
- governance – implement measures to strengthen the integrity of the superannuation system and improve trustee and fund decisions.

The current Australian Government has also reaffirmed its commitment to increasing the superannuation guarantee from 9% to 12% over the medium term.

Perpetual continues to engage with government and industry bodies on the optimal approach to implementing the *Future of Financial Advice* and *Stronger Super* policies. Any resulting changes will be of relevance to Perpetual's Private Wealth and Perpetual Investment businesses; however Perpetual considers that its businesses are relatively well placed to adapt to any legislation amendments.

Shareholder returns

For the 6 month period (1) (2)		1H10	2H10	1H11
Diluted earnings per share (EPS) on UPAT	cents	85.1	84.1	93.9
Diluted EPS on NPAT	cents	115.0	95.6	80.1
Annualised return on equity (ROE) on UPAT	%	22.9	20.6	22.6
Annualised ROE on NPAT	%	30.9	23.4	19.3

(1) EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue.

(2) ROE quoted in the above table are an annualised rate of return based on actual results for each period. ROE is calculated using the NPAT attributable to Perpetual Limited ordinary equity holders for the period divided by average equity attributable to the Group's ordinary equity holders multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE. With respect to the annualised returns in 1H11, these do not represent a forecast of full year results for the Group in respect of the 2011 financial year.

In 1H11, the following can be noted with regard to EPS and ROE on UPAT:

- Diluted EPS of 93.9 cents per share represented an increase of 10% and 12% on 1H10 and 2H10 respectively, broadly in line with the increase in underlying profitability; and
- ROE increased by 1.9% from 20.6% in 2H10 to 22.6% in 1H11.

Both EPS and ROE on NPAT were lower in 1H11 compared to both 1H10 and 2H10, predominantly due to the impact of:

– an impairment charge of $10.6 million after tax in relation to the smartsuper business;
– a $3.0 million after tax expense incurred in responding to the private equity takeover proposal; and
– a lower rate of recovery of prior period losses in relation to the Exact Market Cash Fund (EMCF) from an $11.1 million after tax gain in 1H10 declining to a $6.0 million after tax gain in 1H11.

During 1H11, the number of shares on issue increased by around 2% (0.7 million shares) to 44.1 million shares due to:

– employee share plan related ordinary share issues; and
– shareholder participation in the Group's dividend reinvestment plan (DRP) that accompanied the FY10 final dividend paid in September 2010.

Average shareholders' equity for 1H11 increased by around 3%, primarily due to the increase in contributed equity due to the vesting of Treasury shares in relation to staff share plans and the issue of ordinary shares to participants in the dividend reinvestment plan in relation to the FY10 final dividend, offset by a decrease in retained earnings as the FY10 final dividend of $45.6 million (paid on 28 September 2010) was greater than 1H11 NPAT of $35.0 million.

Dividends

For the 6 month period		1H10	2H10	1H11
Dividend per ordinary share	cents	105.0	105.0	95.0
Dividend payout ratio[(1)]	%	91.3	109.8	118.6
Proportion of NPAT paid/payable as dividend[(2)]	%	92.3	110.4	119.8

(1) Dividend payout ratio is calculated using dividend(s) declared for the relevant period, divided by the diluted earnings per share.
(2) Based on ordinary shares fully paid at end of 1H11.

Perpetual's dividend policy is to pay dividends within a range of 80%-100% of NPAT on an annualised basis, with a goal to maximise fully franked dividends to shareholders. The dividend policy is designed to be sustainable over the long term, while providing the Group with an appropriate degree of financial flexibility.

1H11 NPAT was reduced by a $10.6 million impairment charge that was non-cash in nature and does not materially affect the Group's liquidity, cash flows, or current or future operations. Having taken these matters into consideration and the fact that the Group's financial profile remains strong, the Group has excluded the impact of the impairment charge on NPAT in determining the 1H11 dividend. This adjustment only relates to the FY11 interim dividend and does not reflect a change in dividend policy going forward.

A FY11 interim fully franked dividend of 95 cents per share will be payable on 30 March 2011 (Ex-dividend Date of 3 March 2011 and Record Date of 9 March 2011), compared to a fully franked dividend of 105 cents per share for both the FY10 interim and FY10 final dividends. This equates to a dividend payout ratio of 92% on 1H11 NPAT excluding the impairment of goodwill.

The reduction in the FY11 interim dividend can broadly be attributed to the foreshadowed reduction in the recovery of EMCF losses, partially offset by the increase in 1H11 UPAT.

The DRP will be operational for the FY11 interim dividend and will be met by issuing new shares to DRP participants. The issue price per share for the FY11 interim dividend will be the Average Market Price, as defined in the DRP terms[1], less a 2.5% discount.

The Pricing Period for the FY11 interim dividend will be the ten Trading Days commencing 10 March 2011 and ending 23 March 2011.

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1 The Group's DRP Rules can be found at http://shareholders.perpetual.com.au/Shareholder services/ Dividend Reinvestment Plan

The Group's franking credit balance as at the end of 1H11 was $56.4 million, which will enable it to fully frank around $132 million of dividends. After payment of the FY11 interim dividend, the franking balance is expected to be capable of fully franking around a further $89 million of dividends.

Review of Businesses

Perpetual Investments

Perpetual Investments is one of Australia's most highly regarded investment fund managers, offering a broad range of products for personal investment, superannuation and retirement.

It offers investors strong investment capabilities across a range of asset classes, including Australian and international equities, property securities, multi-sector and multi-manager funds, mortgages, fixed interest and cash.

Financial summary

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Revenues	111.5	116.2	112.8
Operating expenses	(56.2)	(61.7)	(60.7)
EBITDA	55.3	54.5	52.1
Depreciation and amortisation	(2.9)	(2.4)	(2.6)
Equity remuneration amortisation	(11.7)	(13.3)	(6.6)
Profit before tax	**40.7**	**38.8**	**42.9**
Average margin (Revenues/average FUM)	75bps	78bps	79bps
Average FUM	$28.4b	$28.4b	$27.5b

1H11 profit before tax of $42.9 million represented an increase of 5% and 11% on 1H10 and 2H10 respectively.

1H11 average FUM was lower than 2H10, largely due to net outflows from lower margin funds such as cash, credit and quantitative investment products.

The average revenue margin in 1H11 was 79 bps, approximately 4 and 1 bps higher than 1H10 and 2H10 respectively. This increase was the result of net outflows from lower margin funds, such as cash, credit and quantitative funds, coupled with an increase in the proportion of higher margin equities as a percentage of total FUM. Revenues used to calculate the average FUM margin exclude non-FUM related revenue such as net interest earned on PPI loans.

Following consultation with clients whose equity investments were subject to performance fees, effective from the beginning of 1H11 the Group waived performance fees in exchange for a higher base fee structure. No performance fees were recognised in 1H10, however in 2H10 performance fees were around $2 million.

In addition to its various asset class investment management activities, Perpetual Investments also manages a number of administrative businesses such as self managed superannuation fund (SMSF) administration and a platform business administering funds managed by Perpetual and other fund managers. Perpetual Investments' asset classes are categorised across a number of functional units as follows:

	Functional units		
Asset class	Equities	Income and Multi-Sector	Superannuation and Investment Solutions
Equities	✓	✓	✓
Cash and fixed interest	X	✓	✓
Other FUM related	X	✓	✓
Other non-FUM related	✓	✓	✓

Revenue from equities is earned across each functional unit of Perpetual Investments, including multi-sector funds within Income and Multi-Sector, and from Perpetual funds offered via the WealthFocus platform within Superannuation and Investment Solutions.

