Perpetual

Perpetual's 2007 Annual General Meeting

The Westin, Sydney, 30 October 2007

Chairman's address to shareholders

Introduction

Ladies and gentlemen

On behalf of our board and the management team, Mr David Deverall, Perpetual's Chief Executive Officer and Managing Director, and I will use the opportunity of this Meeting to provide you with an overview of our company's performance over the past 12 months.

In my address, I will review Perpetual's corporate strategy, outline Perpetual's key results for the 2007 financial year, address topics of fundamental importance to our company and provide a forecast for the half year to 31 December 2007.

I will then hand over to David, who will elaborate on the status of our business strategy and operations and discuss some of the challenges and opportunities impacting our operating environment.

Finally, I will deliver the last address on Perpetual's Remuneration Report and other remuneration matters.

Key strategic successes and contribution to shareholder value

For a company to survive and grow over the long-term, it must observe two basic strategic principles which are to:

- first, defend and leverage its established business to maximise existing opportunities
- second, develop new businesses, products and services to create new opportunities

As part of our corporate strategy introduced in 2004, our aim has been to focus on three key goals to drive shareholder returns well into the future. To recap, these are:

- to spread our sources of profit by developing a more balanced portfolio
- to take advantage of new business opportunities by building new growth engines
- to secure quality talent in our workforce by effectively engaging our people

As part of our strategy process, we identified what we consider to be our four sources of competitive advantage, which are:

- our approach to managing the philosophies and processes around funds management
- our strong relationships with the financial planning community
- our trusted brand
- our long history as a leading provider of fiduciary services to individuals and institutions

In the past four years, we have invested in a series of initiatives to develop and further exploit these advantages and we expect to see these contribute increasingly to our profit as they continue to mature.

So, how is our strategy tracking?

Perpetual's share price has grown from just over $30 at 30 June 2003 to $78.51 at 30 June 2007.

During this same period, our market capitalisation has increased from approximately $1.1 billion to $3.2 billion, a compound average growth rate of 29 per cent per annum.

Much of this growth has been achieved by the approach Perpetual has taken to growing its business.

Today, our diversification strategy is well advanced with a balanced portfolio of businesses contributing to growth.

Since the introduction of our strategy four years ago, more than 50 per cent of revenue growth has originated from non-Australian equities funds management sources. In addition, nearly 20 per cent of our revenue growth currently comes from new investments introduced during that same period.

Looking at Perpetual Investments, 77 per cent of the $8.3 billion in net flows since 2003 were into non-Australian equity asset classes. This is a clear indication that our portfolio is diversifying.

Today, we have a series of new growth engines for our business, which are already contributing to Perpetual's bottom line.

Our Perpetual Private Clients business has been transformed into a key growth business for Perpetual. It currently contributes nearly 20 per cent of Perpetual's profit before tax, compared with around 10 per cent in 2003.

The investments we have made in this business are delivering tangible results. Revenue growth of nearly 10 per cent per annum and profit before tax growth of 40 per cent per annum over the past four years is evidence of this transformation.

Over the past four years, we have positioned Perpetual Corporate Trust as a vibrant and unique business within the Australian securitisation and mortgage services market.

Almost one third of revenue growth in this business between 2003 and 2007 was driven by the expansion of the mortgage services business. The acquisitions of Wignalls Lenders Mortgage Services in February 2007 and National Lending Solutions in July 2007 will continue to add further value to our aim of becoming the outsource partner of choice to the lending industry.

How we engage our people is fundamental to the effective delivery of our strategy.

Since 2003, several people initiatives have been put in place to engage and reward our people, including the introduction of the Profit Participation Pool. We have also developed a series of induction programs which are designed to identify what our people value at work and what they need to do to deliver our strategy.

Our strategy is on track but we still have more to do and we will continue to invest in our strategy to grow new revenue streams.

Core to the execution of our strategy has been our ability to fund growth directly from operating earnings while at the same time continuing to drive earnings growth.

Over the past four years, investment in our strategy comprised nearly 15 per cent of total operating expenditure. We are pleased to report that during this period of investment, our overall profit margins expanded from 36 per cent to 44 per cent.

Key group financials

As is our custom, Perpetual announced its 2007 end of year results and annual report to the market in mid-August. I will now outline some of the major highlights of the 2007 financial year.

