Financial Statements of Perpetual Limited and its controlled entities for the year ended 30 June 2009

Table of contents

Income Statements for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Revenue from the provision of services		365,528	476,306	7,783	21,672
Income from structured products		107,440	117,567	-	-
Investment income		9,570	19,376	98,646	136,437
	3	482,538	613,249	106,429	158,109
Staff related expenses excluding equity remuneration expense	4	(168,584)	(187,222)	(13,417)	(5,934)
Occupancy expenses		(17,019)	(16,010)	(305)	(681)
Administrative and general expenses		(61,423)	(65,387)	(2,769)	(5,339)
Distributions and expenses relating to structured products		(127,169)	(154,419)	-	-
Earnings before interest, tax, depreciation, amortisation, equity remuneration expense, profit/(loss) on disposal of investments and impairment of available-for-sale securities		108,343	190,211	89,938	146,155
Financing costs		(2,507)	(3,276)	-	(53)
Equity remuneration expense	4	(25,930)	(20,424)	-	-
Depreciation and amortisation expense	4	(13,163)	(9,792)	(11,161)	(8,414)
		(41,600)	(33,492)	(11,161)	(8,467)
Proceeds from sale of investments	5	60,328	146,893	28,260	65,297
Cost of investments disposed of		(67,001)	(112,642)	(29,712)	(40,343)
(Loss)/profit on disposal of investments	4,6	(6,673)	34,251	(1,452)	24,954
Impairment of available-for-sale securities	6	(1,065)	(2,971)	(1,065)	(2,971)
Share of profit of equity accounted investees, net of income tax		111	-	-	-
Net profit before tax		59,116	187,999	76,260	159,671
Income tax (expense)/benefit		(23,082)	(49,051)	3,793	(7,094)
Income tax benefit/(expense) on disposal of investments		1,657	(10,135)	695	(7,623)
Income tax (expense)/benefit	9	(21,425)	(59,186)	4,488	(14,717)
Net profit after tax		37,691	128,813	80,748	144,954
Loss after tax attributable to minority interests		58	-	-	-
Net profit after tax attributable to equity holders of Perpetual Limited		**37,749**	**128,813**	**80,748**	**144,954**
Basic earnings per share attributable to ordinary equity holders – cents per share	11	96.0	329.6		
Diluted earnings per share attributable to ordinary equity holders – cents per share	11	89.4	309.4		

These Income Statements are to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 7 to 72.

Balance Sheets as at 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Current assets					
Cash and cash equivalents	12	146,138	183,111	47,943	76,324
Receivables	13	78,148	88,503	80,316	75,245
Other financial assets	14	100	100	-	-
Structured products – EMCF assets	30	1,495,790	1,507,331	-	-
Structured products – receivable from investors	30	108,935	-	-	-
Derivative financial instruments	16	145	15,503	11	-
Prepayments	20	11,820	7,781	3,923	4,074
Total current assets		1,841,076	1,802,329	132,193	155,643
Non-current assets					
Receivables	13	4,200	-	-	-
Interest in associates using the equity method	15	6,924	-	-	-
Shares in other companies, investments in unlisted unit trusts and other financial assets	14	36,709	77,032	275,406	256,265
Structured products – loans receivable	30	210,716	343,633	-	-
Property, plant and equipment	17	27,730	30,654	27,223	30,439
Intangibles	18	112,660	87,956	25,133	20,336
Deferred tax assets	19	30,381	28,538	21,922	20,117
Total non-current assets		429,320	567,813	349,684	327,157
Total assets		2,270,396	2,370,142	481,877	482,800
Current liabilities					
Payables	21	35,442	43,554	71,120	66,700
Structured products – EMCF liabilities	30	1,498,254	1,507,331	-	-
Structured products – payable to investors	30	-	122,705	-	-
Structured products – interest-bearing liabilities	30	107,683	-	-	-
Structured products – income received in advance	22	13,563	21,264	-	-
Derivative financial instruments	16	821	235	-	-
Current tax liabilities		150	25,408	104	25,396
Employee benefits	27	29,296	37,122	25,356	36,849
Provisions	24	6,796	825	6,796	825
Total current liabilities		1,692,005	1,758,444	103,376	129,770
Non-current liabilities					
Payables	21	1,819	8,401	1,529	-
Interest-bearing liabilities	23	45,000	45,000	-	-
Structured products – interest-bearing liabilities	30	211,065	215,600	-	-
Deferred tax liabilities	19	2,137	1,587	2	1,382
Employee benefits	27	2,371	2,125	2,371	2,092
Provisions	24	25,958	24,575	21,332	19,666
Total non-current liabilities		288,350	297,288	25,234	23,140
Total liabilities		1,980,355	2,055,732	128,610	152,910
Net assets		290,041	314,410	353,267	329,890
Equity					
Contributed equity	25	174,222	163,811	204,520	193,460
Reserves	26	43,298	44,280	39,447	36,968
Retained earnings		72,413	105,574	109,300	99,462
Total equity attributable to holders of parent		289,933	313,665	353,267	329,890
Minority interest		108	745	-	-
Total equity		290,041	314,410	353,267	329,890

These Balance Sheets are to be read in conjunction with the 'Notes to the Financial Statements' set out on pages 7 to 72.

Statements of Changes in Equity for the year ended 30 June 2009

Consolidated $'000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cash flow hedge reserve	Total reserves	Retained earnings	Total	Minority interest	Total
Balance at 1 July 2008	324,703	(160,892)	163,811	4,907	103	(688)	37,114	2,844	44,280	105,574	313,665	745	314,410
Items recognised directly in equity													
Foreign exchange translation differences	-	-	-	-	-	197	-	-	197	-	197	-	197
Impairment of investments	-	-	-	(1,214)	-	-	-	-	(1,214)	-	(1,214)	-	(1,214)
Change in fair value of financial assets available for sale	-	-	-	(11,020)	-	-	-	-	(11,020)	-	(11,020)	-	(11,020)
Deferred income tax liability on change in fair value of assets	-	-	-	3,311	-	-	-	-	3,311	-	3,311	-	3,311
Net income recognised directly in equity	-	-	-	(8,923)	-	197	-	-	(8,726)	-	(8,726)	-	(8,726)
Profit for the year	-	-	-	-	-	-	-	-	-	37,749	37,749	(58)	37,691
Total recognised income and expense for the year	-	-	-	(8,923)	-	197	-	-	(8,726)	37,749	29,023	(58)	28,965
Options exercised	2,347	-	2,347	-	-	-	(1,250)	-	(1,250)	-	1,097	-	1,097
Employee Share Purchase Plan loan repayments during the year	-	394	394	-	-	-	-	-	-	-	394	-	394
Treasury shares issued during the year	26,153	(26,153)	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased on market	-	(410)	(410)	-	-	-	-	-	-	-	(410)	-	(410)
Treasury shares vested during the year	-	8,534	8,534	-	-	-	(8,534)	-	(8,534)	-	-	-	-
Fair value adjustment on recycled and vested TSR shares	(5,853)	6,003	150	-	-	-	(150)	-	(150)	-	-	-	-
Dividends on treasury shares used to purchase equity	-	(604)	(604)	-	-	-	604	-	604	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(76,167)	(76,167)	-	(76,167)
Dividends paid on treasury shares	-	-	-	-	-	-	(5,257)	-	(5,257)	5,257	-	-	-
Mark to market of interest rate swaps	-	-	-	-	-	-	-	(3,585)	(3,585)	-	(3,585)	-	(3,585)
Transfer of mark to market of interest rate swaps to profit and loss	-	-	-	-	-	-	-	(14)	(14)	-	(14)	-	(14)
ESPP and options vested	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of treasury shares and options	-	-	-	-	-	-	25,930	-	25,930	-	25,930	-	25,930
Minority interest	-	-	-	-	-	-	-	-	-	-	-	(579)	(579)
Balance at 30 June 2009	**347,350**	**(173,128)**	**174,222**	**(4,016)**	**103**	**(491)**	**48,457**	**(755)**	**43,298**	**72,413**	**289,933**	**108**	**290,041**

Consolidated $'000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	General reserve	Foreign currency reserve	Equity compensation reserve	Cash flow hedge reserve	Total reserves	Retained earnings	Total	Minority interest	Total
Balance at 1 July 2007	277,799	(125,158)	152,641	32,660	103	(913)	32,539	117	64,506	123,817	340,964	-	340,964
Items recognised directly in equity													
Foreign exchange translation differences	-	-	-	-	-	225	-	-	225	-	225	-	225
Impairment of investments	-	-	-	2,971	-	-	-	-	2,971	-	2,971	-	2,971
Change in fair value of financial assets available for sale	-	-	-	(43,658)	-	-	-	-	(43,658)	-	(43,658)	-	(43,658)
Deferred income tax liability on change in fair value of assets	-	-	-	13,132	-	-	-	-	13,132	-	13,132	-	13,132
Net income recognised directly in equity	-	-	-	(27,555)	-	225	-	-	(27,330)	-	(27,330)	-	(27,330)
Profit for the year	-	-	-	-	-	-	-	-	-	128,813	128,813	-	128,813
Total recognised income and expense for the year	-	-	-	(27,555)	-	225	-	-	(27,330)	128,813	101,483	-	101,483
Options exercised	5,129	-	5,129	-	-	-	-	-	-	-	5,129	-	5,129
Employee Share Purchase Plan loan repayments during the year	-	893	893	-	-	-	-	-	-	-	893	-	893
Treasury shares issued during the year	42,776	(42,776)	-	-	-	-	-	-	-	-	-	-	-
Treasury shares purchased on market	-	(1,250)	(1,250)	-	-	-	-	-	-	-	(1,250)	-	(1,250)
Treasury shares vested during the year	-	7,674	7,674	-	-	-	(7,674)	-	(7,674)	-	-	-	-
Fair value adjustment on recycled and vested TSR shares	(1,001)	1,001	-	-	-	-	-	-	-	-	-	-	-
Dividends on treasury shares used to purchase equity	-	(1,276)	(1,276)	-	-	-	1,276	-	1,276	-	-	-	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	(156,476)	(156,476)	-	(156,476)
Dividends paid on treasury shares	-	-	-	-	-	-	(9,420)	-	(9,420)	9,420	-	-	-
Mark to market of interest rate swaps	-	-	-	-	-	-	-	2,882	2,882	-	2,882	-	2,882
Transfer of mark to market of interest rate swaps to profit and loss	-	-	-	-	-	-	-	(155)	(155)	-	(155)	-	(155)
Perpetual James Fielding fair value adjustment	-	-	-	(198)	-	-	-	-	(198)	-	(198)	-	(198)
ESPP and options vested	-	-	-	-	-	-	(31)	-	(31)	-	(31)	-	(31)
Amortisation of treasury shares	-	-	-	-	-	-	20,424	-	20,424	-	20,424	-	20,424
Minority interest	-	-	-	-	-	-	-	-	-	-	-	745	745
Balance at 30 June 2008	**324,703**	**(160,892)**	**163,811**	**4,907**	**103**	**(688)**	**37,114**	**2,844**	**44,280**	**105,574**	**313,665**	**745**	**314,410**

These Statements of Changes in Equity are to be read in conjunction with the "Notes to the Financial Statements" set out on pages 7 to 72.

Statements of Changes in Equity for the year ended 30 June 2009

Company $'000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	Equity compensation reserve	Total reserves	Retained earnings	Total
Balance at 1 July 2008	324,703	(131,243)	193,460	6,224	30,744	36,968	99,462	329,890
Items recognised directly in equity								
Impairment of investments	-	-	-	(1,214)	-	(1,214)	-	(1,214)
Change in fair value of financial assets available for sale	-	-	-	(10,093)	-	(10,093)	-	(10,093)
Deferred income tax liability on change in fair value of assets	-	-	-	3,028	-	3,028	-	3,028
Net income recognised directly in equity	-	-	-	(8,279)	-	(8,279)	-	(8,279)
Profit for the year	-	-	-	-	-	-	80,748	80,748
Total recognised income and expense for the year	-	-	-	(8,279)	-	(8,279)	80,748	72,469
Options exercised	2,347	-	2,347	-	(1,250)	(1,250)	-	1,097
Employee Share Purchase Plan loan repayments during the year	-	394	394	-	-	-	-	394
Issue of ordinary shares	649	-	649	-	-	-	-	649
Treasury shares issued during the year	25,503	(25,503)	-	-	-	-	-	-
Treasury shares purchased on market	-	(410)	(410)	-	-	-	-	(410)
Treasury shares vested during the year	-	8,534	8,534	-	(8,534)	(8,534)	-	-
Fair value adjustment on recycled and vested TSR shares	(5,853)	6,003	150	-	(150)	(150)	-	-
Options vested during the year	-	-	-	-	-	-	-	-
Dividends on treasury shares used to purchase equity	-	(604)	(604)	-	604	604	-	-
Dividends paid to shareholders	-	-	-	-	-	-	(76,167)	(76,167)
Dividends paid on treasury shares	-	-	-	-	(5,257)	(5,257)	5,257	-
Foreign currency translation differences	-	-	-	-	-	-	-	-
Amortisation of treasury shares	-	-	-	-	25,345	25,345	-	25,345
Balance at 30 June 2009	**347,349**	**(142,829)**	**204,520**	**(2,055)**	**41,502**	**39,447**	**109,300**	**353,267**