Other FUM related revenue includes revenue earned on external funds hosted on the Group's platforms, SMSF administration revenue and revenue generated from PPI structured products funds under management.

Other non-FUM related revenue includes the net interest margin on the structured products' loan book and interest revenue earned on operational bank accounts across all functional units.

Revenue generally increases or decreases in line with FUM. Increases in FUM result from market appreciation, positive investment performance for clients or asset inflows from new and existing clients. Decreases in FUM can result from market depreciation, negative investment performance or asset outflows due to redemptions by clients.

Perpetual Investments offers investors an array of funds. These funds may be sold to institutional clients, retail investors through intermediary clients and/or direct to retail clients.

Investment into funds is generally through either institutional investors from whom Perpetual Investments generally receives lower margins, and from intermediary and retail investors who typically invest smaller amounts but from whom Perpetual Investments generally receives a higher margin.

The following table provides an analysis of revenue by asset class:

Revenue for the 6 month period	1H10 $m	2H10 $m	1H11 $m
By asset class:			
– Equities	88.2	91.8	89.6
– Cash and fixed interest	14.3	14.4	14.0
– Other FUM related	5.4	5.9	6.1
– Other non-FUM related	3.6	4.1	3.1
Perpetual Investments total revenue	111.5	116.2	112.8

Equities – 1H11 revenue from equities, comprising Australian and global equities, increased by $1.4 million from 1H10 to $89.6 million, driven by higher average FUM for the period. 1H11 revenue was $2.2 million lower than 2H10 primarily due to the absence of $2 million of performance fees earned in 2H10. As previously noted, from 1H11 performance-based fee arrangements have been waived in exchange for a higher fixed base fee.

Cash and fixed interest – 1H11 revenue of $14.0 million was lower then 1H10 and 2H10 revenues by $0.3 million and $0.4 million respectively, reflecting the decrease in FUM in mortgage, institutional cash and credit products.

Other FUM related – includes management fees for external funds on our WealthFocus platform, administration fees on the PPI structured products and SMSF administration revenue. Revenue increased by $0.7 million in 1H11 to $6.1 million compared to 1H10 due to an increase in the number of SMSFs administered. The administration of SMSFs is attracting lower margins due to increased competition across the industry. Revenue in 1H11 versus 2H10 was broadly unchanged.

Other non-FUM related – 1H11 revenue of $3.1 million was $0.5 million and $1.0 million lower than 1H10 and 2H10 respectively, predominantly due to the decrease in the structured products loan book by around $29 million to $160 million, partially offset by an increase in early withdrawal fees and higher lending margins.

Perpetual Investments manages a structured products loan book, where investors have borrowed funds to invest in a capital protected range of investments offered within the PPI product range. In FY09, additional structured product lending was suspended as the Group determined that it will no longer use its balance sheet to finance this type of activity.

Perpetual has adopted a conservative approach to PPI doubtful debts provisioning. Loans in arrears are actively managed and the total of the doubtful debts provision at the end of 1H11 was $2.7 million. This is broadly unchanged from the 2H10 doubtful debts provision of $2.6 million.

The Group's credit exposure is limited to a loss of 6% of the loan book for Series 1 and 2 and 7% for the Series 3 loan book, given the limited recourse terms of the borrowings used to fund these portfolios. The Group's total loss exposure to the PPI portfolios at the end of 1H11 was $10.1 million, versus $11.4 million at the end of 2H10.

1H11 operating expenses of $60.7 million were 8% higher than 1H10 expenses of $56.2 million, reflecting:

- $1.4 million in higher staff costs due to an increase in the number of staff as a result of the transfer of SMSF administration from Private Wealth, and higher accrual of incentive payments;
- the inclusion in 1H11 of one-off costs of around $1.1 million pertaining to the closure of the quantitative investment funds, coupled with the restructuring of the Equities and Distribution teams;
- an increase of around $1.6 million in registry fees paid to the Group's custodian;
- the incurring of $1.2 million of marketing expenses for a brand awareness campaign in 1H11. In previous periods such costs were held centrally and reported in Group and Support Services (i.e. no impact at Group level); offset by
- a $1.1 million decrease in PPI doubtful debts provisioning expense.

1H11 operating expenses were $1.0 million lower than 2H10 expenses of $61.7 million. Key changes in expense categories between the two periods were:

- employment expenses were around $1.6 million lower in 1H11 due to a lower accrual of incentive payments;
- professional fees were around $1.0 million lower in 1H11 due to seasonality as there is more audit work of funds undertaken in the second half of the financial year; and
- a $0.7 million reduction in expenses due to the recovery of SMSF administration fees from Private Wealth (i.e. no impact at a Group level); offset by:
- an increase in custody and administration fees of around $1.3 million in 1H11; and
  allocation of corporate brand and marketing expenditure of $1.2 million in 1H11, where previously these costs were expensed in Group and Support Services.

Equity remuneration expense was lower in 1H11 compared to 2H10 due to a write-back of some LTI schemes as some performance hurdles had not been met, and an increase in expense in 2H10 due to the need to recognise the increased likelihood of various LTI schemes vesting. 1H10 equity remuneration expense also included the write-back of a departed Group Executive's LTI grants. Equity remuneration expense for Perpetual Investments in 2H11 is expected to be around $9 to 10 million, however the actual amount is subject to an assessment of vesting probability at the end of 2H11.

Funds under management (FUM)

The following table details the closing FUM as at 1H10, 2H10 and 1H11. Total FUM as at 1H11 of $27.5 billion was 2% higher than at 2H10, due to an improvement in equity market conditions, offset by net outflows, predominantly from the cash and fixed interest asset class.

At end of	1H10 $b	2H10 $b	Net flows $b	Other [1] $b	1H11 $b
Institutional	8.7	8.1	(0.5)	0.7	8.3
Intermediary	14.2	12.9	(0.6)	0.8	13.1
Retail	6.4	5.9	(0.2)	0.4	6.1
All channels	29.3	26.9	(1.3)	1.9	27.5
Australian equities	19.8	17.5	(0.1)	1.7	19.1
Global equities	1.6	1.4	(0.1)	-	1.3
Equities	21.4	18.9	(0.2)	1.7	20.4
Cash and fixed interest	6.6	6.7	(1.0)	0.1	5.8
Other	1.3	1.3	(0.1)	0.1	1.3
All asset classes	29.3	26.9	(1.3)	1.9	27.5

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

In 1H11, Perpetual Investments experienced $1.3 billion of net outflows, comprising:

- $1.0 billion of cash, credit and mortgage funds;
- $0.1 billion in global equities;
- $0.1 billion from the closure of quantitative investment funds; and
- $0.1 billion in other assets, such as investment assets backing PPI loans.

This net outflow did not translate into a material fall in revenue as the Group tends to earn higher fees from its active equity funds management activities in comparison to the revenue earned from institutional cash and credit products and quantitative investment strategies, which tend to earn lower base fees.

Perpetual's fundamental investment style has generated strong relative performance (known as alpha) against its respective benchmarks in virtually all of its funds over the long term. Positive alpha benefits the Group in the following ways:

1. it demonstrates the Group's expertise in actively managing clients' funds and is expected to be a positive factor in retaining funds and attracting future inflows; and
2. it supports higher FUM.

The table below highlights the consistent outperformance against benchmark of Perpetual Investments' main funds.