I am pleased to report to you that 2007 was yet another successful year for Perpetual and for you, our shareholders.

The board considers operating profit after tax to be the best measure of the ongoing profitability of our business as it excludes the 'one-off' items and provides a better indication of our earnings from our underlying operations.

Strong performance from our core businesses delivered an operating profit after tax of $145.3 million for year to 30 June 2007, an increase of 19 per cent over the 2006 result of $122.4 million. Last year's result has been restated to include the net establishment costs of our global equities business in Ireland. We will include the results for this business in our reporting going forward.

Net profit after tax for the year to 30 June 2007, which included profit on sale of investments, increased 35 per cent to $182.1 million.

At the announcement of our end of year results in August, the board was pleased to announce a final dividend of $1.87 per share. Total ordinary dividends paid to shareholders for the year to 30 June 2007 were $3.60 per share, a 10 per cent increase on the previous year.

We believe Perpetual will continue to generate sufficient franking credits to fully frank projected normal dividend payments for the foreseeable future.

We review the capital management requirements of Perpetual every six months and rightfully return any excess capital to our shareholders in the form of special dividends. The latest review completed in August 2007 determined that our current capital base was appropriate to support the current operations and forecast business growth.

Gunns Limited

Now I would like to turn to a particular topic of interest to Perpetual and also to a number of stakeholders in our community.

From time to time, Perpetual receives correspondence questioning the decision to invest in a particular company. These requests often represent the political, social and/or environmental interests of a specific individual or lobby group.

Due to the attention it is currently generating in the market, I have chosen this Meeting to comment on one such investment. That is Gunns Limited, a hardwood forests' products business located in Tasmania.

Perpetual is presently Gunns' largest shareholder with almost 15 per cent of issued shares in the company.

Some stakeholder groups have recently focussed on Gunns' proposed development of a pulp mill in Tasmania's Tamar Valley, which I am sure many of you are familiar with.

The pulp mill was recently approved by both the Tasmanian Parliament and also the Federal Government. It has also received bi-partisan political support from the Australian Labor Party and the Coalition.

I would like to use the opportunity of this Meeting to discuss our investment philosophy and, within that context, our investment in Gunns.

Perpetual's core business is funds management on behalf of our investors. Our success is based on the proven investment philosophy of our fund managers: that is to invest in high quality companies with sustainable and repeatable earnings and strong balance sheets to protect and maximise the wealth of our investors over the long-term.

As part of its philosophy, Perpetual respects the right of individuals to make decisions about how their money is invested in line with their own values and, as a consequence, we offer a choice of investment vehicles for our clients.

Perpetual has held fast to this philosophy for over forty years.

We have adhered similarly to our stock selection process. Our fund managers apply their investment philosophy to the stock and then assess all risks, whether they are environmental or other types of risk, and make prudent selections for all our funds based on information gleaned from a range of independent and recognised sources in relevant industry sectors.

This same philosophy and same selection process ultimately determined our decision to invest in Gunns.

Perpetual's investment philosophy, and the processes we apply to adhere to that philosophy, has been the mainstay of Perpetual's success as a fund manager. It has also been a significant driver of shareholder and investor value during that period.

Your board and members of Perpetual's Executive Committee respect the investment decisions taken by our fund managers on behalf of our investors, the philosophy and processes they apply in making those decisions and their right to independently select stocks in line with their mandate to grow and protect the savings of Australians.

Gunns is one of those investments.

Board developments

As outlined in the Notice of Annual General Meeting, it is with regret that Ms Sandra McPhee will retire as a non-executive director at the conclusion of this Meeting.

Ms McPhee will not be offering herself for re-election in order to avoid any potential or perceived conflict of interest between the mortgage services business of Perpetual Corporate Trust and that of a company partly owned by her husband in which she holds a beneficial interest.

Ms McPhee has served on the board of Perpetual since April 2004 and has been Chairperson of the People and Remuneration Committee since October 2005. I would like to take this opportunity to sincerely thank Sandra for her significant contribution to Perpetual during her time on the board.

Thank you, Sandra.

Operating environment

We have traditionally used the opportunity of the Annual General Meeting to forecast our profit for the six months to 31 December.

Before I provide you with that forecast, it is important to first look at our operating environment.

The industries and markets in which we operate continue to have strong fundamentals.

Core to our business is the Australian superannuation industry, which has experienced record growth in recent years.