Company $'000	Gross contributed equity	Treasury share reserve	Total contributed equity	Available for sale reserve	Equity compensation reserve	Total reserves	Retained earnings	Total
Balance at 1 July 2007	277,799	(96,231)	181,568	22,861	24,433	47,294	101,567	330,429
Items recognised directly in equity								
Impairment of investments	-	-	-	2,971	-	2,971	-	2,971
Change in fair value of financial assets available for sale	-	-	-	(28,012)	-	(28,012)	-	(28,012)
Deferred income tax liability on change in fair value of assets	-	-	-	8,404	-	8,404	-	8,404
Net income recognised directly in equity	-	-	-	(16,637)	-	(16,637)	-	(16,637)
Profit for the year	-	-	-	-	-	-	144,954	144,954
Total recognised income and expense for the year	-	-	-	(16,637)	-	(16,637)	144,954	128,317
Options exercised	5,129	-	5,129	-	-	-	-	5,129
Employee Share Purchase Plan loan repayments during the year	-	893	893	-	-	-	-	893
Treasury shares issued during the year	42,776	(42,776)	-	-	-	-	-	-
Treasury shares purchased on market	-	(1,250)	(1,250)	-	-	-	-	(1,250)
Treasury shares vested during the year	-	7,822	7,822	-	(7,822)	(7,822)	-	-
Fair value adjustment on recycled and vested TSR shares	(1,001)	1,001	-	-	-	-	-	-
Options vested during the year	-	-	-	-	907	907	-	907
Dividends on treasury shares used to purchase equity	-	(702)	(702)	-	702	702	-	-
Dividends paid to shareholders	-	-	-	-	-	-	(156,476)	(156,476)
Dividends paid on treasury shares	-	-	-	-	(9,420)	(9,420)	9,420	-
Foreign currency translation differences	-	-	-	-	-	-	(3)	(3)
Amortisation of treasury shares	-	-	-	-	21,944	21,944	-	21,944
Balance at 30 June 2008	**324,703**	**(131,243)**	**193,460**	**6,224**	**30,744**	**36,968**	**99,462**	**329,890**

These Statements of Changes in Equity are to be read in conjunction with the "Notes to the Financial Statements" set out on pages 7 to 72.

Cash Flow Statements for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		406,814	480,162	30,633	26,903
Cash payments in the course of operations		(312,969)	(310,671)	(36,407)	(9,171)
Dividends received		1,196	1,921	86,900	115,626
Interest received		5,898	13,432	4,881	10,443
Interest paid		(2,507)	(3,276)	-	(53)
Net advances from/(to) subsidiaries		-	-	44,943	(21,447)
Income taxes paid		(35,707)	(72,518)	(35,609)	(24,560)
Net cash from operating activities	35	62,725	109,050	95,341	97,741
Cash flows from investing activities					
Payments for property, plant and equipment		(14,035)	(17,680)	(13,209)	(16,514)
Payments for investments		(42,933)	(102,793)	(37,059)	(24,348)
Repayments of advances made under the Employee Share Purchase Plan		394	893	394	893
Acquisition of businesses		(19,173)	(5,418)	(19,173)	-
Proceeds from the sale of investments		60,328	151,961	28,260	74,593
Loan to Palisade Diversified Infrastructure Fund		-	(6,000)	-	-
Tax paid on sale of investments		(8,799)	(10,135)	(8,104)	(7,623)
Net cash from investing activities		(24,218)	10,828	(48,891)	27,001
Cash flows from financing activities					
Proceeds from issue of shares		1,097	5,129	1,746	5,129
Payments for on market share purchase		(410)	-	(410)	-
Dividends paid		(76,167)	(156,476)	(76,167)	(156,476)
Net cash used in financing activities		(75,480)	(151,347)	(74,831)	(151,347)
Net decrease in cash and cash equivalents		(36,973)	(31,469)	(28,381)	(26,605)
Cash and cash equivalents at 1 July		183,111	214,580	76,324	102,929
Cash and cash equivalents at 30 June	12	146,138	183,111	47,943	76,324

These Cash Flow Statements are to be read in conjunction with 'Notes to the Financial Statements' set out on pages 7 to 72.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 1. Reporting entity

Perpetual Limited (the Company) is domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2009 comprises the Company and its controlled entities (together referred to as the consolidated entity) and the consolidated entity's interests in associates.

The financial report was authorised for issue by the directors on 19th August 2009.

The consolidated annual report for the consolidated entity as of and for the year ended 30 June 2009 is available at www.perpetual.com.au.

Note 2. Summary of significant accounting policies

a. Statement of compliance

The financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

The financial reports of the consolidated entity and the Company also comply with International Financial Reporting Standards and interpretations (IFRS) adopted by the International Accounting Standards Board (IASB).

b. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative financial instruments which are measured at fair value. Non-current assets are stated at the lower of carrying amount or fair value less selling costs.

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency and the functional currency of the majority of the consolidated entity. Functional currency is the currency of the primary economic environment in which the entity operates.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial report are:

- Note 16. Derivative financial instruments
- Note 18. Intangibles
- Note 19. Deferred income tax assets/(liabilities)
- Note 24. Provisions
- Note 27. Employee benefits
- Note 30. Structured products assets and liabilities
- Note 32. Contingencies
- Note 36. Business combinations

Note 2. Summary of significant accounting policies (continued)

b. Basis of preparation (continued)

The accounting policies set out below have been applied consistently to all periods presented in the consolidated report, and have been applied consistently by the consolidated entity.

c. Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the consolidated entity. Control exists when the consolidated entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable are taken into account. Financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Investments in subsidiaries are carried at cost in the Company’s financial statements.

(ii) Share plan entities

The consolidated entity has established a number of share plan entities (SPE) in relation to the administration of employee share plans rather than for trading and investment purposes. A SPE is consolidated if, based on an evaluation of the substance of its relationships within the consolidated entity and the SPE’s risks and rewards, the consolidated entity concludes that it controls the SPE. SPE controlled by the consolidated entity were established under terms that impose strict limitations on the decision making powers of the SPE's management and that result in the consolidated entity receiving the majority of the benefits related to the SPE operations and net assets, being exposed to risks incident to the SPEs activities and retaining the majority of the residual or ownership risks related to the SPE or their assets.

(iii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the consolidated entity holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the consolidated entity’s share of the income and expenses of associates, after adjustments to align the accounting policies with those of the consolidated entity, from the date significant influence commences until the date significant influence ceases. When the consolidated entity’s share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations to make payments on behalf of an associate.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the consolidated entity’s interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised when the contributed assets are consumed or sold by the associates or, if not consumed or sold, when the consolidated entity’s interest in such entities is disposed of.

d. Foreign currency translation

(i) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Note 2. Summary of significant accounting policies (continued)

d. Foreign currency translation (continued)

(i) Foreign currency transactions and balances (continued)
Translation differences on financial assets and liabilities carried at fair value are reported as part of their fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the available for sale reserve in equity.

(ii) Foreign operations

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into Australian dollars as follows:

- Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each Income Statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting foreign exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, a proportionate share of such exchange differences are recognised in the Income Statement as part of the gain or loss on sale where applicable.

e. Intangibles

(i) Goodwill
Goodwill represents the excess of acquisition cost over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and on acquisition of associates is included in investment in associates. Goodwill is allocated to cash-generating units and is not amortised, but tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. When impaired, goodwill is carried at cost less accumulated impairment losses (see accounting policy u).

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

(ii) Software
Certain internal and external costs directly incurred in acquiring and developing software have been capitalised and are amortised over their useful life. Development costs include only those costs directly attributable to the development phase and are only recognised following completion of a technical feasibility study and where the consolidated entity has an intention and ability to use the asset. Costs incurred on software maintenance are expensed as incurred.

(iii) Other intangible assets

Other intangible assets acquired by the consolidated entity, which have finite useful lives, are stated at cost less accumulated amortisation (refer to accounting policy e (v)) and impairment losses (see accounting policy u).

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 2. Summary of significant accounting policies (continued)

e. Intangibles (continued)

(iv) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation
Amortisation is recognised in the Income Statement on a straight-line basis over the period the benefits from the assets arise, unless these assets are indefinite life assets. Goodwill and other intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are amortised from the date they are available for use.

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

- capitalised software costs: 2.5 - 5 years
- funds under management acquired: 5 years
- customer contracts acquired: 5 - 10 years.

f. Revenue and income recognition

Revenue is recognised at fair value of consideration received or receivable net of goods and services tax payable to the taxation authority.

(i) Revenue from the provision of services
Revenue is earned from provision of services to customers outside the consolidated entity. Revenue is recognised when services are provided.

(ii) Income from structured products
Refer to accounting policy (l) for details on income from structured products.

(iii) Investment income
Interest income is recognised as it accrues taking into account the effective yield of the financial asset.

Dividend income is recognised in the Income Statement on the date the entity's right to receive payment is established which, in the case of quoted securities, is the ex-dividend date.

Unit trust distributions are recognised in the Income Statement as they are received.

(iv) Proceeds from sale of investments
Net gains or losses on disposal of non-current assets are included in the Income Statement. The gain or loss arising from disposal of an item of property, plant and equipment is determined as the difference between net disposal proceeds, being the cash price equivalent where payment is deferred, and the carrying amount of the item.

Profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

g. Segment reporting

A segment is a distinguishable component of the consolidated entity engaged in providing related services (business segment), or providing services within an economic environment (geographical segment), which is subject to risks and rewards different from those of other segments. The consolidated entity’s primary format for segment reporting is based on business segments. The business segments are determined based on the consolidated entity’s management and internal reporting structure.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 2. Summary of significant accounting policies (continued)

h. Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between initial carrying amount and redemption value being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Interest-bearing borrowings are removed from the Balance Sheet when the obligation specified in the contract is discharged, cancelled or expired.

i. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

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

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

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

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

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

(i) Tax consolidation

The Company and its wholly owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Perpetual Limited.

Current tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Note 2. Summary of significant accounting policies (continued)

i. Income tax (continued)

(i) Tax consolidation (continued)
Current tax liabilities or assets and deferred tax assets arising from unused tax losses and tax credits of subsidiaries are assumed by the Company in the tax-consolidated group and are recognised as amounts payable to or receivable from other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer accounting policy i (ii)). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements
The head entity, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to or from the head entity equal to the current tax liability or asset assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-company receivable or payable equal to the tax liability or asset assumed. The inter-company receivable or payable is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

j. Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow statements on a gross basis. GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

k. Investments

(i) Held-to-maturity investments
Investments are classified as held-to-maturity if the consolidated entity has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Note 2. Summary of significant accounting policies (continued)

k. Investments (continued)

(ii) Available-for-sale financial assets

The consolidated entity's investments in equity securities and unlisted unit trusts are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see accounting policy u), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the Income Statement.

The fair value of financial instruments classified as available-for-sale is their quoted bid price at the balance sheet date.

(iii) Investments at fair value through profit or loss

Investments are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. The consolidated entity's derivative instruments within asset management incubation funds are classified as held for trading financial assets. On initial recognition, attributable transaction costs are recognised in the Income Statement when incurred.

Financial instruments designated at fair value through profit or loss are measured at fair value and changes recognised in the Income Statement.

l. Structured products

Structured products comprise products sold to investors where there is residual risk taken by the Company. Currently, structured products comprise products such as the Exact Market Cash Funds (the EMCF product) and Perpetual Protected Investments (PPI). Refer to Note 30 for details on the EMCF product and PPI.

(i) Exact Market Cash Funds

The EMCF product consisting of two Funds (EMCF 1 and EMCF 2) is consolidated as the consolidated entity is deemed to control the EMCFs since it retains the residual risks and benefits through total return swaps. The total return swaps result in the benchmark rate of return being paid to the unitholders in the Fund. The total return swap is an inter-company transaction between a subsidiary of the Company and the Funds and is eliminated on consolidation.

Assets and liabilities of the EMCF product are disclosed separately on the face of the Balance Sheet as structured product assets and structured product liabilities. The benchmark return generated by the EMCF product and distributions to unit holders are shown separately on the Income Statement as distributions and expenses related to structured products.

The financial assets represented by the structured products assets balance are accounted for in accordance with the underlying accounting policies of the consolidated entity. These consist of investments accounted for at fair value as available for sale financial assets.

Details of funding and operations of the EMCF product are set out in Note 30.

(ii) Perpetual Protected Investments

Loans to investors are held at amortised cost on the Balance Sheet (referred to as Structured products – loan receivables) and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Note 2. Summary of significant accounting policies (continued)

l. Structured products (continued)

(ii) Perpetual Protected Investments (continued)

Loans to investors are subject to recurring review and assessment for possible impairment. Provisions for loan losses are based on an incurred loss model, which recognises a provision where there is objective evidence of impairment at each balance sheet date, and are calculated based on the discounted values of expected future cash flows.

The incurred loss model makes specific provision where specific loan impairment is identified. For individual loans not impaired, assets with similar risk profiles are pooled and collectively assessed for losses that have been incurred but not yet identified. Bad debts are written off in the period in which they are identified.