	Excess investment performance p.a. – gross as at end December 2010					
Period	Industrial Share Fund	Australian Share Fund	Small Companies Fund	Concentrated Equity Fund	International Share Fund	Diversified Income Fund
1 year	+0.94%	+4.61%	+13.30%	+2.08%	-3.88%	+5.73%
3 years	+3.34%	+4.30%	+7.95%	+5.18%	+1.71%	-0.53%
5 years	+2.14%	+2. 29%	+5.60%	+3.09%	+0.67%	-0.68%
7 years	+1.84%	+2.45%	+3.80%	+2.03%	N/A	N/A
10 years	+3.56%	+3.60%	+7.73%	+4.44%	N/A	N/A

Net flows of funds by distribution channel and asset class for the last three six month periods are detailed in the following table:

For the 6 month period	1H10 Net flows $b	2H10 Net flows $b	1H11 Net flows $b
Institutional	(0.9)	(0.3)	(0.5)
Intermediary (master fund and wrap)	0.1	(0.4)	(0.6)
Retail (including Direct)	(0.3)	(0.1)	(0.2)
All channels	**(1.1)**	**(0.8)**	**(1.3)**
Australian equities – Quantitative investments	(0.3)	(0.7)	(0.1)
Australian equities – Fundamental active	0.3	0.3	-
Global equities	-	-	(0.1)
Equities	-	(0.4)	(0.2)
Cash and fixed interest	(1.0)	(0.4)	(1.0)
Other	(0.1)	-	(0.1)
All asset classes	**(1.1)**	**(0.8)**	**(1.3)**

The Group sources FUM through three primary distribution channels:

Institutional – industry superannuation funds and clients who invest large sums. Perpetual Investments typically earns its lowest revenue margin from this channel. However, institutional FUM does not require complex technology and service structures, such as call centres and dedicated sales and distribution support, so the servicing cost is lower.

In 1H11, the institutional channel experienced $0.5 billion of net outflows, principally from cash and credit products, offset by inflows into concentrated equity products.

Intermediary – this channel includes FUM from financial advisers who invest with Perpetual via external platform providers. This is Perpetual Investments' largest source of FUM.

In 1H11, the intermediary channel had net outflows of $0.6 billion. Outflows experienced were largely from the Industrial Share Fund, mortgage products and the closure of the quantitative investment strategies.

Retail – this channel sources FUM from advisers who invest with Perpetual directly and investors who come through Perpetual Investments' own WealthFocus platform, where some FUM flows into third party products. This FUM earns the highest gross margin. However, it requires a significant support infrastructure, which makes the cost to service this channel the highest.

This channel experienced net outflows of $0.2 billion in 1HY11, spread across most asset classes.

Private Wealth

Private Wealth is the Group's financial advisory business, providing holistic financial solutions for high net worth individuals. It aims to be the leading provider of wealth advice and trustee services for successful individuals, families, businesses and not-for-profit organisations.

Financial solutions range from strategic advice, ongoing investment advice and management, SMSF superannuation services, custodial solutions, estate planning and administration, executorial services, trustee services including charitable trusts, tax and accounting services and insurance.

Each client receives highly individualised attention, customised to his or her needs and based on a long-term plan focused on wealth creation and protection.

Private Wealth manages financial assets for over 7,000 private clients, estates, trusts and charitable trusts, with funds under advice (FUA) of $8.8 billion at the end of 1H11, up 6% from $8.3 billion at the end of 2H10.

The Group is one of the largest managers of private charitable foundations in Australia, with over $1.2 billion in funds under management at the end of 1H11. Perpetual is trustee to nearly 500 charitable trusts, supporting cultural, medical, social, environmental, religious and educational causes.

Financial summary

Private Wealth's 1H11 profit before tax increased by 8% compared to 1H10, to $11.6 million, but was 20% lower than 2H10 largely due to seasonality factors that impacted the non-market related revenues of tax and accounting services, and executorial services.

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Market related revenue	33.5	40.0	39.4
Non-market related revenue	8.3	19.0	17.5
Total revenues	41.8	59.0	56.9
Operating expenses	(28.8)	(41.7)	(41.7)
EBITDA	13.0	17.3	15.2
Depreciation and amortisation	(1.4)	(2.5)	(2.6)
Equity remuneration amortisation	(0.9)	(0.3)	(1.0)
Profit before tax	**10.7**	**14.5**	**11.6**
Closing Funds under Advice	$8.1b	$8.3b	$8.8b
Average Funds under Advice	$7.8b	$8.5b	$8.5b

The main revenue driver for Private Wealth is FUA, with market related revenue contributing approximately 69% of total 1H11 revenue. This is broadly in line with 68% in 2H10, maintaining the increased level of contribution from tax and accounting revenue following Private Wealth's acquisition of Fordham in early 2H10, in comparison to 1H10, when 80% of revenues were market related.

1H11 revenues were $15.1 million or around 36% higher than in 1H10 due to:

- a $9.2 million increase in non-market related revenue, comprising:
  - $8.1 million of tax and accounting services from the acquired businesses Fordham and Grosvenor Financial Services (Grosvenor); and
  - a $1.1 million increase mainly related to estate administration and other fee based services.

- a $5.9 million increase in market related revenue, comprising:
  - $3.7 million from the acquired businesses of Fordham and Grosvenor; and
  - $2.2 million as a result of the around 3% increase in the average All Ords between 1H10 and 1H11.

1H11 revenues were $2.1 million or around 4% lower than in 2H10. This was primarily attributable to:

- a $0.6 million decline in market related revenue as a result of the 1H11 average All Ords being around 1% lower than in 2H10; and
- an approximately $1.5 million decline in revenue due to seasonal factors mainly relating to tax and accounting services, and executorial services.

Operating expenses in 1H11 were $41.7 million, $12.9 million or 45% higher than in 1H10. This increase was attributable to the following:

- $9.3 million from the full period impact of the acquired businesses (Fordham and Grosvenor);
- $4.0 million related to increases in core business activities, including investment in organic initiatives, which comprised increased distribution capability, strengthened investment research and IT;
- a $0.7 million increase in administration fees charged for SMSF administration (offset in Perpetual Investments, i.e. no impact at the Group level); and
- $0.5 million of corporate brand and marketing costs that from 1H11 are allocated to each of the businesses compared to prior periods when they were expensed in Group and Support Services.

This was partially offset by a decrease in expenses of $1.8 million due to lower professional fees.

Depreciation and amortisation expense increased by $1.2 million to $2.6 million in 1H11, compared to $1.4 million in 1H10, primarily due to $0.8 million in amortisation of identifiable intangibles associated

with recent business acquisitions and a $0.4 million increase in amortisation associated with the new client management system (myClient).

Equity remuneration expenses of $1.0 million were incurred in 1H11, compared to $0.9 million in 1H10. Equity remuneration in 2H10 was lower due to the write-back of LTIs associated with the departure of a senior executive. The new Group Executive for Private Wealth commenced in 1H11.

1H11 profit before tax was 8% higher than in 1H10, however when operating expenses in 1H10 and 1H11 are adjusted for changes in Group cost allocations and acquisition costs are excluded, the improvement in profit before tax was 17%, reflecting the benefits of the recent acquisitions.

Funds under advice (FUA)

FUA at end of	1H10 $b	2H10 $b	Net flows $b	Other [(1)] $b	1H11 $b
Financial advisory:					
− superannuation	2.9	3.3	(0.1)	0.3	3.5
− non-superannuation	2.3	2.2	-	0.1	2.3
	5.2	5.5	(0.1)	0.4	5.8
Fiduciary services:					
− philanthropic	1.2	1.1	-	0.1	1.2
− trusts and estates	1.7	1.7	-	0.1	1.8
	2.9	2.8	-	0.2	3.0
Total funds under advice	8.1	8.3	(0.1)	0.6	8.8

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

Private Wealth's FUA increased by 6% from the end of 2H10, driven by improved investment markets. At the end of 1H11, around 57% of Private Wealth's FUA was invested in equities.