Australians are increasingly taking greater responsibility for funding their own retirement. The recent changes to legislation, in particular the simplification of superannuation rules and the removal of exit taxes, have made superannuation one of the most attractive opportunities for investors.

Also relevant to our business has been the global credit crisis, which has arisen as a result of the sub prime debt event in the United States in the past few months, and its flow on effect to the Australian markets.

As a result, the market has been characterised by increased volatility, heightened activity and ultimately uncertainty at the beginning of the 2008 financial year.

While the new issuance of securities is expected to remain below historical levels for the remainder of the 2008 financial year, we are confident the high quality of Australian credit will benefit as investor confidence and subsequent liquidity return to the global markets.

Forecast

In this context, we forecast an increase of approximately 10 per cent in operating profit after tax (OPAT) for the first half of the current year over the prior half year OPAT of $68.8 million.

Events in the credit markets in the first half of the 2008 financial year have resulted in below benchmark performance in Perpetual's Exact and Enhanced Cash Funds, due mostly to small unrealised losses arising from the revaluation of credit securities.

Excluding the impact of losses borne by Perpetual in respect of these funds, the forecast result for the first half of the current year would be a 15 per cent increase over the prior half year.

The forecast is subject to fluctuations in the markets, particularly in Australia.

Conclusion

In my '2007 May Letter to shareholders', I restated our vision to be Australia's leading creator and protector of wealth.

We are totally focussed on creating future value for our shareholders, investors and employees by investing in new capabilities and businesses to implement our strategy with a medium to long-term horizon.

To conclude my address, I would ask you to please join me in thanking David for his leadership and Perpetual's employees for making our company one of Australia's leading wealth managers and corporate trustees in 2007.

I would also like to acknowledge our fellow shareholders, clients and partners for their trust and support over the past year. Last but not least, I also thank my fellow board members for their contribution in 2007.

I now invite David to present his address.

Thank you

Bob Savage
Chairman
Sydney 30 October 2007

Chief Executive Officer and Managing Director's address to shareholders

Introduction

Thank you Bob

Welcome fellow shareholders and thank you for joining us here today. It is also great to see so many Perpetual colleagues sitting in the audience.

I would like to start my address by briefly summarising the performance of our business units. Significantly more detail is available on our business units in the 2007 Annual Report. Therefore, I will attempt to summarise the key points only.

I would then like to describe our strategic growth priorities for the business and our new organisation structure.

To conclude, I will provide further detail on the state of the credit markets as outlined in the 'Chairman's address to shareholders'.

Review of business unit performance

Wealth Management, which comprised Perpetual Investments and Perpetual Private Clients, had another excellent year with profit before tax increasing by 23 per cent to $192.1 million for the year ended 30 June 2007.

Profit before tax for Perpetual Investments increased by 25 per cent to $154.3 million. This was the result of strong growth in funds under management, which increased by 19 per cent to $39.1 billion for the year ended 30 June 2007.

Operating profit before tax margins increased from 48 per cent in 2006 to 52 per cent in 2007.

Underpinning the increase in funds under management was the continued strength of the Australian equities market, solid flows from intermediary and institutional customers into our newer asset classes and the consistently strong investment performance of our asset management teams.

Our strategy for the development of new asset classes is to build scale in the institutional market and to develop tailored offerings for the retail market, an approach that has produced excellent results for our cash and fixed interest business. Cash and fixed interest now comprises 25 per cent of total funds under management.

Perpetual's investment philosophy of focussing on high quality companies with sustainable and repeatable earnings and strong balance sheets has consistently delivered excess returns to our investors over the long-term. We are very proud of this track record.

This focus on quality has been an important part of our history since the launch of our flagship fund, Perpetual's Industrial Share Fund, in August 1966. It also formed the basis of our global equities investment business.

We are conscious that our global equities business has performed below the expectations we set for the business when we established it in early 2005.

To better understand this performance anomaly, we recently conducted a detailed analysis of our global equities investment style. The aim of the analysis was to understand how companies with strong quality characteristics performed over time.

As part of this process, we examined a portfolio of 280 stocks with strong quality characteristics over a 20 year period. These characteristics included strong balance sheets, a history of good dividend growth, high return on equity and a history of sustainable earnings.