Management makes judgements whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that correlate with defaults on assets in that group.

Details of funding and operations of PPI are set out in Note 30.

m. Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy u).

Cost includes expenditures that are directly attributable to the acquisition of the asset. Cost of self-constructed assets includes cost of materials, direct labour, an appropriate proportion of overheads and where relevant, the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The consolidated entity recognises the cost of replacing part of an item of property, plant and equipment in the carrying amount of that item when the cost is incurred, it is probable that future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the Income Statement as an expense when incurred.

(iii) Depreciation

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

- plant and equipment: 4 - 10 years
- leasehold improvements: 3 - 15 years.

The residual value, if not insignificant, useful life and depreciation method applied to an asset are reassessed at least annually.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 2. Summary of significant accounting policies (continued)

n. Receivables

Receivables are stated at amortised cost using the effective interest method less impairment losses (see accounting policy u).

o. Expenses

(i) Operating leases

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

The difference between the cash amount paid and the amount recognised as an expense in the Income Statement is recognised as a lease provision in the Balance Sheet (see accounting policy q). The provision is expected to be realised over the term of the underlying leases.

(ii) Financing costs

Financing costs comprise interest payments on borrowings and derivative financial instruments calculated using the effective interest method.

p. Payables

Payables are stated at amortised cost and are non-interest bearing.

q. Provisions

A provision is recognised in the Balance Sheet when the consolidated entity has a present legal or constructive obligation that can be measured reliably as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

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

(i) Onerous leases and make good

A provision for onerous leases and make good is recognised when the consolidated entity is responsible for the make good of leased premises on termination of operating leases.

(ii) Restructuring

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

(iii) Self-insurance

Provision for self-insurance recognises incurred but not reported claims. These provisions are measured at the cost that the consolidated entity expects to incur in settling the claim, discounted using a government bond rate with a maturity date approximating the term of the obligation.

Note 2. Summary of significant accounting policies (continued)

q. Provisions (continued)

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

(v) Lease expense
A provision for lease expense represents the difference between the cash amount paid and the amount recognised as an expense in the Income Statement. The provision is expected to be realised over the term of the underlying leases.

(vi) Employee benefits
Refer to accounting policy (w) for details on employee benefits provisions.

r. Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

s. Share capital

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

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

In the Company's financial statements the transactions of the Company sponsored employee share plan trust are treated as being executed directly by the Company (as the trust acts as the Company's agent). Accordingly, shares held by the trust are recognised as treasury shares and deducted from equity.

(iii) Dividends
Dividends are recognised as a liability in the period in which they are declared.

Note 2. Summary of significant accounting policies (continued)

t. Cash and cash equivalents

Cash and cash equivalents comprise bank balances, deposits on call and short-term deposits.

u. Impairment

(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the Income Statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the Income Statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the Income Statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Note 2. Summary of significant accounting policies (continued)

u. Impairment (continued)

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

(iii) Derecognition of financial assets and liabilities
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the consolidated entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party
- the consolidated entity has transferred its rights to receive cash flows from the asset and either: has transferred substantially all the risks and rewards of the asset; or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

v. Derivative financial instruments

The consolidated entity holds derivative financial instruments within structured products and asset management incubation funds to hedge its interest rate, foreign exchange and market risk exposures. Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in the Income Statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Cash flow hedges
To the extent that the hedge is effective, changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are recognised directly in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in the Income Statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to the Income Statement in the same period that the hedged item affects profit and loss.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 2. Summary of significant accounting policies (continued)

w. Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement as incurred.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These liabilities are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating benefits, such as sick leave, are not provided for but are expensed as the benefits are taken by the employees. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term bonus or profit-sharing plans if the consolidated entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

x. Share-based payment transactions

(i) Employee share purchase and option plans

Share option and share incentive programs allow employees to acquire shares in the Company. The fair value of shares and/or options granted under these programs is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and amortised over the period during which employees become unconditionally entitled to the shares and/or options.

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

(ii) Deferred staff incentives

The Company grants certain employees shares under long term incentive and retention plans. Under these plans, shares vest with employees over relevant vesting periods. To satisfy the long-term incentives granted, the Company purchases or issues shares under the Executive Share Plan, Deferred Share Plan or the Global Employees Share Trust.

The fair value of the shares granted is measured by adjusting the share price for the terms and conditions upon which the shares were granted. This fair value is amortised on a straight line basis over the applicable vesting period.

Note 2. Summary of significant accounting policies (continued)

x. Share-based payment transactions (continued)

(ii) Deferred staff incentives (continued)
The Company and consolidated entity make estimates on the number of shares that are expected to vest. Where appropriate, revised estimates are reflected in the Income Statement with the corresponding adjustment to the equity compensation reserve. Where shares containing a market linked hurdle do not vest, due to total shareholder return not achieving the threshold for vesting, an adjustment is made to contributed equity and equity compensation reserve.

y. Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise shares and options granted to employees under long-term incentive and retention plans.

z. New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- Revised *AASB 3 Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the consolidated entity's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised *AASB 3,* which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the consolidated entity's 2010 consolidated financial statements.

- Amended *AASB 127 Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the consolidated entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the consolidated entity loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to *AASB 127,* which become mandatory for the consolidated entity's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

- *AASB 8 Operating Segments* introduces the "management approach" to segment reporting. *AASB 8,* which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the consolidated entity presents segment information in respect of its business and geographical segments (see note 7). The consolidated entity has not yet determined the potential effect of the amendment.

Note 2. Summary of significant accounting policies (continued)

z. New standards and interpretations not yet adopted (continued)

- Revised *AASB 101 Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity using a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or in a income statement and a separate statement of comprehensive income. Revised *AASB 101,* which becomes mandatory for the consolidated entity's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The consolidated entity plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

- Revised *AASB 123 Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised *AASB 123* will become mandatory for the consolidated entity's 30 June 2010 financial statements and will constitute a change in accounting policy for the consolidated entity. In accordance with the transitional provisions the consolidated entity will apply the revised *AASB 123* to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the consolidated entity's 30 June 2010 financial statements.

- *AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to *AASB 2* will be mandatory for the consolidated entity's 30 June 2010 financial statements, with retrospective application. The consolidated entity has not yet determined the potential effect of the amendment.

- *AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

- *AASB 2008-7 Amendments to Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the amendment.

- *AASB 2008-8 Amendments to Australian Accounting Standard - Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the consolidated entity's 30 June 2010 financial statements, with retrospective application. The consolidated entity has not yet determined the potential effect of the amendment.

Notes to and forming part of the financial statements for the year ended 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Note 3. Revenue				
Revenue from the provision of services				
Gross revenue from fees and commissions	365,528	476,306	4,233	12,638
Management fees – related parties	-	-	3,550	9,034
Total revenue from the provision of services	365,528	476,306	7,783	21,672
Investment income				
Dividends				
– Related parties	-	-	86,900	115,100
– Other parties	1,075	1,731	-	527
Interest				
– Other parties	5,741	12,896	5,473	10,443
Unit trust distributions				
– Related parties	-	-	3,464	5,897
– Other parties	2,754	4,749	2,809	4,470
Total investment income	9,570	19,376	98,646	136,437
Other income				
Income from structured products	107,440	117,567	-	-
Total other income	107,440	117,567	-	-
	482,538	613,249	106,429	158,109

Note 4. Net profit before tax

Net profit before tax has been arrived at after charging/(crediting) the following items:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Depreciation of property, plant and equipment:				
– Leasehold improvements	2,500	1,289	2,496	1,283
– Plant and equipment	2,345	2,293	2,287	2,213
	4,845	3,582	4,783	3,496
Amortisation of intangible assets				
– Capitalised software	6,718	5,259	6,378	4,918
– Other intangible assets	1,600	951	-	-
	8,318	6,210	6,378	4,918
Depreciation and amortisation expense	13,163	9,792	11,161	8,414
Rental charges – operating leases	13,558	13,636	12,788	13,051
Net loss on sale of property, plant and equipment	470	1	470	1
Net movements in provision for:				
– Employee benefits	(7,580)	2,431	(11,214)	2,559
– Bad and doubtful debts	182	4	182	4
– Credit losses on structured products	991	-	-	-
Net foreign exchange gain/(loss)	1,731	(67)	123	10
Net (loss)/gain on disposal of investments (before tax)				
– Sale of part of investment portfolio	(6,673)	34,251	(1,452)	24,954

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Note 4. Net profit before tax (continued)				
Total staff related expenses				
– Staff related expenses	168,584	187,222	13,417	5,934
– Equity remuneration expense	25,930	20,424	-	-
	194,514	207,646	13,417	5,934
Note 5. Proceeds from sale of investments				
Gross proceeds from sale of part of investment portfolio	60,328	146,893	28,260	65,297
Note 6. Individually significant and other items included in profit for the year				
(Loss)/profit on disposal of investments				
– (Loss)/profit on sale of part of investment portfolio	(6,673)	34,251	(1,452)	24,954
– Impairment of available-for-sale securities	(1,065)	(2,971)	(1,065)	(2,971)
Total (loss)/profit on disposal of investments	(7,738)	31,280	(2,517)	21,983
Income tax benefit/(expense) applicable	1,657	(10,135)	695	(7,623)
Total (loss)/profit on disposal (impairment) of investments after tax	(6,081)	21,145	(1,822)	14,360
Exact Market Cash Fund losses	(19,729)	(36,852)	-	-
Income tax benefit applicable	5,919	11,056	-	-
	(13,810)	(25,796)	-	-
Restructuring costs	(11,593)	-	(11,593)	-
Income tax benefit applicable	3,478	-	3,478	-
	(8,115)	-	(8,115)	-
Total individually significant items included in profit after tax	(28,006)	(4,651)	(9,937)	14,360

Note 7. Segment information

	Perpetual Investments[3]	Private Wealth	Corporate Trust	Group and Support Services[5]	Consolidated
	$' 000	$' 000	$' 000	$' 000	$' 000
30 June 2009					
Total revenue	310,425	85,746	80,265	6,102	482,538
EBITDA[1]	65,128	33,501	39,556	(29,842)	108,343
Amortisation and depreciation[2]	(25,814)	(4,365)	(3,472)	(5,442)	(39,093)
Segment result	39,314	29,136	36,084	(35,284)	69,250
Financing costs					(2,507)
Profit on disposal of investments[4]					(6,673)
Impairment of available-for-sale securities					(1,065)
Share of profit of equity accounted investees, net of income tax					111
Income tax expense					(21,425)
Net profit after tax					37,691
Loss after tax attributable to minority interests					58
Net profit after tax attributable to equity holders of Perpetual Limited					37,749
Assets and liabilities					
Segment assets	100,243	63,079	43,553	248,080	454,955
Structured products assets	1,815,441	-	-	-	1,815,441
Total assets	1,915,684	63,079	43,553	248,080	2,270,396
Segment liabilities	(36,518)	(14,093)	(7,643)	(91,536)	(149,790)
Structured products liabilities	(1,830,565)	-	-	-	(1,830,565)
Total liabilities	(1,867,083)	(14,093)	(7,643)	(91,536)	(1,980,355)
Net assets	48,601	48,986	35,910	156,544	290,041
Acquisitions of non-current assets (including intangibles assets)	7,301	4,651	588	8,975	21,515

	Perpetual Investments[3]	Private Wealth	Corporate Trust	Group and Support Services	Consolidated
	$' 000	$' 000	$' 000	$' 000	$' 000
30 June 2008					
Total revenue	412,041	104,904	84,205	12,099	613,249
EBITDA[1]	131,032	49,571	32,464	(22,856)	190,211
Amortisation and depreciation [2]	(20,864)	(3,208)	(2,957)	(3,187)	(30,216)
Segment result	110,168	46,363	29,507	(26,043)	159,995
Financing costs					(3,276)
Profit on disposal of investments[4]					34,251
Impairment of available-for-sale securities					(2,971)
Income tax expense					(59,186)
Net profit after tax					128,813
Loss after tax attributable to minority interests					-
Net profit after tax attributable to equity holders of Perpetual Limited					128,813
Assets and liabilities					
Segment assets	84,442	56,044	45,334	333,358	519,178
Structured products assets	1,850,964	-	-	-	1,850,964
Total assets	1,935,406	56,044	45,334	333,358	2,370,142
Segment liabilities	(52,289)	(12,715)	(6,045)	(133,719)	(204,768)
Structured products liabilities	(1,845,636)	-	-	(5,328)	(1,850,964)
Total liabilities	(1,897,925)	(12,715)	(6,045)	(139,047)	(2,055,732)
Net assets	37,481	43,329	39,289	194,311	314,410
Acquisitions of non-current assets (including intangibles assets)	6,999	2,695	5,821	8,906	24,421

[1] EBITDA represents earnings before interest, tax, depreciation, amortisation, equity remuneration expense, profit/(loss) on disposal of investments and impairment of available-for-sale securities.

[2] Includes equity remuneration expense.

[3] Total revenue includes income from structured products of $107,440,000 (2008: $117,567,000). Segment result includes EMCF losses of $19,729,000 before tax (2008: $36,852,000).

[4] Net of impairment of available-for-sale investments held by seed funds.

[5] EBITDA for Group and Support services include restructuring costs incurred during the period of $7,560,000. Equity remuneration expenses relating to the restructuring are included in amortisation and depreciation expenses.