1H11 net flows were broadly unchanged from 2H10, with net outflows of $0.1 billion compared to flat net flows in 2H10 and 1H10. While investment markets improved during 1H11, investor sentiment has continued to be subdued.

In 1H11, Private Wealth continued to focus on its inorganic and organic growth initiatives. Private Wealth has further refined its strategy in order to offer its services to targeted high net worth segments such as business owners and medical professionals, who represent the key client segments of the recently acquired businesses of Fordham and Grosvenor respectively.

Inorganic activities comprise acquisition of high net worth practices that align with Private Wealth's strategy.

The integration of Fordham and Grosvenor continued in 1H11. By early 2H11, both of the acquired businesses had physically co-located with Private Wealth. Since acquisition, client retention rates for Grosvenor and Fordham are 98% and 99% respectively and all of these clients are now able to access the broader range of Private Wealth services. In 1H11, the annualised run-rate synergies were $0.5 million and $1.3 million for Grosvenor and Fordham respectively.

Based on progress in 1H11, and satisfactory completion of the integration work plan for 2H11, which will deliver additional synergies, the Group expects that the FY11 EBITDA for the Grosvenor and Fordham businesses will be around $8 to 9 million excluding integration costs and subject to no material movement in equity markets.

No businesses were acquired in 1H11. However, Private Wealth is currently at different stages of discussions with a number of potential acquisition targets.

Organic initiatives include increasing the capability in distribution and advisory teams. A number of senior personnel appointments were made in 1H11, including that of a General Manager for National Advice, and this has been supported by key leadership appointments in WA and ACT. Private Wealth further strengthened its investment research and strategic advice capability, providing additional services to its clients.

The continued embedding of Private Wealth's new client management system has allowed for further client service quality improvements and enhanced marketing and client management capabilities.

Private Wealth has played a leading role in industry forums, contributing to regulatory changes, in particular the Future of Financial Advice (FOFA) reforms. The business has a fee-for-service model and a fiduciary heritage that is consistent with the proposed reforms. Its fee structure ensures transparency of fees and services and includes regular reviews of each client's portfolio.

Corporate Trust

Corporate Trust is a leading provider of corporate trustee, mortgage and transaction support services to the financial services industry. Products and services include trustee services for mortgage-backed and other securitisation programs for major banks and non-bank organisations; regulatory compliance services for fund managers; custody, unit registry and accounting services for property and mortgage funds; trusteeships for corporate debt issues, infrastructure projects and other structures; and mortgage processing services for financial institutions.

Financial summary

Corporate Trust's 1H11 profit before tax of $18.9 million represented a 6% and 30% improvement on 1H10 and 2H10 respectively. The increase in profit is primarily attributable to:

- improved performance of the Mortgage Services business; offset by
- a decrease in revenue within Trust and Fund Services, primarily as a result of a decline in securitisation FUA, as Residential Mortgage Backed Securities continue to run off, although at reduced rates compared to prior periods.

In 1H11, revenue growth in the Mortgage Services business, which operates at a lower margin than the Trust and Fund Services business unit, benefited from the run rate improvement derived from a major bank client secured in 1H10, which expanded operations over FY10. Corporate Trust's profit before tax margin on revenue in 1H11 was 36%, compared to 43% in 1H10 and 32% in 2H10.

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Trust and Fund Services	27.9	27.7	26.9
Mortgage Services	13.7	18.2	25.4
Total revenues	41.6	45.9	52.3
Operating expenses	(22.2)	(29.7)	(32.2)
EBITDA	19.4	16.2	20.1
Depreciation and amortisation	(1.5)	(1.6)	(1.0)
Equity remuneration amortisation	(0.1)	(0.1)	(0.2)
Profit before tax	**17.8**	**14.5**	**18.9**

Corporate Trust's 1H11 revenues increased 26% over 1H10, to $52.3 million, and increased 14% over 2H10. Trust and Fund Services revenue declined marginally as a result of the slower net run-off experienced in securitisation FUA, although this was partially mitigated by revenue growth from Funds Services business activities. Significant revenue growth associated with the Mortgage Service business was driven by the full period contribution from business acquired in FY10. 1H11 mortgage services revenue benefited from one-off fees of around $2 million to accommodate variations in services and contracts.

Operating expenses during 1H11 increased 45% over 1H10, to $32.2 million, and were up 8% when compared to 2H10. These increases were largely driven by the run rate growth of the Mortgage Services business relative to FY10. In addition, investment continued in the mortgage services business through a number of initiatives aimed at enhancing the financial performance of the business. 1H11 expenses also include $0.4 million of corporate brand and marketing costs that were previously expensed in Group and Support Services but are now allocated to the businesses.

Funds under administration (FUA)

At end of	1H10 $b	2H10 $b	1H11 $b
CMBS and ABS	31.8	30.4	28.5
RMBS – non-bank[1]	57.7	55.2	48.9
RMBS – repos	81.2	74.6	77.7
RMBS – bank[1]	51.7	50.3	54.3
Total funds under administration	**222.4**	**210.5**	**209.4**

(1) During 1H11 there was a transfer of $4b from RMBS non-bank to RMBS bank due to a client reclassification.

Corporate Trust's FUA at the end of 1H11 decreased 6% compared to the end of 1H10, to $209.4 billion, with declines across most asset classes. The largest decline, excluding a client reclassification from non-bank to bank, was seen in the CMBS and ABS market, which still remains largely closed to new issuance.

RMBS market conditions continued to improve, with offshore investors returning to the new issuance market for the first time since 2007. However, overall levels still remain subdued relative to the new issuance volume seen during the pre-GFC years of 2006 and 2007. More recently, the Australian Government's decision in December 2010 to further extend its AOFM programme by an additional $4.0 billion is expected to have a continued positive influence on the market.

Run-off rates across existing RMBS declined during 1H11 compared to the relatively high levels experienced during FY10 as RBA increases in the overnight cash rate reduced borrowers' ability to pay down more principal on their mortgage. In some cases, mortgage holders were further impacted by rate increases over and above the official RBA rate.

The Mortgage Services business consists of two primary service offerings: loan servicing and Perpetual Lenders Mortgage Services (PLMS). Revenue from Mortgage Services has increased significantly, driven by the significant growth in business volumes within PLMS, which includes the take-on of a major bank client in 1H10. This strong growth in PLMS business volumes is evidenced in the table below.

Number of matters	1H10 '000s	2H10 '000s	1H11 '000s
PLMS volumes	81	118	131

PLMS' primary strategy is to continue to attract new clients, and deliver cost efficiencies and increased EBITDA margins. As a result, the revenue mix attributable to bank clients continued to grow as a proportion of total PLMS revenue, driven in part by the new business undertaking with a major bank. Regional and foreign banks as well as the non-bank sector remain important client bases for the PLMS business.

PLMS revenue split by client type	1H10 %	2H10 %	1H11 %
Bank	72	82	85
Non-bank	28	18	15

Group and Support Services

Group and Support Services includes the CEO and Board and covers functions that provide support to the broader Group, including Group Finance, Strategy, Operations, Risk, People and Culture, Investor and Media Relations, and Company Secretariat.

Financial summary

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Revenues	5.2	5.1	5.1
Operating expenses	(17.4)	(16.6)	(16.0)
EBITDA	(12.2)	(11.5)	(10.9)
Depreciation and amortisation	(1.2)	(1.2)	(1.2)
Equity remuneration amortisation	(0.6)	0.2	(0.6)
Interest expense	(1.2)	(1.6)	(1.6)
Profit/(loss) before tax	(15.2)	(14.1)	(14.3)

Revenue from the Group's cash and principal investments has been broadly unchanged over the last three periods.