The results of our analysis were conclusive and confirmed that:

- stocks with strong quality characteristics out perform over time
- quality stocks under perform when risk pricing is low and credit conditions are loose
- quality stocks have experienced a prolonged period of underperformance over the past four years – the longest period of underperformance in the last 20 years

Our emphasis on buying stocks with strong quality characteristics is designed to weather the full spectrum of conditions over the market cycle and we are confident that we will see our global equities business perform over time.

In 2007, we made significant progress with our strategic objective of developing new businesses within Perpetual Investments.

For example, we successfully launched the Perpetual Protected Investments – Series 1 in May 2007, our retail capital protected product. This product was extremely well supported by the retail market, attracting $158 million from investors before closing in June 2007.

We were encouraged by the success of the first series and opened a new series of Perpetual Protected Investments just yesterday.

We also launched a number of new funds during the year including:

- a new Quantitative Investments Market Neutral Fund
- a Diversified Income Fund for our retail and intermediary channels and
- a Wholesale Geared International Fund that enhances long-term capital growth by borrowing to invest in quality international shares and other securities

We were recognised for the third consecutive year by the industry for our consistent record in equities management in two categories for Money magazine's 'Best Fund Manager 2007 Awards'. These were:

- the Best Australian Share Fund and
- the Best Smaller Companies Fund

We were also successful in winning The Australian Financial Review/Smart Investor magazine's 'Blue Ribbon Awards' for:

- Australian Small-Cap Shares and
- Australian Mortgages

Perpetual Private Clients

I am pleased to be able to report that Perpetual Private Clients now contributes almost 20 per cent of group operating profit before tax.

Perpetual Private Clients' profit before tax increased by 14 per cent to $37.8 million for the year to June 2007. The profitability of this business has been revived since 2003 when it only contributed around $10 million.

Funds under advice in Perpetual Private Clients increased by 27 per cent to $8.4 billion at 30 June 2007, an increase of $1.8 billion. This growth can be attributed to strong new client growth, positive results from our continued investment in sales capabilities and the favourable superannuation environment.

Market support for the '$1 million super opportunity' was very strong. Combined with key client wins, Perpetual received nearly $700 million in flows in the month of June alone.

Superannuation funds under advice increased by 50 per cent to $3 billion at 30 June 2007. This increase was predominantly driven by net inflows of $600 million for the year, an increase of over 400 per cent over the previous year's net inflows.

Another highlight of the year for Perpetual Private Clients was the continued growth in our philanthropic business, which now exceeds $1.2 billion, making it not only the oldest but now also one of the largest charitable trust businesses in Australia.

In 2007, we embarked on a number of initiatives to provide a comprehensive offering to the growing high net worth market and to improve the scalability of this business. These included:

- the creation of a dedicated client solutions team to develop appropriate products and services for each of our client segments
- the expansion of our service offerings and marketing efforts to non-traditional emerging wealth clients
- the expansion of our sales force capability across all mainland states. Specifically, we recruited an additional 20 sales and sales support team members

Perpetual Corporate Trust

I am proud to report that Perpetual Corporate Trust had yet another successful year.

Perpetual Corporate Trust's operating profit before tax increased by 12 per cent to $35.7 million.

Securitisation funds under administration increased 18 per cent to $210.1 billion at 30 June 2007.

In 2007, we focussed on our goal of becoming the premier provider of trustee and administrative services to the Australian financial services industry by:

- retaining our position as Australia's leading trustee to the securitisation industry
- strengthening our mortgage services capabilities
- expanding our responsible entity and funds administration services capabilities
- investing in technology to deliver specialist services

In February, we acquired the business operations of the Adelaide-based company, Wignalls Lenders Mortgage Services, and in July we acquired the mortgage processing assets of the Parramatta-based, National Lending Solutions (NLS), a provider of national mortgage processing services.

As a result of these acquisitions, we have obtained industry-leading technology in mortgage processing and a national infrastructure for mortgage settlements.

These acquisitions complement our securitisation business and enhance our overall value proposition to clients by building on Perpetual's 'one-stop-shop' offering of bundled services to the lending industry.

We have received positive feedback from existing and potential clients about the efficiencies that a high quality integrated service offering provides and are confident of the revenue and profit opportunities that will emerge for Perpetual Corporate Trust.

Group and Support Services

Group and Support Services played an important role in partnering with the business to execute our strategy.