Note 7. Segment information (continued)

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structures. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Group and support services comprise mainly income-earning assets and related revenue; interest-bearing loans, borrowings and related borrowing costs; and corporate assets and support services expenses.

a. Services provided

The consolidated entity operates in the financial services industry in Australia and provides wealth management and corporate trust services. The major services from which the above segments derive revenue are:

Perpetual Investments	Management and investment of monies on behalf of private, corporate, superannuation and institutional clients.
Perpetual Private Wealth	Perpetual Private Wealth provides a wide range of investment and non-investment products and services. These include a comprehensive advisory service, portfolio management, philanthropic, executorial and trustee services to high net worth and emerging high net worth Australians. Perpetual Private Wealth also provides many of these services to charities, not for profit and other philanthropic organisations.
Corporate Trust	The Corporate Trust division provides fiduciary services incorporating safe-keeping and recording of assets and transactions as custodian, trustees, registrar or agent for corporate and financial services clients and mortgage processing services.

The revenue reported for each segment is for services provided to external parties only.

b. Assets

The assets of the consolidated entity are managed largely on a group basis and cannot be fully attributed to an individual segment. Assets have been allocated to segments where practical on a utilisation basis.

c. Geographical segments

The consolidated entity operates predominantly in Australia. More than 90 per cent of revenue, operating earnings and assets relate to operations in Australia.

Note 8. Auditor's remuneration

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Audit Services				
KPMG Australia:				
Audit and review of the consolidated and subsidiary financial statements	549,500	335,000	549,500	335,000
Audit and review of managed funds and superannuation funds for which the consolidated entity acts as responsible entity[1]	2,307,136	1,640,000	2,307,136	1,640,000
Audit services in accordance with regulatory requirements	241,000	35,000	241,000	35,000
Other assurance services	20,000	35,000	20,000	35,000
Overseas KPMG firms:				
Audit and review of financial statements	50,000	50,000	50,000	50,000
Other assurance services	2,000	152,860	2,000	152,860
	3,169,636	2,247,860	3,169,636	2,247,860

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

[1] These fees were paid for the audit of 138 managed funds (2008: 158 managed funds) and 1,114 (2008: 1,200) DIY superannuation funds and which contained assets totalling $26.2 billion (2008: $30.3 billion).

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 9. Income tax expense

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
a. Income tax expense/(benefit)				
Current tax expense/(benefit)	20,058	66,115	(3,680)	15,729
Deferred tax expense/(benefit)	2,018	(6,933)	(157)	(887)
(Over)/under provided in prior years	(651)	4	(651)	(125)
Total	21,425	59,186	(4,488)	14,717
Deferred income tax included in income tax expense				
(Decrease)/increase in deferred tax assets	(651)	7,664	171	875
Decrease in deferred tax liabilities (net of movement in deferred tax liability recognised directly in equity)	(1,367)	(731)	(14)	12
Total	(2,018)	6,933	157	887

The above movements in deferred tax assets and deferred tax liabilities are net of movements in these balances recognised directly in equity.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
b. Reconciliation of income tax expense to prima facie income tax payable				
Prima facie income tax expense calculated at 30% (2008: 30%) on profit for the year	17,735	56,400	22,878	47,901
Increase in income tax expense due to:				
– Assessable capital gains	-	10,135	-	7,623
– Accounting loss on credit funds	723	-	409	-
– Accounting loss on disposal of investments	2,321	-	755	-
– Imputation gross-up on dividends received	138	215	-	61
– Foreign source loss – effect of lower tax rate	2,007	718	-	-
– Foreign source loss not recognised as a deferred tax asset	1,433	513	-	-
– Other expenditure	787	1,780	238	1,510
	25,144	69,761	24,280	57,095
Decrease in income tax expense due to:				
– Franking credits on dividends received	(461)	(716)	-	(202)
– Accounting profit on disposal of investments	-	(9,384)	-	(6,595)
– Realised net capital losses	(1,734)	-	(983)	-
– Unrealised net capital losses	(645)	-	(121)	-
– Non-assessable dividends received from controlled entities	-	-	(26,070)	(34,530)
– Sundry items	(228)	(479)	(943)	(926)
	(3,068)	(10,579)	(28,117)	(42,253)
Income tax expense attributable to profit for the year before tax	22,076	59,182	(3,837)	14,842
Less: Income tax (over)/under provided in prior year				
– Other	(651)	4	(651)	(125)
Income tax expense attributable to profit for the year	21,425	59,186	(4,488)	14,717

At 30 June 2009, the consolidated entity had carried forward realised net capital losses of $5,781,000 (30 June 2008: Nil) which had a tax benefit of $1,734,000 (30 June 2008: Nil); the tax benefit of these capital losses has been recognised in deferred tax assets.

The consolidated entity had unrealised net capital losses recognised in income of $8,876,000 (30 June 2008: Nil) which had a tax benefit of $2,663,000 (30 June 2008: Nil); the tax benefit of those capital losses has been recognised in deferred tax assets.

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 9. Income tax expense (continued)

b. Reconciliation of income tax expense to prima facie income tax payable (continued)

The realisation of the deferred tax assets relating to the realised and unrealised capital losses is dependent on future capital gains being in excess of the losses shown above.

c. Current tax liabilities

The current tax liability for the consolidated entity and for the Company represents income taxes payable in respect of the current and prior financial year. In accordance with tax consolidation legislation, the Company, as head entity of the Australian tax-consolidated group, has assumed the current tax liability recognised by members in the tax consolidated group.

d. Amounts recognised directly in equity

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Deferred tax arising in the reporting period and not recognised in profit or loss for the year but directly credited to equity	3,311	13,132	3,028	8,404

Note 10. Dividends

a. Dividends paid

Dividends paid or provided for in the current and comparative year are as follows:

	Cents per share	Total amount $'000	Franked[1] / unfranked	Date of payment
2009				
Final 2008 ordinary	141	59,181	franked	12 Sep 2008
Interim 2009 ordinary	40	16,986	franked	13 Mar 2009
Total amount	181	76,167		
2008				
Final 2007 ordinary	187	77,260	franked	14 Sep 2007
Interim 2008 ordinary	189	79,216	franked	14 Mar 2008
Total amount	376	156,476		

[1] All franked dividends declared or paid during the year were franked at a tax rate of 30 per cent and paid out of reserves.

The Company introduced a Dividend Reinvestment Plan (DRP) in May 2009. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs. The shares may also be issued at a discount to the market price, which the directors may determine from time to time. A shareholder can elect to participate in or terminate their involvement in the DRP at any time.

b. Subsequent events

Since the end of the financial year, the directors declared the following dividend:

	Cents per share	Total amount[2] $'000	Franked[1] / unfranked	Date of payment
Final 2009 ordinary	60	25,506	franked	30 Sep 2009

[1] All franked dividends declared or paid during the year were franked at a tax rate of 30 per cent and paid out of reserves.

[2] Calculation based on the ordinary shares on issue as at 30 June 2009.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial reports.

	Company 2009 $'000	Company 2008 $'000
Note 10. Dividends (continued)		
c. Dividend franking account		
30% franking credits available to shareholders for subsequent financial years	44,876	57,369

The above available amounts are based on the balance of the dividend franking account at 30 June 2009 adjusted for franking credits that will arise from the payment of the current tax liabilities.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date, but not recognised as a liability, is to reduce it to $33,945,000 (2008: $32,018,000).

	Consolidated 2009	Consolidated 2008
Note 11. Earnings per share	**Cents per share**	
Basic earnings per share	96.0	329.6
Diluted earnings per share	89.4	309.4
The following reflects the income and share information used in calculating the basic and diluted earnings per share:	**$'000**	**$'000**
Net profit after tax attributable to equity holders of Perpetual Limited	37,749	128,813
	Number of shares	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	39,312,579	39,079,280
Effect of dilutive securities:		
Share options	7,206	54,868
Weighted average number of treasury shares on issue	2,912,403	2,492,362
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	42,232,188	41,626,510

Subsequent to the reporting date, no options were exercised by employees who have left the company (2008: nil).

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Note 12. Cash and cash equivalents				
Bank balances	67,270	51,433	28,207	19,167
Deposits at call	29,415	46,559	15,457	38,957
Short-term deposits	49,453	85,119	4,279	18,200
	146,138	183,111	47,943	76,324

Bank balances include cash held by employee share trusts of $230,000 (2008: $8,399,000) which are not available for general operating use and are offset by a liability to employees in non-current payables.

Deposits at call are invested in a cash management trust operated by the consolidated entity. Short-term deposits represent investments in the Perpetual Credit Income Fund and Perpetual Credit Enhanced Cash Fund. These funds have a Standard & Poor's fund credit quality rating of 'Af' and invest in high grade credit products with the intention of generating a return in excess of the UBS Bank Bill Index and are generally available at seven days' notice.

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 13. Receivables

Current				
Trade debtors	65,312	73,163	2,551	1,579
Less: Provision for doubtful debts	(271)	(89)	(271)	(89)
	65,041	73,074	2,280	1,490
Other debtors	13,107	15,429	13,086	9,655
Loans to controlled entities	-	-	64,950	64,100
	78,148	88,503	80,316	75,245
Non-current				
Other debtors	4,200	-	-	-
	4,200	-	-	-
Movements in the provision for bad and doubtful debts are as follows :				
Balance as at 1 July 2008	89	85	89	85
Provision for impairment recognised during the year	375	300	375	300
Receivables written off during the year as uncollectible	(94)	(156)	(94)	(156)
Unused amount reversed	(99)	(140)	(99)	(140)
Balance as at 30 June 2009	271	89	271	89

The creation and release of the provision for bad and doubtful debts has been included in administrative and general expenses in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

This note should be read in conjunction with Note 29 (a) (iii).

Note 14. Other financial assets and liabilities

a. Other financial assets

Current				
Government, municipal and other public securities held to maturity[1]	100	100	-	-
	100	100	-	-
Non-current				
Investments in controlled entities – at cost	-	-	221,772	179,774
Listed equity securities available-for-sale – at market value	22,060	39,547	5,766	-
Unlisted unit trusts available-for-sale – at market value[2]	14,295	37,164	47,536	76,192
Government, municipal and other public securities held-to-maturity[1]	122	122	100	100
Secured loans	232	199	232	199
	36,709	77,032	275,406	256,265
b. Other financial liabilities				
Financial guarantees[3]	-	-	-	-

1 The gains / (losses) on held-to-maturity investments for the consolidated entity was $nil (2008: $nil) and $nil (2008: $nil) for the Company.

2 Perpetual incubates new investment strategies through the establishment of 'seed funds' for the purpose of building investment track records and developing asset management skills before releasing products to Perpetual's investors. In addition, investments are made in newly launched products to provide a capital base from which investments can be made.

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

- Bank guarantee to secure a $45,000,000 fully drawn bill facility of a controlled entity amounting to $45,000,000 (2008: $45,000,000).
- Bank guarantee in favour of investors in the Exact Market Cash Fund amounting to $27,500,000 (2008: $20,000,000). At 30 June 2009, there were no significant liabilities accruing to the consolidated entity under the performance guarantee given to product investors.
- Bank guarantees to secure lending associated with structured products amounting to $16,122,000 (2008: $12,990,000).
- No liability was recognised by the Company in relation to these guarantees as the fair value of these guarantees is considered to be immaterial. The Company does not expect the financial guarantees to be called upon.

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 15. Interest in associates using the equity method

Investment in associate	6,924	-	-	-
	6,924	-	-	-

Name of Entity	Country of Incorporation	Reporting Date	Ownership Interest 2009	2008
Perpetual Wholesale Geared International Share Fund (PIWGIF)	Australia	31 Dec	46%	56%
Perpetual Pure Value Share Fund (PIBIAS)	Australia	31 Dec	11%	100%

PIWGIF and PIBIAS were previously treated as consolidated entities until additional units being issued to third party investors diluted the consolidated entity's interests below 50%.

In the financial statements of the Company investments in associates are accounted for at fair value and included with other financial assets.

Note 16. Derivative financial instruments

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Assets				
Current				
Forward foreign exchange contracts	21	175	11	-
Interest rate swap contracts	124	15,328	-	-
	145	15,503	11	-
Liabilities				
Current				
Interest rate swap contracts	821	235	-	-
	821	235	-	-

This note should be read in conjunction with Note 29 (b).

Instruments used by incubation funds
As part of the consolidated entity's asset management incubation fund strategy and to diversify its investment portfolio, seed capital was invested in various incubation funds. These funds may be party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates, interest rates, equity indices and to trade from their movements in accordance with the funds' financial risk management policy.

Note 16. Derivative financial instruments (continued)

Forward foreign exchange contracts
The consolidated entity has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are subject to the same risk management policies as other derivative contracts outlined. Accordingly, they are accounted for as held for trading financial instruments.