The decline in operating expenses in 1H11 compared to prior periods is primarily due to the transfer of $2.1 million of brand spend to the businesses, offset by an increase in employment costs resulting from an increase in headcount as well as base salary increases. 2H10 operating expenses also benefited from the release of a $1.8 million provision relating to an operational process review.

1H11 equity remuneration increased by $0.8 million on 2H10 as 2H10 included the write-back of LTIs for the CEO, who resigned on 23 June 2010.

Consolidated Group

Group expenses

1H11 Group expenses before tax decreased by 3% compared to 2H10, to $168.0 million, but were 15% higher than in 1H10.

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Employment	(100.0)	(122.2)	(117.3)
Occupancy	(8.2)	(10.5)	(10.4)
Administration & general	(35.5)	(36.1)	(36.7)
Interest expenses	(1.2)	(1.6)	(1.6)
Other intangibles	(1.2)	(2.1)	(2.0)
Total expenses	(146.1)	(172.5)	(168.0)

The fall in expenses between 2H10 and 1H11 was principally due to a reduction in employment expenses, in particular lower levels of equity remuneration expenses.

The increase in expenses between 1H10 and 1H11 reflects the higher run rate cost base operating in 1H11 as a result of the acquisitions of Fordham (acquired in 2H10) and Grosvenor (mid 1H10) and the investment in new business initiatives within Corporate Trust via its PLMS business.

The above table excludes $4.3 million of expenses related to the Group's response to the private equity takeover proposal incurred in 1H11 as they are non-recurring and unrelated to the ongoing business activities of the Group.

Tax expense

Perpetual's average tax rate in 1H11 was 30.6% (1H10: 32.6% and 2H10: 32.2%), calculated from underlying profit before tax (UPBT). The 1H11 tax rate benefited from the reversal of an over-provision for income tax in the prior year. Normalising for this over-provision, the average tax rate based on UPBT would have been around 32%.

The average tax rate is higher than the Australian corporate tax rate of 30%, mainly due to the non-deductibility of the amortisation expense of acquired intangible assets in the Australian operations and the impact of losses from overseas operations not being recognised as deferred tax assets.

Significant Items

The Group separately discloses items that were material to the financial performance of the Group, but are considered to be either non-recurring or not part of the operating result as a significant item. Significant items are excluded from UPAT.

For the 6 month period	Profit/(loss) before tax $m			Profit/(loss) after tax $m		
	1H10	2H10	1H11	1H10	2H10	1H11
Significant items:						
1. EMCF gains	15.8	13.2	8.5	11.1	9.2	6.0
2. Gain/(loss) on sale of investments[1]	2.5	(6.0)	2.2	1.7	(4.3)	1.6
3. Private equity proposal response costs	-	-	(4.3)	-	-	(3.0)
4. Impairment of intangible assets	-	-	(10.6)	-	-	(10.6)
Total significant items	**18.3**	**7.2**	**(4.2)**	**12.8**	**4.9**	**(6.0)**

(1) Net of non-controlling interests.

1. Perpetual Exact Market Cash Funds (EMCF)

The EMCF products are investment funds managed by the Group that invest in a diversified portfolio of cash and credit securities that offer investors a guaranteed return equivalent to the UBS Bank Bill Index. The Group delivers the guaranteed return to investors via a swap agreement.

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Hold to maturity gains versus benchmark	15.8	13.2	8.5
Profit before tax [1]	15.8	13.2	8.5
Tax expense	(4.7)	(4.0)	(2.5)
Profit after tax	**11.1**	**9.2**	**6.0**

(1) Under the swap agreement, over and underperformance against the index is cash settled on a monthly basis between the Group and the EMCF.

In March 2009, the Group announced a change to the swap valuation methodology between EMCF1 and Perpetual. The underlying investments are now valued on a hold-to-maturity basis for unit pricing purposes, which is consistent with the way in which Perpetual now manages the portfolio. The underlying assets for EMCF1 were valued at their fair value at the date of this change, which for many assets was at a discount to their maturity value. The discount to maturity value will be amortised over the remaining term of the assets. This change in valuation methodology has no impact on the investment returns to investors in EMCF1.

As investments mature in EMCF1, proceeds are used to meet redemptions or are reinvested in bank bills or cash, in line with the Group's decision to reduce risk on its balance sheet. As assets in the portfolio mature, the unrealised mark-to-market losses recorded in prior years are being recovered. The reduction in assets in EMCF1 has been partially offset by the increase in assets in EMCF2.

The majority of the unrealised mark-to-market losses in the EMCF1 portfolio have now been recovered and the remainder are expected to be recovered as the portfolio matures. The average maturity of the portfolio at the end of 1H11 was around 2.0 years. The recovery rate of unrealised losses is expected to continue to decline over time as securities in the portfolio continue to mature at their face value.

At end of	1H10 $m	2H10 $m	1H11 $m
EMCF1	808.4	695.1	514.9
EMCF2	472.8	495.2	504.0
Total EMCF liabilities	**1,281.2**	**1,190.3**	**1,018.9**

Total funds invested in the EMCF products have reduced over the last six months by around 14%. Since the end of 1H09, the EMCF1 has reduced by over 71%, whilst the EMCF2 has experienced growth of around 49%, off a significantly lower base when compared to EMCF1.

At the end of 1H11, the carrying value of EMCF1 assets was $513.3 million (compared to $693.2 million at the end of 2H10) and was a deficit to the fair value of its liabilities by $1.7 million, compared to a deficit of $1.9 million at the end of 2H10.

EMCF2 was established in July 2008. It has a similar structure to EMCF1 but, in addition, there are specific rules that govern the withdrawal of funds. EMCF2 assets are held on a hold-to-maturity basis for unit pricing purposes. There has been no change since its inception. At the end of 1H11, the carrying value of EMCF2 assets was $506.8 million (compared to $497.8 million at the end of 2H10), which exceeded their liabilities by $2.8 million, compared to a surplus of $2.6 million at the end of 2H10. The financial performance of EMCF2 is reported in the cash and fixed interest asset class in Perpetual Investments.

2. Profit/(loss) on investments

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Profit on sale of part of investment portfolio/seed funds	2.8	0.8	2.8
Impairment of available for sale securities	(0.3)	(6.8)	(0.6)
Total profit/(loss) before tax on sale of investments	2.5	(6.0)	2.2
Income tax benefit/(expense)	(0.8)	1.7	(0.6)
Total profit/(loss) after tax on investments[1]	**1.7**	**(4.3)**	**1.6**

(1) Net of non-controlling interests.

Profit on investments in 1H11 was $1.6 million after tax, comparing favourably to a $4.3 million loss after tax in 2H10 and similar to the $1.7 million gain after tax in 1H10. Profit or loss of investments relates to gains/losses on redemptions of investments in managed funds. These funds relate to the seeding of new investment strategies.

3. Private equity proposal response costs

On 18 October 2010, the Company advised that it had received a takeover approach in the form of an indicative, incomplete, conditional, and non-binding proposal (Proposal) from the private equity firm Kohlberg, Kravis Roberts & Co. (KKR) to acquire all of the Company's shares via a scheme of arrangement at a price between $38.00 and $40.00 per share.

On 25 October 2010, the Company responded that after initial consideration of the Proposal, it had determined that the proposed price did not reflect the Company's value but that shareholders' interests would be best served by conducting exploratory discussions and providing limited financial information to KKR in order to establish if an offer that would deliver acceptable value was likely to be formulated.