To this end, our People and Culture team targeted employee engagement across the business by focussing on a number of initiatives including:

- the establishment of a more progressive parental leave policy including the introduction of 'paternity leave'
- the introduction of 'contribution leave' to differentiate our employment practices in a competitive talent market. This unique initiative provides our employees with an additional five days leave each year, the aim of which is to encourage personal well-being through family and community endeavour

Government changes to superannuation and the evolving complexity of our operating environment required that our risk management processes and procedures were properly aligned to our business practices and values. For example, our Risk team:

- continued to invest in our risk management framework by enhancing our ability to monitor and manage risk and to respond more proactively to emerging issues
- established Perpetual Superannuation Limited, a wholly-owned subsidiary of Perpetual Limited, to act as licensed trustee for our superannuation business
- created an internal Office of Superannuation Trustee, whose role is to assist the superannuation trustee in its duties
- commenced the implementation of Perpetual's anti-money laundering and counter terrorism financing program

Confirmation of strategic priorities for our business

In May, we outlined the strategic priorities for our business for 2008, which were to:

- maintain focus on good investment performance in Australian equities and continue to offer a range of new and innovative products to grow revenue margins
- grow funds under management in other asset classes by strengthening asset management, sales and support capabilities in global equities, credit, mortgages, property and other asset classes
- accelerate growth in Perpetual Private Clients' share of the high net worth and emerging high net worth investor market by expanding high quality adviser teams and improving support capabilities
- leverage capability and market position as a securitisation trustee by rapidly driving growth in the mortgage services business and becoming an industry hub and outsource partner of choice to the lending industry

New organisation structure

Since our board's approval of our business strategy earlier this year, we started looking at ways to create greater alignment between the strategy and our organisation structure. In September, we announced a new structure for Perpetual.

Put simply, we wanted to align our structure with our strategy. We also wanted to create business units with clearly defined P&L's, deliverables and accountabilities.

Under the new structure, Perpetual's new business units are:

- Australian equities, which comprises our funds management activities for Australian equities for both our institutional and advised customers
- Global equities, which comprises our funds management activities for global equities for our institutional and advised customers in Australia and overseas
- Income and Multi Sector, which comprises our cash, fixed interest, mortgage, property and other funds management activities for our institutional and advised customers. It also comprises our Select multi-manager and balanced fund management activities
- Private Wealth, which comprises all our current and future direct-to-customer business. This includes Perpetual Private Clients and our direct funds management business. It also includes our marketing activities
- Operations, which comprises Product, the former Wealth Management and Group IT functions, and Client Service and Administration. It also includes our Structured Products and Platforms businesses

All other existing business units, Perpetual Corporate Trust, Finance, Risk and People and Culture, remain unchanged.

Each unit is to be headed by a Group Executive, who will be part of Perpetual's Executive Committee and report directly to me.

We do not anticipate any material impact on costs as a result of the reorganisation.

I look forward to updating you on progress of the performance of these business units in the future.

Current credit market crisis

As mentioned in Bob's forecast of our performance for the half year to 31 December 2007, the year to date has been impacted by the crisis in the global credit markets. While events of this nature are very unusual, they have had an impact on Perpetual's Income business and on our Corporate Trust business, both of which transact in the credit markets.

1. The first direct impact is on the performance of Perpetual's Enhanced Cash Funds. Consistent with Perpetual's philosophy of investing, all of these funds are highly diversified, highly liquid and are comprised of quality securities. Despite this, the rapid and significant expansion of credit spreads in July and August resulted in under performance for these funds relative to benchmark. It should be noted that this level of under performance is around a half of 1 per cent and that the performance of these funds remains positive.
2. The second impact is through Perpetual Corporate Trust via its role as a trustee to securitisation issuances. Since July, we have observed a significant slowing in the volume of issuances and we are closely monitoring the impact of this upon both our banking and non-banking clients.

The credit crisis is a timely reminder of two core investment principles which are at the heart of Perpetual's investment philosophy, those being the importance of diversification and a focus on quality.

Conclusion

Perpetual is focussed and poised to deliver another good result for shareholders in 2008. We have a clear vision and strategy to generate long-term shareholder value, our organisation structure has been refined and our teams are engaged in the delivery of our strategy.