The consolidated entity has the following held for trading forward exchange contracts outstanding at reporting date (Australian dollar equivalents):

2009		Fair value		Average
		Assets	Liability	exchange
	Maturity	$'000	$'000	rate
Sell Australian dollars, buy US dollars	0-2 months	11	-	1.1802
Sell Phillipine peso, buy Australian dollars	0-2 months	19	-	35.2906
Other	0-2 months	-	(9)	-
		30	(9)	

2008		Fair value		Average
		Assets	Liability	exchange
	Maturity	$'000	$'000	rate
Sell Swiss Francs, buy Australian dollars	0-4 months	61	-	0.9942
Sell Euros, buy Australian dollars	0-4 months	81	-	0.6097
Sell British Pounds, buy Australian dollars	0-4 months	17	-	0.4476
Sell US dollars, buy Australian dollars	0-4 months	56	-	0.8963
Buy Euro, sell Australian dollars	0-4 months	-	(20)	0.6097
Buy US dollars, sell Australian dollars	0-4 months	-	(20)	0.8963
		215	(40)	

These contracts are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity. Any changes in fair values are recorded in the Income Statement.

Interest rate swap contracts

Interest rate swap contracts held for hedging purposes associated with the PPI structured product are disclosed in Note 30 (b).

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000

Note 17. Property, plant and equipment

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Plant and equipment – at cost	17,678	15,970	16,249	15,049
Accumulated depreciation	(10,464)	(8,109)	(9,518)	(7,375)
	7,214	7,861	6,731	7,674
Leasehold improvements – at cost	27,955	27,226	27,817	27,091
Accumulated depreciation	(7,439)	(4,937)	(7,325)	(4,830)
	20,516	22,289	20,492	22,261
Project work in progress – at cost	-	504	-	504
	27,730	30,654	27,223	30,439

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Plant and equipment $'000	Leasehold improvements $'000	Project work in progress $'000	Total $'000
Consolidated				
Balance as at 1 July 2008	7,861	22,289	504	30,654
Additions	772	29	1,268	2,069
Transfers from work in progress	936	836	(1,772)	-
Depreciation and amortisation	(2,345)	(2,500)	-	(4,845)
Disposals	(10)	(138)	-	(148)
Balance as at 30 June 2009	7,214	20,516	-	27,730
Consolidated				
Balance as at 1 July 2007	4,987	18,622	3,736	27,345
Additions	3,287	1,534	2,070	6,891
Transfers from work in progress	1,880	3,422	(5,302)	-
Depreciation and amortisation	(2,293)	(1,289)	-	(3,582)
Disposals	-	-	-	-
Balance as at 30 June 2008	7,861	22,289	504	30,654
Company				
Balance as at 1 July 2008	7,674	22,261	504	30,439
Additions	417	27	1,268	1,712
Transfers from work in progress	936	836	(1,772)	-
Depreciation and amortisation	(2,287)	(2,496)	-	(4,783)
Disposals	(9)	(136)	-	(145)
Balance as at 30 June 2009	6,731	20,492	-	27,223
Company				
Balance as at 1 July 2007	4,740	18,589	3,736	27,065
Additions	3,264	1,534	2,072	6,870
Transfers from work in progress	1,883	3,421	(5,304)	-
Depreciation and amortisation	(2,213)	(1,283)	-	(3,496)
Disposals	-	-	-	-
Balance as at 30 June 2008	7,674	22,261	504	30,439

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000

Note 18. Intangibles

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Goodwill – at cost	76,639	62,124	-	-
	76,639	62,124	-	-
Other intangibles – at cost	12,478	5,615	-	-
Accumulated amortisation	(2,949)	(1,349)	-	-
	9,529	4,266	-	-
Capitalised software – at cost	68,683	53,828	51,039	36,763
Accumulated depreciation	(47,918)	(41,691)	(31,633)	(25,856)
	20,765	12,137	19,406	10,907
Project work in progress – at cost	5,727	9,429	5,727	9,429
	112,660	87,956	25,133	20,336

Reconciliations of the carrying amounts for each class of intangibles are set out below:

	Goodwill $'000	Other intangibles $'000	Project work in progress $'000	Capitalised software $'000	Total $'000
Consolidated					
Balance as at 1 July 2008	62,124	4,266	9,429	12,137	87,956
Acquisitions through business combinations	14,515	6,863	-	-	21,378
Additions	-	-	9,987	1,979	11,966
Transfers from work in progress	-	-	(13,689)	13,689	-
Amortisation for the year	-	(1,600)	-	(6,718)	(8,318)
Disposals	-		-	(322)	(322)
Balance as at 30 June 2009	76,639	9,529	5,727	20,765	112,660
Balance as at 1 July 2007	58,174	2,423	8,290	7,750	76,637
Acquisitions through business combinations	3,950	2,794	-	-	6,744
Additions	-	-	10,307	478	10,785
Transfers from work in progress	-	-	(9,168)	9,168	-
Amortisation for the year	-	(951)	-	(5,259)	(6,210)
Balance as at 30 June 2008	62,124	4,266	9,429	12,137	87,956
Company					
Balance as at 1 July 2008	-	-	9,429	10,907	20,336
Additions	-	-	9,987	1,510	11,497
Transfers from work in progress	-	-	(13,689)	13,689	-
Amortisation for the year	-	-	-	(6,378)	(6,378)
Disposals	-	-	-	(322)	(322)
Balance as at 30 June 2009	-	-	5,727	19,406	25,133
Balance as at 1 July 2007	-	-	8,290	6,179	14,469
Additions	-	-	10,307	478	10,785
Transfers from work in progress	-	-	(9,168)	9,168	-
Amortisation for the year	-	-	-	(4,918)	(4,918)
Balance as at 30 June 2008	-	-	9,429	10,907	20,336

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 18. Intangibles (continued)

Amortisation
Amortisation is recognised in the following line items in the Income Statement:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Amortisation expense	8,318	6,210	6,378	4,918

Impairment tests for cash generating units containing goodwill
The following cash generating units have significant carrying amounts of goodwill:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Private Wealth division	40,260	36,328	-	-
Corporate Trust division	22,301	22,301	-	-
Perpetual Investments division	3,495	3,495	-	-
smartsuper Pty Ltd	10,583	-	-	-
	76,639	62,124	-	-

Impairment testing of these goodwill balances is based on each cash generating units value in use, calculated as the present value of forecast future cash flows from those cash generating units using discount rates of between 12% and 17%. The forecast future cash flows used in the impairment testing are based on assumptions as to the level of profitability for each business over the forecast period. Forecasts have been extrapolated out based on revenue growth rates of between -7% and 17%.

Note 19. Deferred income tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Property, plant and equipment	4,181	1,737	4,449	1,681
Intangible assets	(3,685)	(1,696)	(4,106)	(1,696)
Employee benefits	8,102	11,682	8,077	11,682
Provisions and accruals	10,288	9,519	9,707	8,006
Structured products interest received in advance	4,281	6,354	-	-
Realised net capital losses	1,734	-	1,734	-
Unrealised net capital losses	5,154	-	1,758	-
Other items	326	942	303	444
Total deferred tax assets	30,381	28,538	21,922	20,117
Structured products interest paid in advance	(1,575)	-	-	-
Shares in other companies, investments in unlisted unit trusts and other financial assets	-	(817)	-	(1,394)
Other items	(562)	(770)	(2)	12
Total deferred income tax liabilities	(2,137)	(1,587)	(2)	(1,382)
Net deferred income tax assets	28,244	26,951	21,920	18,735

At 30 June 2009, the consolidated entity has carried forward foreign tax losses of $50,666,000 (30 June 2008: $39,199,000) which had a tax benefit of $6,333,000 (30 June 2008: $4,900,000) at 12.5 per cent that was not recognised in the Income Statement.

	Balance 1 July 2008 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30 June 2009 $'000
Note 19. Deferred income tax assets / (liabilities) (continued)				
Movement in temporary differences during the year				
Consolidated				
Deferred tax assets				
Property, plant and equipment	1,737	2,444	-	4,181
Intangible assets	(1,696)	(1,989)	-	(3,685)
Employee benefits	11,682	(3,580)	-	8,102
Provisions and accruals	9,519	769	-	10,288
Structured products interest received in advance	6,354	(2,073)	-	4,281
Realised net capital losses	-	1,734	-	1,734
Unrealised net capital losses	-	2,663	2,494	5,157
Other items	942	(619)	-	323
	28,538	(651)	2,494	30,381
Deferred tax liabilities				
Structured products interest paid in advance	-	(1,575)	-	(1,575)
Shares in other companies, investments in unlisted unit trusts and other financial assets	(817)	-	817	-
Other items	(770)	208	-	(562)
	(1,587)	(1,367)	817	(2,137)
	26,951	(2,018)	3,311	28,244
Company				
Deferred tax assets				
Property, plant and equipment	1,681	2,768	-	4,449
Intangible assets	(1,696)	(2,410)	-	(4,106)
Employee benefits	11,682	(3,605)	-	8,077
Provisions and accruals	8,006	1,701	-	9,707
Realised net capital losses	-	1,734	-	1,734
Unrealised net capital losses	-	121	1,634	1,755
Other items	444	(138)	-	306
	20,117	171	1,634	21,922
Deferred tax liabilities				
Shares in other companies, investments in unlisted unit trusts and other financial assets	(1,394)	-	1,394	-
Other items	12	(14)	-	(2)
	(1,382)	(14)	1,394	(2)
	18,735	157	3,028	21,920

Note 19. Deferred income tax assets/(liabilities) (continued)

Movement in temporary differences during the year (continued)

	Balance 1 July 2007 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30 June 2008 $'000
Consolidated				
Deferred tax assets				
Property, plant and equipment	1,398	339	-	1,737
Intangible assets	612	(2,308)	-	(1,696)
Employee benefits	10,897	785	-	11,682
Provisions and accruals	7,628	1,891	-	9,519
Structured products interest received in advance	-	6,354	-	6,354
Other items	339	603	-	942
	20,874	7,664	-	28,538
Deferred tax liabilities				
Shares in other companies, investments in unlisted unit trusts and other financial assets	(13,949)	-	13,132	(817)
Other items	(39)	(731)	-	(770)
	(13,988)	(731)	13,132	(1,587)
	6,886	6,933	13,132	26,951
Company				
Deferred tax assets				
Property, plant and equipment	1,339	342	-	1,681
Intangible assets	612	(2,308)	-	(1,696)
Employee benefits	10,897	785	-	11,682
Provisions and accruals	6,054	1,952	-	8,006
Other items	340	104	-	444
	19,242	875	-	20,117
Deferred tax liabilities				
Shares in other companies, investments in unlisted unit trusts and other financial assets	(9,798)	-	8,404	(1,394)
Other items	-	12	-	12
	(9,798)	12	8,404	(1,382)
	9,444	887	8,404	18,735

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Note 20. Prepayments				
Current				
Prepayments	11,820	7,781	3,923	4,074
Note 21. Payables				
Current				
Trade creditors	32,162	37,357	7,460	1,865
Other creditors and accruals	3,280	6,197	470	2,619
Amounts owing to controlled entities	-	-	63,190	62,216
	35,442	43,554	71,120	66,700
Non-current				
Other creditors and accruals	1,819	8,401	1,529	-

This note should be read in conjunction with Note 29 (b).

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 22. Structured products – income received in advance

Current				
Interest income	13,563	21,264	-	-
	13,563	21,264	-	-

Income received in advance consists of deferred interest income received associated with the PPI structured product. The PPI structured product is disclosed in Note 30.

Note 23. Non-current interest-bearing liabilities

Floating rate bill facility	45,000	45,000	-	-

See Notes 28 and 29(c) for additional information. Bank facility associated with the PPI structured product is disclosed in Note 30(b).

Note 24. Provisions

Current				
Internal insurance and legal provision[1]	880	-	880	-
Onerous leases and make good	172	400	172	400
Restructuring provision	-	425	-	425
Operational process review provision	5,469	-	5,469	-
Lease expense provision	275	-	275	-
	6,796	825	6,796	825
Non-current				
Internal insurance and legal provision[1]	5,089	6,165	463	1,256
Lease expense provision	20,869	18,410	20,869	18,410
	25,958	24,575	21,332	19,666

[1] The internal insurance and legal provision includes the provision for self insurance and the provision for litigation and good value claims. The provision for self-insurance recognises incurred but not reported claims. The provision for litigation claims includes provisions for legal cost and settlement amounts. These provisions are measured at the cost that the entity expects to incur in defending and/or settling the claim and includes provisions in respect of administrative process and review costs.