On 21 December 2010, the Company announced that discussions with KKR had ended after mutually acceptable terms were unable to be developed in relation to the Proposal and as a result, KKR's Proposal would not be proceeding.

The Company incurred response costs totalling $4.3 million before tax ($3.0 million after tax) in relation to the Proposal. These costs are disclosed as a significant item outside UPAT as they were one-off and unrelated to the ongoing business of the Group.

4. Impairment of intangible assets

Management conducted a review of the carrying value of assets at the end of 1H11.

Following a review of the smartsuper business in the six months ended 31 December 2010, the Group assessed the recoverable amount of the cash-generating unit that comprises that business. As a result of this assessment, an impairment charge of $10.6 million after tax has been recognised. The impairment loss was allocated to goodwill, reducing the goodwill included in the smartsuper business to zero.

The regular review of the Group's assets ascertained that the smartsuper business is unlikely to achieve the long-term growth that the business had forecast. The smartsuper business is a Self Managed Superannuation Fund (SMSF) administration provider based in Sydney and was acquired in September 2008. Even though service levels have continued to improve and client feedback continues to be positive, the ability to maintain profit margins and growth are being challenged by what is proving to be a very competitive environment.

Management determined that no other impairment charges were required.

Capital Management

The Group manages its capital and liquidity to sustain a strong and flexible balance sheet. It has adopted a conservative and prudent policy to ensure the Group:

- can efficiently support all of its businesses;
- retains sufficient surplus capital to provide for uncertainty and operational risk that resides within the businesses;
- can maintain adequate liquidity to ensure financial flexibility; and
- has capital resources to take advantage of inorganic growth opportunities as they arise.

The Group uses a risk-based capital model based on the Basel II framework to assess its capital requirements. The model requires capital to be set aside for operational, credit and market risk and any known capital commitments. The amount of economic capital assessed by the model exceeds the Group's $62.6 million of regulatory capital needs by more than two times. At the end of 1H11, total economic capital requirements were around $148 million, compared to around $232 million of available liquid funds.

The Group maintains a conservative balance sheet, which has continued to be de-risked following the difficult trading environment experienced in prior periods. During 1H11, the Group has continued to execute a number of strategies to strengthen its balance sheet, including:

- satisfying DRP demand for the FY10 final dividend by issuing new shares to participants;
- continuing to improve the overall credit quality of the Group's risk assets and reduce exposure to structured products on the balance sheet; and
- focusing on ensuring strong discretionary expense discipline across each business unit and support group.

Interest rate risk

Perpetual's balance sheet is subject to interest rate risk.

The Group generates positive cash flows from operations from a relatively light capital structure. Cash balances are held in high quality credit and highly liquid investment funds managed by the Group. These investments generally invest in short-term assets and earn a variable interest rate.

Perpetual has both corporate and operational debt facilities. The corporate facility has a variable interest rate. As at 23 February 2011, there are no interest rate hedges against the drawn portion ($45 million) of this facility.

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

and variable rate liabilities, management uses interest rate swaps to broadly match fixed rate assets to floating rate liabilities.

Credit risk

Credit risk is the risk of default and change in the credit quality of issuers of securities, counterparties and intermediaries to whom the Group has exposure.

The Group is subject to credit risk in the following areas:

- all cash and cash equivalent balances are subject to credit risk as they represent deposits made by the Group with external banks and other institutions. The Group primarily invests its corporate cash balances in cash funds managed by the Group;
- the Group is exposed to the performance of assets held in the EMCF products through a swap agreement, where the Group pays a return based on the UBS Bank Bill Index and receives the return on the underlying portfolio, which contains credit and market risks; and
- the Group is exposed to credit risk on its loan assets to PPI clients. This risk is generally limited to 6% of the outstanding loan book for Series 1 and 2, and 7% of the outstanding loan book for Series 3 as the borrowings used to fund these loans are limited recourse in nature.

The Group limits the number of counterparties upon which it is willing to take credit risk. This can lead to concentrations of credit risk. The Group does not expect any counterparties to fail to meet their obligations beyond what has been provided for in the carrying value of those assets.

Equity risk

Equity risk is the risk of change in value of an issued equity security to which the Group has an exposure.

The Group is subject to equity risk from its investments in managed funds. These investments ‘seed’ new investment funds for the Group to develop a track record and examine the viability of the fund to the investment community. If the investment fund is successful, the fund is opened to third party investors.

Market risk

The Group’s revenue is significantly dependent on FUM and FUA, which are influenced by equity market movements. Management calculates the expected impact on revenue, across all of its businesses, for each 1% movement in the All Ords. Based on the level of the All Ords at the end of 1H11, a 1% movement in the market changes annualised revenue by approximately $2.0 million to $2.5 million. It is worth noting that this movement is not linear to the overall movement in the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller effect on revenue as FUM and FUA are comprised of both equity market and non-equity market-sensitive asset classes. Note that the above revenue sensitivity is a guide only and may vary due to a number of factors, including but not limited to:

- equity funds under the Group’s management and advice performing broadly in line with the All Ords;
- the impact of FUM and FUA flows, both inflows and outflows, and their timing; and
- changes in channel, product mix and pricing policy can also affect the level of revenue earned from the Perpetual Investments and Private Wealth businesses.

Operational risk

Operational risk is the risk arising from the daily functioning of the Group’s businesses. Operational risk is mitigated through internal controls, active management overview and regular reviews by our independent Risk Group function.

Each business and support head is responsible for identifying risks within their businesses and ensuring they are appropriately managed. The Risk Group assists the business by providing the framework, tools, advice and assistance to enable the business to effectively identify, assess and manage risk.

The Board of Directors oversees the risk management within the business, ensuring it is within an accepted risk tolerance range, and that all organic and inorganic business initiatives are consistent with the Group’s strategy and conducted ethically, responsibly and with the highest degree of integrity. The Board’s oversight of risk management is assisted by the Audit Risk and Compliance Committee (ARCC).

ARCC's main responsibilities are to oversee Group 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.

Financial strength

At end of		1H10	2H10	1H11
Total equity	$m	347.5	361.0	371.8
Cash	$m	179.0	187.5	175.3
Corporate debt	$m	(45.0)	(45.0)	(45.0)
Net cash	$m	134.0	142.5	130.3
Debt to capital ratio				
(corporate debt/corporate debt + equity) [1]	%	11.5	11.1	10.8
Interest coverage calculation (EBITDA/interest expense)[2]				
for the period ended	times	63x	48x	48x
Net tangible assets per share[3]	$	3.80	3.95	4.56

(1) Excludes structured product loans, which are operational debt used to fund PPI loans.
(2) EBITDA represents earnings before interest, taxation, depreciation, amortisation of intangible assets, equity remuneration amortisation and significant items.
(3) Net tangible assets per share of $3.80 at the end of 1H10 includes an adjustment to reflect the purchase of Fordham, which was completed in 2H10.

At the end of 1H11, Perpetual's gross corporate debt was $45.0 million. The Group's gearing ratio remains low at 10.8% and is well within its stated risk appetite limit of 30%. 1H11 interest coverage at 48 times is unchanged from 2H10, and is also well in excess of financial covenant requirements. Financial covenants under the debt facilities include minimum shareholders' funds, leverage ratios and interest coverage ratios and caps on operational debt. At the end of 1H11, the Group was in compliance with all of its debt covenants.

As at the end of 1H11, the Group has a committed bank corporate debt facility of $70.0 million. At 23 February 2011, $45.0 million was drawn down under this facility.

Corporate debt is currently sourced from one long-term banking relationship with a domestic bank . The current facility has greater than 12 months to expiry.

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.