I would like to thank the board for their continued leadership, guidance and support. Finally, I would again like to thank the Perpetual team for your dedication and hard work over the course of the year which has resulted in yet another excellent result for Perpetual shareholders.

I will now hand back to Bob.

Thank you

David Deverall
Chief Executive Officer and Managing Director
Sydney 30 October 2007

Chairman's address to shareholders on the Remuneration Report

Introduction

Ladies and gentlemen

This section of the Annual General Meeting is devoted to remuneration matters. There are two remuneration matters on which you will be asked to vote on at this Meeting:

- first, the non-binding vote on the Remuneration Report
- second, the allocation of shares and options to Mr David Deverall, Perpetual's Managing Director and Chief Executive Officer, under the long-term incentive plan

Non-binding vote on the Remuneration Report

Since the introduction of our new strategy four years ago, we have continued to deliver strong growth resulting in a total shareholder return (TSR) of 34 per cent per annum.

By comparison, the S&P/ASX100 Accumulation Index returned 25 per cent per annum over the same period. Our strong performance relative to other companies in our comparator group is demonstrated by our relative TSR ranking.

If we look back over the last decade, we see similar levels of returns. Since 1997, we have continuously returned in excess of 30 per cent per annum to shareholders, significantly exceeding the S&P/ASX100 Accumulation Index by 17 per cent per annum for the same period.

We are very proud of these achievements. They prove the soundness of our strategy but, even more importantly, they are testament to the successful engagement of our people in its delivery.

We are fundamentally a people business. Our ability to attract, motivate and retain the best talent in the market enables us to deliver upon our most basic of tasks as a publicly listed company: that is to create long-term value for you, our shareholders.

The Australian labour market is at its lowest rate of unemployment in 30 years. This fact is specifically relevant to the financial services industry. As a member of that industry, we must compete, and compete aggressively, for talent.

Our industry is one of the truly globalised sectors in our economy. As such, this competition for Australian talent is not only being fought in the local market but also in more competitively remunerated markets like London, New York and Asia.

The success of Perpetual in 2007 was driven by a high performance culture which recognises and rewards achievement. It also seeks to motivate and drive commitment to Perpetual by encouraging our people to be shareholders of the company.

Your board believes that this ownership mindset drives performance through 'at risk' incentive payments and ultimately aligns the interests of our people with those of our shareholders. This is one of our key drivers of continued long-term shareholder value creation.

I am pleased to reconfirm that our employees as a single group continue to be Perpetual's largest shareholders and importantly this has been achieved without compromising the growth of shareholder wealth.

The People and Remuneration Committee has re-approved a remuneration policy for our employees based on the following five key principles:

1. variable pay should be a feature of all employees' remuneration. For more senior employees, variable pay forms a significant part of overall remuneration. Fixed remuneration should be competitive
2. variable pay is linked to shareholder wealth creation and individuals are clear on performance criteria
3. short-term incentive payments are based on yearly performance and uncapped to allow for recognition of performance
4. short-term incentive payments should be made out of the realised profits of the organisation
5. equity participation within the organisation should be increased to encourage a sense of ownership, be appropriately tied to challenging hurdles and encourage retention of key individuals

Perpetual seeks to reward success and motivate employees through a combination of fixed salary, which is set around the median market range, and variable performance-based incentives, which are paid from profits and not budgeted as fixed costs.

These incentives come in the form of a profit participation pool for employees and long-term incentive schemes for senior employees which, for the vast majority of participants, are share-based schemes.

Due to competitive intelligence reasons, we are not in a position to disclose the value of our employee profit pool. However, as you can see from the slide, there is a clear correlation between operating profit after tax and short-term incentives.

Incentives form a significant part of our remuneration, particularly for our key senior management and group executives for whom the variable component averages between 40-60 per cent of their total remuneration. I would also like to note that the variable component of David Deverall's remuneration is as high as 72 per cent.

An abridged version of the Remuneration Report is available to shareholders on pages 47 and 48 of the 'Part I: Annual Review' or in full version from page 14 to page 31 in the 'Part II: Statutory Financial Statements'. I would encourage you to take the time to read this year's Report, which like our remuneration policy remains fundamentally unchanged since last year.

I do not intend to review the Report on this occasion, but as always there will of course be ample time for any shareholder who has questions to put these to the board later in this Meeting.