Reconciliations of the carrying amounts of each class of provision are set out below:

Onerous leases and make good				
Carrying amount at beginning of year	400	-	400	-
Additional provision made during the year	113	400	113	400
Payments made during the year	(341)	-	(341)	-
Carrying amount at end of year	172	400	172	400
Restructuring provision				
Carrying amount at beginning of year	425	-	425	-
Additional provision made during the year	-	425	-	425
Payments made during the year	(425)	-	(425)	-
Carrying amount at end of year	-	425	-	425
Operational process review provision				
Carrying amount at beginning of year	-	1,466	-	-
Additional provision made during the year	5,469	-	5,469	-
Payments made during the year	-	(1,268)	-	-
Unused amounts reversed during the year	-	(198)	-	-
Carrying amount at end of year	5,469	-	5,469	-

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 24. Provisions (continued)

Internal insurance and legal provision				
Carrying amount at beginning of year	6,165	2,397	1,256	1,430
Additional provision made during the year	5,005	7,551	4,316	1,392
Payments made during the year	(4,065)	(2,236)	(3,726)	(1,305)
Unused amounts reversed during the year	(1,136)	(1,547)	(503)	(261)
Carrying amount at end of year	5,969	6,165	1,343	1,256
Lease expense provision				
Carrying amount at beginning of year	18,410	13,392	18,410	13,392
Additional provision made during the year	13,831	11,067	13,831	11,067
Payments made during the year	(11,097)	(6,049)	(11,097)	(6,049)
Carrying amount at end of year	21,144	18,410	21,144	18,410

Note 25. Contributed equity

Share capital

42,509,430 (2008: 41,952,619) ordinary shares, fully paid	174,222	163,811	204,520	193,460

	2009		2008	
	Number of shares	$'000	Number of shares	$'000
Movements in share capital				
Balance at beginning of year	39,197,876	163,811	38,894,418	152,641
Shares issued:				
Exercise of staff options	33,779	2,347	146,850	5,129
Executive share plans (vested during the year)	146,629	8,684	194,448	7,674
Employee equity allocation purchased on market	(19,503)	(1,014)	(37,840)	(2,526)
Employee share plans (vested during the year)	-	394	-	893
Balance at end of year	39,358,781	174,222	39,197,876	163,811
Ordinary shares fully paid (excluding unvested shares from share plans)	39,358,781	174,222	39,197,876	163,811
Unvested shares from share plans	3,150,649	173,128	2,754,743	160,892
Ordinary shares fully paid	42,509,430	347,350	41,952,619	324,703

Note 27 provides details of shares issued on exercise of options.

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

Shares issued under the executive and employee share plans were issued at market value.

Terms and conditions

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

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

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 26. Reserves

General	103	103	-	-
Available-for-sale-reserve[1]	(4,016)	4,907	(2,055)	6,224
Equity compensation reserve[2]	48,457	37,114	41,502	30,744
Cash flow hedge reserve[3]	(755)	2,844	-	-
Foreign currency translation reserve[4]	(491)	(688)	-	-
	43,298	44,280	39,447	36,968

1 The Available-for-sale-reserve represents adjustments to changes in the carrying value of shares and unit trusts to fair values. When these assets are sold or considered impaired, the cumulative gain / loss that had been recognised directly in equity is recycled to profit and loss.

2 The Equity compensation reserve represents the value of the Company's own shares held by an equity compensation plan that the consolidated entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest to the employee. No gain or loss is recognised in profit and loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

3 The Cash flow hedge reserve is used to record gains or losses on hedging instruments designated as cash flow hedges as described in accounting policy Note 2(v)(i). Amounts are recognised in the Income Statement when the associated hedged transaction affects profit and loss.

4 The Foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the company’s net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy Note 2(d).

Note 27. Employee benefits

a. Aggregate liability for employee benefits, including on-costs

Current				
Liability for annual leave	5,916	6,816	5,683	6,495
Liability for long service leave	2,887	2,573	2,871	2,573
Other employee benefits	19,689	27,003	15,998	27,051
Restructuring provision	804	730	804	730
	29,296	37,122	25,356	36,849
Non-current				
Liability for long service leave	2,371	2,125	2,371	2,092
	2,371	2,125	2,371	2,092

The non-current portion of the long service leave provision has been discounted using a rate of 5.50 per cent.

The number of full time equivalent employees at 30 June 2009 was 1,139 (2008: 1,214).

b. Equity based plans

(i) Option plans

The Company has an executive option plan which was approved at the 1998 Annual General Meeting. Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the company's shares traded during the five business days preceding the date of granting the option.

All options are to be settled by physical delivery of shares.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 27. Employee benefits (continued)

b. Equity-based plans (continued)

(i) Option plans (continued)

Options generally expire on the earlier of the expiry date or termination of the employee's employment. There are no voting or dividend rights attached to the option nor the unissued ordinary share underlying the option.

A summary of options over unissued ordinary shares is set out below:

				Movement in number of options on issue					
Grant date	Exercise date	Expiry date	Weighted average exercise price	1 July 2008	Issued	Forfeited	Exercised[1]	Outstanding at 30 June 2009	Number of options exercisable
Oct 2002	Oct 2005[2]	Oct 2008	$32.46	34,625	-	(846)	(33,779)	-	-
Jul 2004	Jun 2007[4]	Jul 2010	$47.08	7,818	-	(6,840)	-	978	978
Jul 2005	Jun 2008[4]	Jul 2011	$56.85	28,144	-	-	-	28,144	-
Jul 2006	Jun 2009[4]	Jul 2012	$71.88	29,950	-	-	-	29,950	-
Jul 2007	Jun 2010[4]	Jul 2013	$79.17	236,436	-	-	-	236,436	-
Mar 2008	Mar 2011[4]	Mar 2013	$52.71	75,301	-	-	-	75,301	-
Jul 2008	Jun 2011[4]	Jul 2014	$42.73	-	57,390	-	-	57,390	-
Jan 2009	Jun 2013[3]	Jan 2015	$31.42	-	182,215	-	-	182,215	-
Jun 2009	Jun 2012[4]	Jun 2014	$29.74	-	58,939	-	-	58,939	-
Jun 2009	Jun 2012[4]	Jun 2015	$28.34	-	47,585	-	-	47,585	-
				412,274	346,129	(7,686)	(33,779)	716,938	978

Grant date	Exercise date	Expiry date	Weighted average exercise price	1 July 2007	Issued	Forfeited	Exercised[1]	Outstanding at 30 June 2008	Number of options exercisable
Oct 2000	Oct 2003[2]	Oct 2006	$34.51	1,554	-	(1,554)	-	-	-
Oct 2001	Oct 2004[2]	Oct 2007	$38.66	11,667	-	-	(11,667)	-	-
Oct 2002	Oct 2005[2]	Oct 2008	$32.46	82,036	-	(5,668)	(41,743)	34,625	34,625
Dec 2002	Dec 2005[2]	Dec 2008	$31.03	66,664	-	-	(66,664)	-	-
Feb 2003	Feb 2006[2]	Feb 2009	$29.88	4,262	-	(4,262)	-	-	-
Oct 2003	Jun 2006[4]	Oct 2009	$37.10	610	-	-	(610)	-	-
Jul 2004	Jun 2007[4]	Jul 2010	$47.08	33,984	-	-	(26,166)	7,818	978
Jul 2005	Jun 2008[4]	Jul 2011	$56.85	28,144	-	-	-	28,144	-
Jul 2006	Jun 2009[4]	Jul 2012	$71.88	29,950	-	-	-	29,950	-
Jul 2007	Jun 2010[4]	Jul 2013	$79.17	-	236,436	-	-	236,436	-
Mar 2008	Mar 2011[4]	Mar 2013	$52.71	-	75,301	-	-	75,301	-
				258,871	311,737	(11,484)	(146,850)	412,274	35,603

[1] In certain circumstances, at the discretion of the People and Remuneration Committee, options can be exercised prior to their earliest exercise date.
[2] One third of this class of option can be exercised on this date with a further third, one year from this date and the last third, two years from this date.
[3] This option class will vest on the fourth anniversary of the date of grant subject to the achievement of performance hurdles.
[4] This option class will vest on the third anniversary of the date of grant subject to the achievement of performance hurdles.

The options outstanding at 30 June 2009 have an exercise price in the range of $28.34 to $79.17 and a weighted average contractual life of 3.3 years.

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2009 was $38.96.

Note 27. Employee benefits (continued)

b. Equity-based plans (continued)

(i) Option plans (continued)
The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs (weighted average):

	2009	2008
Fair value at grant date ($)	8.12	9.98
Share price ($)	32.15	73.47
Exercise price ($)	32.59	72.78
Expected volatility (%)	35	22
Option life (years)	5	5
Expected dividends (%)	5.57	5.26
Risk free interest rate (%)	4.38	6.32

(ii) Executive Share Plan (ESP)
The ESP was approved by shareholders at the company's Annual General Meeting in 1997 and was amended at the 1999 AGM.

The ESP forms part of the structure for short and long term variable remuneration components paid to employees. Grants under the plan for short-term performance are made on achievement of specific performance goals. Long-term grants vest after periods of between three to five years, and may include the achievement of specific performance hurdles.

The issue price of grants of shares is the weighted average of the prices at which shares were traded on the ASX for the five days up to the date of issue. Shares are either purchased on market or issued by the Company to satisfy the grants made to eligible employees.

While shares are held by the ESP, employees receive dividends and have voting rights.

(iii) Employee Share Purchase Plan (ESPP)
This plan was discontinued on 10 December 2004 and no further issues have been made under this plan.

The ESPP provided eligible employees with a non-recourse interest free loan, for a period not exceeding 10 years, to purchase shares under the plan. The invitation was open to employees who commenced permanent employment with Perpetual prior to 1 June 2004 with an offer to purchase a minimum number of shares equivalent in value to $1,000 and a maximum number of shares equivalent in value to $4,000. The issue price under the plan was the weighted average of the prices at which shares were traded on the ASX for the five days up to the date of issue.

The shares vest when the loan is fully repaid.

(iv) Employee Reward Share Plan (ERSP)
The ERSP enables the Company to offer employees shares equivalent in value to $1,000 that vest immediately at no cost in recognition of their contribution to Perpetual's performance over the previous financial year. This plan was first activated in 2002 to acknowledge the contribution by staff to the financial results of the Company in the 2002 financial year. No shares have been issued under this scheme since that year.

Note 27. Employee benefits (continued)

b. Equity based plans (continued)

(v) Tax Exempt Share Plan (TESP)

Under the TESP, eligible employees will be able to salary sacrifice up to $1,000 of short term incentive to acquire an equivalent value of Perpetual shares. These shares cannot be sold or transferred until the earlier of three years after the date of allocation or the time the participant ceases to be an employee of Perpetual. Shares will be acquired in ordinary trading on the Australian Securities Exchange or issued by Perpetual. Executive directors and executives are not able to participate in this plan.

The shares vest after three years.

(vi) The Tax Deferred Share Plan (TDSP)

Under the TDSP, eligible employees will be able to salary sacrifice all or part of their short term incentive to acquire an equivalent value of Perpetual shares. Shares will be acquired in the ordinary course of trading on the Australian Securities Exchange. Executive directors and executives have the opportunity to participate in this plan. Shares acquired under this plan by Executive Directors and Executives are not subject to performance hurdles because they are acquired on a salary or bonus sacrifice basis.

The shares vest after three years.

(vii) Deferred Share Plan (DSP)

The DSP forms part of the structure for short-term and long-term variable remuneration components paid to eligible employees of the Australian business. Grants under the plan vest subject to the achievement of specific performance hurdles.

The issue price of grants is the weighted average of the prices at which shares traded on the Australian Securities Exchange for the five days up to the date of issue. Shares are either purchased on market or issued by the company to satisfy grants made to eligible employees.

While shares are held by the DSP, eligible employees have voting rights and receive dividends directly or reinvest dividends into Perpetual shares.

(viii) Global Employee Share Trust (GEST)

The GEST forms part of the structure for long-term variable remuneration components paid to eligible employees of the Perpetual Investments Global Equities business.

The issue price of grants is the weighted average of the prices at which shares traded on the Australian Securities Exchange for the five days prior to the date of grant of shares. Shares are either purchased on market or issued by the company to satisfy grants made to eligible employees.

Dividends paid on shares held by the GEST are retained in the GEST for the benefit of the employee until performance hurdles are tested, at which time the dividend accumulated may be distributed to the employee. Voting rights attached to unvested shares that are held in the GEST are exercisable by the trustee of the GEST.

Grants under the plan vest subject to the achievement of specific performance hurdles.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 27. Employee benefits (continued)

b. Equity-based plans (continued)

(ix) Details of the movement in employee shares

Of share grants under the ESP, DSP and GEST in the 2009 financial year, 556,811 shares were issued at market price and 82,251 shares were re issued from the forfeited share pool at market price. Certain share plans stipulate that dividends received on unvested long-term incentive shares (374,050 shares at last dividend payment) are to be reinvested into Perpetual shares. During the period 15,835 shares were purchased on market at an average price of $38.15 to satisfy this requirement.

The amounts recognised in the financial statements of the consolidated entity and the Company in relation to the share plans referred to above during the year were amortisation of performance shares totalling $25,930,000 (2008: $20,424,000) recognised as an expense in the Income Statement with the corresponding entry directly in equity.

(x) Non-executive directors' share purchase plan

A share purchase plan for non-executive directors was approved by shareholders at the annual general meeting in October 1998, under which each non-executive director can sacrifice up to 50 per cent of their director's fees to acquire shares in the Company. The shares are purchased four times throughout the year at market value and have a disposal restriction of 10 years, or when the director ceases to be a director of the Company.

During the year the following directors participated in this plan:

Directors	Shares purchased on market	
	Number	$
E P McClintock	1,675	49,486
E M Proust	419	12,378
R M Savage	2,134	60,659
P B Scott	1,047	30,935
P J Twyman	2,095	61,891
	7,370	215,349

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 28. Financial arrangements

The consolidated entity has access to the following line of credit:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Total facilities available and utilised				
Floating rate bank bill facility	45,000	45,000	-	-
	45,000	45,000	-	-
Facilities not utilised				
Bank overdrafts	-	-	-	-

Bill facilities

The floating rate bank bill facility is unsecured and has a floating interest rate of 3.58 per cent at 30 June 2009 (30 June 2008 : 7.84 per cent). Repayment of the existing facility is due at 31 July 2010.