Net tangible assets per share increased from $3.95 at the end of 2H10 to $4.56 at the end of 1H11.

Cash flow

For the 6 month period	1H10 $m	2H10 $m	1H11 $m
Net cash provided by operating activities	65.6	87.0	25.1
Net cash provided by/(used in) investing activities	(9.5)	(38.8)	0.9
Net cash used in financing activities	(23.3)	(39.6)	(38.2)
Net increase/(decrease) in cash and cash equivalents	32.8	8.6	(12.2)

1H11 operating cash flows of $25.1 million represent the underlying cash flows from the operating businesses, including significant items. 1H11 operating cash flows declined by around $40 million compared to 1H10 primarily due to:

- $10 million increase in payments of income tax reflecting the improvement in the Group's profitability since FY09;
- $7 million decrease in revenue from the recovery of EMCF losses;
- $7 million decrease in provisions related to the annual payment of short-term variable remuneration to employees in September;
- $5 million increase in PPI prepaid interest paid to lenders; and
- $5 million increase in receivables.

1H11 operating cash flows decreased by around $62 million compared to 2H10 primarily due to:

- $27 million decrease in provisions related to the annual payment of short-term variable remuneration to employees in September;
- $10 million decrease in the annual receipt of PPI interest in advance from clients;
- $6 million decrease in payables;
- $5 million increase in PPI prepaid interest paid to lenders; and
- $5 million decrease in revenue from the recovery of EMCF losses.

Cash flows used in investing activities includes seed fund investments and capital expenditure within the Group, mainly on software.

Cash used in financing activities principally relates to the payment of the Group's dividends and share transactions involving cash. The increase in cash used in financing activities between 1H11 and 1H10 was due to the increase in cash dividends paid, which was underpinned by the improvement in the Group's net profit after tax. Cash flow analysis captures the dividend in the reporting period in which it is paid, not the period in which the revenue was earned, i.e. the FY09 final net cash dividend of $22.2 million was paid in 1H10, the FY10 interim net cash dividend of $39.4 million was paid in 2H10 and the FY10 final net cash dividend of $38.2 million was paid in 1H11. New shares were issued to satisfy shareholders who participated in the dividend reinvestment plan in the FY09 final, the FY10 interim and the FY10 final dividend.

Summary Consolidated Balance Sheet

At end of	1H10[1] $m	2H10 [1] $m	1H11 [1] $m
Assets			
Cash and cash equivalents	179.0	187.5	175.3
Liquid investments	47.6	49.9	56.8
Structured products – PPI loans to clients	199.4	188.8	160.1
Goodwill and other intangibles	104.4	134.9	122.3
Software intangibles	27.4	28.6	30.2
Other assets	145.1	160.8	152.5
Total assets	**702.9**	**750.5**	**697.2**
Liabilities			
Corporate loan facility	45.0	45.0	45.0
Structured products – PPI finance facilities	202.7	189.6	162.8
Other liabilities	107.7	154.9	117.6
Total liabilities	**355.4**	**389.5**	**325.4**
Net assets	**347.5**	**361.0**	**371.8**
Shareholder funds			
Contributed equity	199.0	206.0	224.3
Reserves	49.6	56.9	53.5
Retained earnings	97.8	96.5	88.7
Total shareholder funds	**346.4**	**359.4**	**366.5**
Minority interest	1.1	1.6	5.3
Total equity	**347.5**	**361.0**	**371.8**

(1) Note: excludes the offsetting asset and liability for the EMCF structured product. At 1H10, the EMCF asset was $1,285.3 million, with the liability being $1,281.2 million. At 2H10, the EMCF asset was $1,191.0 million, with the liability being $1,190.3 million. At 1H11, the EMCF asset was $1,020.0 million, with the liability being $1,018.9 million. The net asset of $4.1 million at 1H10, $0.7 million at 2H10 and $1.1 million at 1H11 has been included with Other assets.

Cash and cash equivalents fell slightly in 1H11, to $175.3 million, but was broadly unchanged from $179.0 million at the end of 1H10.

Liquid investments increased in 1H11 due to a combination of the rise in equity markets and the seeding of new managed fund investments.

PPI loans to clients continued to decline in 1H11 due to loan repayments from clients. This, in turn, has reduced the PPI finance facility liability by a similar amount.

Goodwill and other intangibles decreased in 1H11, primarily due to the impairment charge of $10.6 million for smartsuper.

The expected amortisation for FY11 and the next three financial years of existing identifiable intangible assets that have arisen in recent acquisitions is as follows:

	FY11 $m	FY12 $m	FY13 $m	FY14 $m
Amortisation of identifiable intangibles [1]	3.8	3.0	2.4	2.4

(1) Based on $19.3 million net book value at the end of 1H11.

As the Group continues to acquire businesses in line with its strategic goals, the level of identifiable intangible assets carried on the balance sheet is likely to increase, which in turn will increase the amortisation of identifiable intangible assets.

Contributed equity increased during 1H11 due to shares being issued under the DRP in respect of the FY10 final dividend and the issue of vested shares under employee share plans.

The minority interest comprises third party interests in consolidated funds managed by the Group.

Appendix A: Additional financial information

	1H10					2H10					1H11				
	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group & Support Services $m	Total $m	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group & Support Services $m	Total $m	Perpetual Investments $m	Private Wealth $m	Corporate Trust $m	Group & Support Services $m	Total $m
Operating revenue	111.5	41.8	41.6	5.2	200.1	116.2	59.0	45.9	5.1	226.2	112.8	56.9	52.3	5.1	227.1
Operating expenses	(56.2)	(28.8)	(22.2)	(17.4)	(124.6)	(61.7)	(41.7)	(29.7)	(16.6)	(149.7)	(60.7)	(41.7)	(32.2)	(16.0)	(150.6)
EBITDA	**55.3**	**13.0**	**19.4**	**(12.2)**	**75.5**	**54.5**	**17.3**	**16.2**	**(11.5)**	**76.5**	**52.1**	**15.2**	**20.1**	**(10.9)**	**76.5**
Depreciation & amortisation	(2.9)	(1.4)	(1.5)	(1.2)	(7.0)	(2.4)	(2.5)	(1.6)	(1.2)	(7.7)	(2.6)	(2.6)	(1.0)	(1.2)	(7.4)
Equity remuneration	(11.7)	(0.9)	(0.1)	(0.6)	(13.3)	(13.3)	(0.3)	(0.1)	0.2	(13.5)	(6.6)	(1.0)	(0.2)	(0.6)	(8.4)
EBIT	**40.7**	**10.7**	**17.8**	**(14.0)**	**55.2**	**38.8**	**14.5**	**14.5**	**(12.5)**	**55.3**	**42.9**	**11.6**	**18.9**	**(12.7)**	**60.7**
Interest expense	-	-	-	(1.2)	(1.2)	-	-	-	(1.6)	(1.6)	-	-	-	(1.6)	(1.6)
UPBT	**40.7**	**10.7**	**17.8**	**(15.2)**	**54.0**	**38.8**	**14.5**	**14.5**	**(14.1)**	**53.7**	**42.9**	**11.6**	**18.9**	**(14.3)**	**59.1**
Tax					(17.6)					(17.3)					(18.1)
UPAT					**36.4**					**36.4**					**41.0**
EMCF					11.1					9.2					6.0
Gain/loss on sale/impairment of investments					1.7					(4.3)					1.6
Private equity proposal response costs					-					-					(3.0)
Impairment of Intangible Assets					-					-					(10.6)
NPAT to PPT equityholders					**49.2**					**41.3**					**35.0**