Before I move on to discuss changes to David's long-term incentive arrangements, I would like to briefly touch on the subject of Perpetual's long-term incentive programs and the re-testing of performance hurdles. Some of these issues have been raised by some of our stakeholders.

To qualify for their long-term incentives, our people must exceed their performance hurdles and also deliver returns to shareholders over a three year period before they can experience any reward for their efforts.

We also allow for the re-testing of these hurdles after four years and for good reason. Three years are not always sufficient for the benefits of our strategic initiatives to flow through to the business. Accordingly, we re-test the hurdles after the fourth year to give our people appropriate time and opportunity to achieve the goals that have been set for them. If their three year targets are not met, key management must meet equally arduous four year targets of 10 per cent compound EPS growth over the period and equally difficult TSR hurdles.

We believe this practice strengthens the bond between employees and shareholders in that, if the targets are achieved at the end of the fourth year, both shareholders and employees will benefit.

Managing Director and Chief Executive Officer long-term incentive plan

The board is pleased to note that August was the fourth anniversary of the appointment of Perpetual's Chief Executive Officer and Managing Director, Mr David Deverall.

In September, we announced the details of the new contract to the market that included the new business long term incentive arrangement.

Since David assumed his role with Perpetual in 2003, operating profit after tax has increased from $72.5 million in 2003 to $145.3 million in 2007, a compound annual growth rate of 19 per cent per annum; EBITDA has grown from $117.4 million in 2003 to $238.0 million in 2007, a compound annual growth rate of 19 per cent per annum; and underlying earnings per share on OPAT has risen from $1.91 in 2003 to $3.53 in 2007, a compound annual growth rate of 17 per cent per annum.

These are excellent results and David should be very proud of these achievements.

In reviewing David's remuneration in 2007 and taking into consideration the changes to the organisation and its structure over the past four years, the board believed a new business long-term incentive (LTI) arrangement should be introduced into his remuneration package in addition to his existing group long-term incentive.

As part of this process, the board considered the competitiveness and alignment of David's existing remuneration with the market and the need for an additional incentive to drive sustained growth of the company at an accelerated rate.

The business LTI has been designed to only vest if stretch performance targets are met. I should note that these targets have been set at higher levels than those of David's existing group long-term incentive arrangement.

Subject to shareholder approval at this Meeting, David will be eligible to receive a LTI business benefit equivalent of up to $6 million over a five year period. The LTI business benefit consists of shares to be issued under our 'Executive Share Plan' and options to be issued under our 'Executive Option Plan'.

David's LTI business benefit is subject to a number of performance hurdles associated with earnings per share (EPS) and operating profit after tax (OPAT). The combined hurdles are challenging and have been designed to only reward exceptional performance. These measures were chosen because they demonstrate growth in the company's earnings and profits.

The percentage of the LTI business benefit that may vest will be assessed as follows:

- achievement of agreed compound annual growth rate (CAGR) in the company's EPS between 30 June 2007 and 30 June 2012 and
- achievement of OPAT targets specified by the board

A threshold EPS CAGR of 11 per cent is required before any shares or options can vest in 2012. If thresholds are achieved, vesting will occur as follows:

- 10 per cent of the total shares and options will vest if an EPS CAGR of 11 per cent and required OPAT targets are achieved
- 100 per cent of the shares and options will vest if an EPS CAGR of 20 per cent and required OPAT targets are achieved
- a sliding scale of vesting operates if an EPS CAGR greater than 11 per cent and below 20 per cent and required OPAT targets are achieved

To further encourage the company's growth, there is an opportunity for accelerated vesting as at 30 June 2010 of up to $4 million of the original benefit. A threshold EPS CAGR of 15 per cent is required before any shares or options can vest in 2010.

If thresholds are achieved, vesting will occur as follows:

- shares and options valued at $2 million will vest if an EPS CAGR of 15 per cent and required OPAT targets are achieved
- shares and options valued at a total of $4 million will vest if an EPS CAGR of 25 per cent and required OPAT targets are achieved
- a sliding scale of vesting operates if an EPS CAGR greater than 15 per cent and below 25 per cent and required OPAT targets are achieved

Any shares and options that do not vest will be forfeited as at 30 June 2012.

I trust I have provided sufficient information for you to make an informed vote on these two important items which the board believes will contribute to continued growth in shareholder value.

Thank you

Bob Savage
Chairman
Sydney 30 October 2007

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