The Company has agreed to various debt covenants including shareholders' funds as a specified percentage of total assets, a minimum amount of shareholders' funds, a maximum ratio of total debt, a minimum interest cover, a maximum amount of structured product liabilities and a maximum provision for PPI credit losses as a specified percentage of PPI investor loans. Perpetual is in compliance with the covenants at 30 June 2009. Should the Company not satisfy any of these covenants, the outstanding balance of the loans may become due and payable.

Subsequent to year end, the consolidated entity obtained a $25 million increase in its bank facility. The increased facility may be drawn at any time however, management does not intend to draw on this additional facility in the near term.

Bank facilities associated with the PPI structured product are disclosed in Note 30 (b).

This note should be read in conjunction with Note 29 (c) (ii).

Note 29. Financial risk management

The Company recognises that risk is part of doing business and that the ongoing management of risk is critical to its success. The approach to managing risk is articulated in the Risk Management Framework. The Risk Management Framework is supported by the Risk Group, who are responsible for the design and maintenance of the framework, establishing and maintaining group wide risk management policies, and providing regular risk reporting to the Board, the Audit Risk and Compliance Committee (ARCC) and the Group Executive Committee. This framework is approved by Perpetual Board of Directors (the Board) and is reviewed for adequacy and appropriateness on an annual basis.

The Board regularly monitors the overall risk profile of the group and sets the risk appetite for the group, usually in conjunction with the annual planning process. The Board is responsible for ensuring that management have appropriate processes in place for managing all types of risk, ranging from financial risk to operational risk. To assist in providing ongoing assurance and comfort to the board, responsibility for risk management oversight has been delegated to the ARCC. The main functions of this committee are to oversee the consolidated entity's accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of our external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of our insurance programs. This committee is also responsible for monitoring overall legal and regulatory compliance.

The activities of the consolidated entity expose it to the following financial risks: credit risk, liquidity risk and market risk. These are distinct from the financial risks borne by customers which arise from financial assets managed by the consolidated entity in its role as fund manager, trustee and responsible entity.

The risk management approach to and exposures arising from the Exact Market Cash Fund (EMCF) are disclosed in Note 30.

The following discussion relates to financial risks exposure to the consolidated entity in its own right.

a) Credit risk

Credit risk is the risk of financial loss from a counterparty failing to meet their contractual commitments. The consolidated entity is predominately exposed to credit risk on its Perpetual Protected Investments (PPI) loans which are issued only in Australia to retail customers, derivative financial instruments and deposits with banks and financial institutions, outstanding receivables and committed transactions.

The maximum exposure of the consolidated entity to credit risk on financial assets which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts. The table below outlines the consolidated entity's maximum exposure to credit risk as at reporting date.

	Consolidated	
	2009	**2008**
	$000	**$000**
Cash and cash equivalents	146,138	183,111
Trade debtors	65,041	73,074
Structured products - loans receivable (PPI)	319,651	343,633
Other loan receivables	17,539	15,628
Available-for-sale listed equity securities and unlisted unit trusts	36,355	76,711
Held-to-maturity securities	222	222
Derivative financial instruments used for hedging: assets	145	15,503

Credit risk is managed on a functional basis across the various business segments. As a result of the total return swaps between the EMCF and the consolidated entity, the consolidated entity is also exposed to credit risk on its exposure to the $1,513 million of underlying investments held by the EMCF. This maximum exposure would only be realised in the unlikely event that the recoverable value of all of the underlying investments held by the EMCF decline to $nil. Further details of the credit risk relating to the EMCF is disclosed in Note 30.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

a) Credit risk (continued)

(i) Structured products – Perpetual Protected Investment loans

In order to manage the credit risk arising from lending to investors in PPI structured product offerings, the consolidated entity has in place a dedicated Credit Office who report to the General Manager, Structured Products. The Credit Office is governed by the Credit Risk Policy which stipulates the criteria that investors are required to meet prior to being granted a loan, and hence ensures that all investors under this arrangement possess the desired level of credit worthiness. The Credit Risk Policy is reviewed periodically by the Chief Risk Officer (CRO) to ensure its continued compliance with the Group's Risk Management Framework. All loans are secured by the investor's investment in the structured product and the consolidated entity has recourse to the investor and the investment in the event of default. A charge over additional collateral may be required for loans greater than $2 million. As at 30 June 2009, loans for which Perpetual holds additional collateral is $3.5 million (30 June 2008: $3.5 million).

The Credit Office monitors the loan portfolio on a daily basis and provides reports on a monthly basis to Group Finance and the Risk Group for review. Arrears above 30 days are reviewed on a monthly basis by the Credit Committee, and are followed up and managed by the Credit Officer and recovery initiatives can include litigation if required.

The consolidated entity minimises concentrations of credit risk by imposing a limit on the exposure it can have with each investor. The maximum standard exposure per borrower is set at $1 million. For amounts greater than $1 million, approval from both the CRO and the Chief Financial Officer (CFO) is required.

For an aged analysis of the PPI loans that were past due but not impaired as at the reporting date, refer to Note 29 (a) (iii) Other financial assets below. Further information on the risk management approach to and exposures arising from the PPI structured product offerings is disclosed below in this note and in Note 30.

(ii) Investments held by incubation funds

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

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

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

(iii) Other financial assets

The consolidated entity's exposure to trade debtors is influenced mainly by the individual characteristic of each customer.

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

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

a) Credit risk (continued)

(iii) Other financial assets (continued)
Credit risk further arises in relation to financial guarantees given to wholly owned subsidiaries (see Note 14(b) for details). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval and are monitored on a quarterly basis as part of the consolidated entity's regulatory reporting.

Credit risk arising from cash investments are mitigated by ensuring they have a Standard & Poor's rating of 'A' or higher, and transactions involving derivatives are limited to high credit quality financial institutions.

The credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings, if available, or to historical information on counterparty default rates.

The tables below provide an aged analysis of the financial assets which were past due but not impaired as at the reporting date.

	30 June 2009					30 June 2008				
	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000	Less than 30 days $'000	30 to 60 days $'000	60 to 90 days $'000	More than 90 days $'000	Total $'000
Consolidated entity										
Trade debtors	1,252	401	140	516	2,309	2,043	435	98	357	2,933
Other receivables	554	-	-	64	618	186	11	769	1,053	2,019
	1,806	401	140	580	2,927	2,229	446	867	1,410	4,952
Company										
Trade debtors	574	28	17	348	967	710	5	26	99	840
Other receivables	198	-	-	71	269	143	11	769	1,053	1,976
	772	28	17	419	1,236	853	16	795	1,152	2,816

The trade debtors in the above table relate to a number of independent customers and investors for whom there is no recent history of default.

Financial assets that would otherwise be past due or impaired but that have been renegotiated are $6,575,000 as at 30 June 2009 (2008: nil).

Note 29 - Financial risk management (continued)

a) Credit risk (continued)

(iii) Other financial assets (continued)

The nominal values of financial assets which were impaired are as follows:

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Trade debtors	271	89	271	89
Structured products - loans receivable	991	-	-	-
	1,262	89	271	89

The impaired financial assets relate mainly to independent customers and investors who are in unexpectedly difficult economic situations, where the consolidated entity is of the view that the receivable cannot be recovered. The consolidated entity does not hold any collateral against the trade debtors. Collateral held in respect of PPI loans is discussed in Note 29 (a)(i) above. For details of the provisions for impairment refer to Notes 13 and 30.

b) Liquidity risk

Liquidity risk is the risk that the financial obligations of the consolidated entity cannot be met as and when they fall due without incurring significant costs. The consolidated entity's approach to managing liquidity is to maintain a level of cash or liquid investments sufficient to meet its ongoing financial obligations. The consolidated entity has a robust liquidity risk framework in place which is principally driven by the Capital Management Review (refer to capital management disclosed below in Note 29 (d) for further details).

The consolidated entity manages liquidity risk by continually monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets. In addition, a three year forecast of liquid assets, cash flows and balance sheet is reviewed by the Board on a semi-annual basis as part of the Capital Management Review to ensure there is sufficient liquidity within the Group.

The consolidated entity did not have any undrawn bank facilities at year end. The repayment of the existing facility of $45 million (refer to Note 28) is due on 31 July 2010.

Subsequent to year end, the consolidated entity obtained a $25 million increase in its bank facility. The increased facility may be drawn at any time. The consolidated entity's bank facilities are subject to annual review and management intends to refinance the existing facility for a further period after the due date.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

b) Liquidity risk (continued)

Maturities of financial liabilities

The tables below show the maturity profiles of the financial liabilities and gross settled derivative financial instruments for the consolidated entity and the Company. These have been calculated using the contractual undiscounted cash flows, with the exception of the interest rate swaps whose cash flows have been estimated using the current interest rates applicable at the reporting date.

	30 June 2009				30 June 2008			
	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Total $'000
Consolidated								
Liabilities								
Trade and other payables	35,442	1,819	-	37,261	43,554	8,401	-	51,955
Interest bearing liabilities	-	45,000	-	45,000	-	45,000	-	45,000
Structured products - payable to investors	-	-	-	-	122,705	-	-	122,705
Structured products - interest bearing liabilities	107,683	84,590	126,475	318,748	-	-	215,600	215,600
	143,125	131,409	126,475	401,009	166,259	53,401	215,600	435,260
Derivatives								
Net settled - interest rate swaps	337	1,347	259	1,943	2,549	660	(2,056)	1,153
Gross settled - other derivatives				-				-
- outflow	2,469	-	-	2,469	3,842	-	-	3,842
- (inflow)	(2,469)	-	-	(2,469)	(3,842)	-	-	(3,842)
	337	1,347	259	1,943	2,549	660	(2,056)	1,153
Company								
Liabilities								
Payables	7,930	1,529	-	9,459	4,484	-	-	4,484
Amounts owing to controlled entities	63,190	-	-	63,190	62,216	-	-	62,216
	71,120	1,529	-	72,649	66,700	-	-	66,700

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

c) Market risk

The consolidated entity is subject to the following market risks:

(i) Currency risk

The exposure to currency risk, as defined in *AASB 7 Financial Instruments: Disclosures*, arises when financial instruments are denominated in a currency that is not the functional currency of the entity and are of a monetary nature. Hence the gains/(losses) arising from the translation of the controlled entities' financial statements into Australian dollars are not considered in this note.

A significant proportion of the monetary financial instruments held by the consolidated entity, being liquid assets, receivables, loans receivables, interest-bearing liabilities and payables, interest rate swaps, are denominated in Australian dollars. Hence fluctuations in exchange rates do not materially impact the profit/(loss) for the year or shareholders' equity.

Investments held in listed securities and unlisted unit trusts including incubation funds are of a non-monetary nature and therefore are not exposed to currency risk as defined in *AASB 7 Financial Instruments: Disclosures*. The currency risk relating to non-monetary assets and liabilities is a component of price risk and arises as the value of the securities denominated in other currencies fluctuate with changes in exchange rates.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The consolidated entity's exposure to interest rate risk arises predominantly on investors loans granted under the PPI structured product offering.

PPI structured product loans bear interest rates which are either fixed for the term of the product (7 years), fixed annually or variable. The consolidated entity has entered into fixed and variable rate banking facilities in order to finance loans provided to investors as a result of exposure to interest rate risk arising from:

(a) Fixed rate assets being financed with floating rate liabilities; and
(b) Maturity or duration mismatches.

In order to manage the interest rate risk relating to PPI structured products, it is the consolidated entity's policy to hedge at least 95 per cent of its loan exposure by entering into floating-to-fixed interest rate swaps where the banking facilities have a variable interest rate. The hedging of interest rate exposure is managed by Group Finance and is reported to the Audit Risk and Compliance Committee on a half-yearly basis.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

c) Market risk (continued)

(ii) Interest rate risk (continued)
The table below outlines the maturity profiles of the financial assets and liabilities subject to floating and fixed interest rates.