Appendix B: Business segment reclassification table

Business segment results for the 12 months ended 30 June 2010 reclassified to align with revised management and reporting structure

Original FY10 disclosure	Perpetual Investments			Private Wealth			Corporate Trust			Group & Support Services			Total		
	1H10	2H10	FY10	1H10	2H10	FY10	1H10	2H10	FY10	1H10	2H10	FY10	1H10	2H10	FY10
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Total revenue	105.9	111.0	216.9	47.4	64.2	111.6	41.6	45.9	87.5	5.2	5.1	10.3	200.1	226.2	426.3
Operating expenses	-54.4	-60.1	-114.5	-30.6	-43.3	-73.9	-22.2	-29.7	-51.9	-17.4	-16.6	-34.0	-124.6	-149.7	-274.3
Amortisation & depreciation	-2.9	-2.4	-5.3	-1.4	-2.5	-3.9	-1.5	-1.6	-3.1	-1.2	-1.2	-2.4	-7.0	-7.7	-14.7
Equity remuneration amortisation	-11.7	-13.3	-25.0	-0.9	-0.3	-1.2	-0.1	-0.1	-0.2	-0.6	0.2	-0.4	-13.3	-13.5	-26.8
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	-1.6	-2.8	-1.2	-1.6	-2.8
Total expenses	-69.0	-75.8	-144.8	-32.9	-46.1	-79.0	-23.8	-31.4	-55.2	-20.4	-19.2	-39.6	-146.1	-172.5	-318.6
Underlying profit before tax and significant items	36.9	35.2	72.1	14.5	18.1	32.6	17.8	14.5	32.3	-15.2	-14.1	-29.3	54.0	53.7	107.7

Changes to FY10 disclosure	Direct channel in to Perpetual Investments			Direct channel out of Private Wealth									Total		
	1H10	2H10	FY10	1H10	2H10	FY10							1H10	2H10	FY10
Total revenue	5.6	5.2	10.8	-5.6	-5.2	-10.8							0.0	0.0	0.0
Operating expenses	-1.8	-1.6	-3.4	1.8	1.6	3.4							0.0	0.0	0.0
Amortisation & depreciation	0.0	0.0	0.0	0.0	0.0	0.0							0.0	0.0	0.0
Equity remuneration amortisation	0.0	0.0	0.0	0.0	0.0	0.0							0.0	0.0	0.0
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0							0.0	0.0	0.0
Total expenses	-1.8	-1.6	-3.4	1.8	1.6	3.4							0.0	0.0	0.0
Underlying profit before tax and significant items	3.8	3.6	7.4	-3.8	-3.6	-7.4							0.0	0.0	0.0

Revised FY10 disclosure	Perpetual Investments			Private Wealth			Corporate Trust			Group & Support Services			Total		
	1H10	2H10	FY10	1H10	2H10	FY10	1H10	2H10	FY10	1H10	2H10	FY10	1H10	2H10	FY10
Total revenue	111.5	116.2	227.7	41.8	59.0	100.8	41.6	45.9	87.5	5.2	5.1	10.3	200.1	226.2	426.3
Operating expenses	-56.2	-61.7	-117.9	-28.8	-41.7	-70.5	-22.2	-29.7	-51.9	-17.4	-16.6	-34.0	-124.6	-149.7	-274.3
Amortisation & depreciation	-2.9	-2.4	-5.3	-1.4	-2.5	-3.9	-1.5	-1.6	-3.1	-1.2	-1.2	-2.4	-7.0	-7.7	-14.7
Equity remuneration amortisation	-11.7	-13.3	-25.0	-0.9	-0.3	-1.2	-0.1	-0.1	-0.2	-0.6	0.2	-0.4	-13.3	-13.5	-26.8
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	-1.6	-2.8	-1.2	-1.6	-2.8
Total expenses	-70.8	-77.4	-148.2	-31.1	-44.5	-75.6	-23.8	-31.4	-55.2	-20.4	-19.2	-39.6	-146.1	-172.5	-318.6
Underlying profit before tax and significant items	40.7	38.8	79.5	10.7	14.5	25.2	17.8	14.5	32.3	-15.2	-14.1	-29.3	54.0	53.7	107.7
Income tax													-17.6	-17.3	-34.9
Underlying profit after tax and significant items													36.4	36.4	72.8
Significant items													12.8	4.9	17.7
Net profit after tax attributable to Perpetual Limited ordinary equity holders													49.2	41.3	90.5

Appendix C: Recent ASX announcements

Full text of these announcements can be found at:
http://shareholders.perpetual.com.au/phoenix.zhtml?c=171717&p=irol-news&nyo=0

Date	Announcement
23 July 2010	Peter Scott to succeed Bob Savage as Perpetual Chairman
29 July 2010	Funds under Management as at 30 June 2010
17 August 2010	Funds under Management as at 31 July 2010
24 August 2010	Preliminary Final Report (Appendix 4E) for the year ended 30 June 2010 Media release – Perpetual delivers solid increase in full year profit and dividend MD&A to 30 June 2010 Financial Statements for the year ended 30 June 2010 Directors' Report to 30 June 2010 Market briefing presentation – Full year results for the year ended 30 June 2010
15 September 2010	Funds under Management as at 31 August 2010
20 September 2010	2010 Annual Report
22 September 2010	Dividend Reinvestment Plan 2010 Final Dividend Notice of Annual General Meeting / Proxy Form
18 October 2010	Notification of approach
21 October 2010	Funds under Management as at 30 September 2010
25 October 2010	Response to approach
26 October 2010	Annual General Meeting media release Annual General Meeting addresses by Chairman, CEO and Chairman Elect Results of Annual General Meeting
27 October 2010	Letter to shareholders – KKR approach
16 November 2010	Funds under Management as at 31 October 2010
15 December 2010	Funds under Management as at 30 November 2010
20 December 2010	Discussions ended
22 December 2010	Letter to shareholders – Perpetual and KKR end discussions
23 December 2010	Policy re trading in Perpetual securities by directors and employees
11 January 2011	Appointment of new Managing Director and CEO
20 January 2011	Funds under Management as at 31 December 2010
11 February 2011	Funds under management as at 31 January 2011
15 February 2011	Market update

Glossary

1H10	Financial reporting period for the six months ended 31 December 2009
2H10	Financial reporting period for the six months ended 30 June 2010
1H11	Financial reporting period for the six months ended 31 December 2010
ABS	Asset backed securities
AICD	Australian Institute of Company Directors
AOFM	Australian Office of Financial Management
ARCC	Audit Risk and Compliance Committee
ASX	Australian Securities Exchange
AUD	Australian dollar
bps	Basis point (0.01 of 1%)
CMBS	Commercial mortgage backed securities
CPPI	Constant proportion portfolio insurance
DPS	Dividend(s) per share
DRP	Dividend Reinvestment Plan
EBITDA	Earnings before interest, tax, depreciation and amortisation of intangible assets, equity remuneration amortisation and significant items
EMCF	Perpetual Exact Market Cash Fund
EPS	Earnings per share
Finsia	Financial Services Institute of Australasia
FUA	Funds under advice or funds under administration
FUM	Funds under management
FY09	Financial year ended 30 June 2009
FY10	Financial year ended 30 June 2010
LTI	Long-term incentive
NPAT	Net profit after tax
PLMS	Perpetual Lenders Mortgage Services
PPI	Perpetual Protected Investments
RBA	Reserve Bank of Australia
RMBS	Residential mortgage backed securities
ROE	Return on equity
SMSF	Self managed superannuation fund
Treasury shares	Ordinary shares in Perpetual Limited issued to support staff share plans that have not vested
UPAT	Underlying profit after tax