Consolidated entity

		Floating interest rate		Fixed interest rate				
	Note	**6 months or less $'000**	**6-12 months $'000**	**6 months or less $'000**	**6-12 months $'000**	**5-7 years $'000**	**Non-interest bearing $'000**	**Total $'000**
At 30 June 2009								
Financial assets								
Cash assets	12	146,138	-	-	-	-	-	146,138
Receivables	13	-	6,575	-	-	-	75,773	82,348
Other financial assets	14	60	-	40	-	-	36,709	36,809
Structured products – loans receivable - current	30	108,935	-	-	-	-	-	108,935
Structured products – loans receivable - non-current	30	13,400	-	-	101,417	95,899	-	210,716
		268,533	**6,575**	**40**	**101,417**	**95,899**	**112,482**	**584,946**
Financial liabilities								
Payables	21	-	-	-	-	-	35,442	35,442
Payables – non-current	21	-	-	-	-	-	1,819	1,819
Interest-bearing liabilities	23	45,000	-	-	-	-	-	45,000
Structured products – interest-bearing liabilities - current	30	107,683	-	-	-	-	-	107,683
Structured products – interest-bearing liabilities - non-current	30	107,691	-	-	29,650	73,724	-	211,065
Effect of interest rate swaps		(61,915)	-	-	54,500	7,415	-	-
		198,459	**-**	**-**	**84,150**	**81,139**	**37,261**	**401,009**
At 30 June 2008								
Financial assets								
Cash assets	12	183,111	-	-	-	-	-	183,111
Receivables	13	6,000	-	-	-	-	82,503	88,503
Other financial assets	14	60	-	40	-	-	77,032	77,132
Structured products – loans receivable	30	43,303	189,650	-	-	110,680	-	343,633
		232,474	**189,650**	**40**	**-**	**110,680**	**159,535**	**692,379**
Financial liabilities								
Payables	21	-	-	-	-	-	43,554	43,554
Payables – non-current	21	-	-	-	-	-	8,401	8,401
Interest-bearing liabilities	23	45,000	-	-	-	-	-	45,000
Structured products – payable to investors	30	-	-	-	-	-	122,705	122,705
Structured products – interest-bearing liabilities	30	215,600	-	-	-	-	-	215,600
Effect of interest rate swaps	30	(176,875)	78,500	-	-	98,375	-	-
		83,725	**78,500**	**-**	**-**	**98,375**	**174,660**	**435,260**

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

c) Market risk (continued)

(ii) Interest rate risk (continued)

Company

	Note	Floating interest rate		Fixed interest rate				
		6 months or less $'000	6-12 months $'000	6 months or less $'000	6-12 months $'000	5-7 years $'000	Non-interest bearing $'000	Total $'000
At 30 June 2009								
Financial assets								
Cash assets	12	47,943	-	-	-	-	-	47,943
Receivables	13	-	7,307	-	-	-	73,009	80,316
Other financial assets	14	60	-	40	-	-	53,534	53,634
		48,003	**7,307**	**40**	**-**	**-**	**126,543**	**181,893**
Financial liabilities								
Payables	21	-	-	-	-	-	71,120	71,120
Payables – non-current	21	-	-	-	-	-	1,529	1,529
		-	**-**	**-**	**-**	**-**	**72,649**	**72,649**
At 30 June 2008								
Financial assets								
Cash assets	12	76,324	-	-	-	-	-	76,324
Receivables	13	6,715	-	-	-	-	68,530	75,245
Other financial assets	14	60	-	40	-	-	76,391	76,491
		83,099	**-**	**40**	**-**	**-**	**144,921**	**228,060**
Financial liabilities								
Payables	21	-	-	-	-	-	66,700	66,700
		-	**-**	**-**	**-**	**-**	**66,700**	**66,700**

Interest rate risk sensitivity

The table below demonstrates the impact of a 1 per cent change in interest rates, with all other variables held constant, on the profit after tax and equity of the consolidated entity and Company.

	30 June 2009		30 June 2008	
	Impact on profit after tax $'000	Impact on equity $'000	Impact on profit after tax $'000	Impact on equity $'000
Consolidated entity				
Change in variable				
+ 1 per cent	784	1,689	1,008	6,758
- 1 per cent	(784)	(1,698)	(1,008)	(7,180)

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 29 - Financial risk management (continued)

c) Market risk (continued)

(ii) Interest rate risk (continued)

	30 June 2009		30 June 2008	
	Impact on profit after tax $'000	Impact on equity $'000	Impact on profit after tax $'000	Impact on equity $'000
Company				
Change in variable				
+ 1 per cent	484	484	633	633
- 1 per cent	(484)	(484)	(633)	(633)

The impact on profit after tax for the year would have been mainly as a result of an increase / (decrease) in interest revenue earned on cash and cash equivalents. The impact on equity would have been mainly the result of an increase/(decrease) in the fair value of the cash flow hedges associated with variable interest rate borrowings.

(iii) Equity price risk

Equity price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or its issuer or all factors affecting all instruments traded in the market. Except for its incubation funds, the consolidated entity is not exposed to equity price risk.

(iv) Market risks arising from incubation funds

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

Market risk in the incubation funds is limited by a predetermined seed capital funding pool which has been allocated based on the consolidated entity's balance sheet. The Investment Committee is responsible for determining the size of the pool and approving new incubation fund strategies. They also ensure management has appropriate processes and systems in place for managing investment risk for each fund. The funds' specialist asset managers aim to manage the impact of price risks through the use of consistent and carefully considered investment guidelines. Risk management techniques are used in the selection of investments, including derivatives, which are only acquired if they meet specified investment criteria. Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these restrictions reported to the Chief Risk Officer.

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

Note 29 - Financial risk management (continued)

c) Market risk (continued)

(iv) Market risks arising from incubation funds (continued)

The impact on the consolidated profit after tax of a reasonably possible change in the returns of the funds in which the consolidated entity invested at year end has been calculated below. The reasonably possible change has been determined using historical analysis and management's informed assessment of an appropriate rate of return. The analysis is based on the assumption that the returns on asset classes have moved, with all other variables held constant and that the relevant change occurred as at the reporting date. However, actual movements in the risk may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of economies, markets and securities in which the funds invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

An increase of 15 per cent at the reporting date of the consolidated entity's and Company's underlying investments' prices would have increased the consolidated and Company profit before tax and equity by $5.5 million (2008: $11.5 million) and $8.0 million (2008: $11.4 million) respectively.

A decrease of 15 per cent would have the equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

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

(v) Market risks arising from the Exact Market Cash Funds

The consolidated entity is further subject to market risks through the establishment of the Exact Market Cash Fund (EMCF). The fund was established with the purpose of providing an exact return utilising the UBS Bank Bill Index (the benchmark index) to investors. The impact of the EMCF on the consolidated entity's financial results is dependent on the performance of the fund relative to the benchmark.

The risk management approach to and exposures arising from the EMCF are disclosed in Note 30.

(vi) Market risks arising from Funds Under Management and Funds Under Advice

The consolidated entity's revenue is significantly dependent on Funds Under Management and Funds Under Advice which are influenced by market movements. A 1 per cent movement in the equity markets would have an impact of $1.2 million to $1.7 million per annum on the consolidated entity's revenue. It is worth noting this movement is not linear to the overall value of the market.

d) Capital management

A Capital Management Review is carried out on a semi-annual basis and is submitted to the Board for review and approval. The capital management policy ensures that the level of financial conservatism is appropriate for the Company's businesses including acting as custodian and manager of clients' assets and operation as a trustee company. This policy also aims to provide business stability and accommodate the growth needs of the consolidated entity. This policy comprises three parts:

(i) Dividend Policy

In February 2009, the Company announced a change in its dividend policy. Dividends paid to shareholders are to be in the range of 80-100 per cent of the consolidated entity's net profit after tax attributable to members of the Company, which is in line with the historical dividend range paid to shareholders. The Company also indicated that there would be a transition period to the changed policy.

Note 29 - Financial risk management (continued)

d) Capital management (continued)

(i) Dividend Policy (continued)

In prior years, dividends paid to shareholders represented 90 per cent of the consolidated underlying cash earnings. This was derived by applying 90 per cent to the consolidated operating profit excluding equity remuneration amortisation expense, EMCF gains/(losses) and net profit on sale of investments.

(ii) Review of capital and distribution of excess capital

A review of the consolidated entity's capital base is performed at least semi-annually and excess capital that is surplus to the Group's current requirements is potentially returned to shareholders in the absence of a strategically aligned, value accretive investment opportunity.

(iii) Gearing Policy

The consolidated entity seeks to maintain a conservative financial management profile. Its gearing policy includes a maximum debt / debt and total equity ratio of 30 per cent and EBITDA interest cover of more than 10 times. Corporate debt (excluding product debt) has been maintained at $45 million throughout the year, and the consolidated entity is within its stated gearing policy at year end.

The gearing ratio for the consolidated entity as at 30 June 2009 is 13 per cent (2008: 13 per cent) and an EBITDA interest cover ratio of 54 times (2008: 69 times) was achieved.

e) Fair value

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price. Marketable shares included in Other financial assets are traded in an organised financial market and their fair value is the current quoted market bid price for an asset. The carrying amounts of bank term deposits and receivables approximate fair value. The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The estimates of fair value where valuation techniques are applied are subjective and involve the exercise of judgement. Changing one or more of the assumptions applied in valuation techniques to reasonably possible alternative assumptions may impact on the amounts disclosed. As at 30 June 2009 no valuation techniques were applied to estimate fair value.

The consolidated entity's financial assets and liabilities included in current assets and liabilities in the balance sheets are carried at amounts in accordance with Notes 13, 14 and 30. The carrying amount of financial assets and financial liabilities, less any impairment, approximates their fair value, except for those outlined in the table below.

	2009		2008	
	Carrying amount $'000	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Structured products – loans receivable (non-current)	210,716	200,452	343,633	336,475

	Consolidated 2009 $'000	Consolidated 2008 $'000

Note 30. Structured products assets and liabilities

a. Exact Market Cash Funds

	2009 $'000	2008 $'000
Current assets		
Exact Market Cash Fund 1	1,086,011	1,507,331
Exact Market Cash Fund 2	409,779	-
	1,495,790	1,507,331
Current liabilities		
Exact Market Cash Fund 1	1,089,263	1,507,331
Exact Market Cash Fund 2	408,991	-
	1,498,254	1,507,331

The Exact Market Cash Funds current asset balances reflect the fair value of the net assets held by the funds. The current liabilities balances represent the consolidated entity's obligation to the funds investors under the total return swap and reflect the net assets of the funds for unit pricing purposes.

The Exact Market Cash Fund 1 (EMCF 1) was established during the financial year ended 30 June 2005 with the purpose of providing an exact return that matched the UBS Bank Bill rate (the benchmark index), or a variant thereon, to investors. The fund's ability to pay the benchmark return to the investors is guaranteed by the consolidated entity. The National Australia Bank has provided the EMCF 1 product with a guarantee to the value of $22.5 million in 2009 (2008: $20.0 million) to be called upon in the event that the consolidated entity is unable to meet its obligations. Due to the guaranteed benchmark return to investors, the consolidated entity is exposed to the risk that the return of the EMCF 1 differs from that of the benchmark. The return of the EMCF 1 is affected by risks to the underlying investments in the EMCF 1 portfolio, which are market, liquidity, and credit risks.

In March 2009, the consolidated entity changed the total return swap valuation methodology between the fund and the consolidated entity. 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 were valued at their fair value at the date of 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. The change in valuation methodology will not affect the investment returns to investors in the EMCF 1.

The Exact Market Cash Fund 2 (EMCF 2) was established in July 2008 and aims to provide an exact return that matches the benchmark index to investors in the fund. It has a similar structure to EMCF 1, but in addition, there are specific rules that govern the withdrawal of funds. EMCF 2 invests in debt securities issued by parties or securities with a minimum credit rating of 'BBB-' by Standard & Poor's or equivalent rating agency at the time of purchase. The investments held by EMCF 2 are recorded at fair value within the fund, and in the consolidated entity's financial statements. National Australia Bank has provided the fund with a guarantee to the value of $5 million (2008: nil) to be called upon in the event that Perpetual does not meet its obligations to the fund under the swap agreement.

The EMCF 1 product has been assigned a ‘AAf’ fund credit quality rating by Standard & Poor’s and invests predominantly in Perpetual's Credit Enhanced Cash Fund (AA) and Cash Alpha Pool Fund of the consolidated entity. These funds cannot invest in securities which have a Standard & Poor’s credit rating below ‘BBB-'. They can invest in assets directly or indirectly by investing in other managed funds that have similar investment objectives and authorised investments. The underlying funds may invest in a variety of cash and debt securities, predominantly floating rate securities, cash deposits and fixed rate securities.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 30. Structured products assets and liabilities (continued)

a. Exact Market Cash Funds (continued)

The EMCF 2 product invests directly into a variety of cash and debt securities, predominantly floating rate securities, cash deposits and fixed rate securities with a minimum credit rating band of 'BBB-' by Standard & Poor's or equivalent rating agency at the time of purchase.

EMCF 1 and EMCF 2 (EMCF) use professional investment managers to manage the impact of these risks by using prudent investment guidelines and investment processes. The investment manager explicitly targets low volatility and aims to achieve this through a quality-screening process that is designed to assess the likelihood of default and difficult trading patterns during periods of rapid systematic risk reduction. There is a clearly defined mandate for the inclusion of sectors and issuances. In periods of risk reduction, diversification may be narrowly focused on cash and highly liquid investment-grade assets. At times of higher risk tolerance, appropriate diversification should be expected.

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

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

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

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

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

30 June 2009	AAA to AA- $'000	A+ to A- $'000	BBB+ to BBB- $'000	Total $'000
Corporate bonds	225,389	143,858	50,666	419,913
Mortgage and asset backed securities	595,969	9,217	15,562	620,748
Cash	472,545	-	-	472,545
	1,293,903	153,075	66,228	1,513,206

30 June 2008	AAA to AA- $'000	A+ to A- $'000	BBB+ to BBB- $'000	Total $'000
Corporate bonds	148,673	124,563	67,446	340,682
Mortgage and asset backed securities	760,616	23,235	14,457	798,308
Cash	368,341	-	-	368,341
	1,277,630	147,798	81,903	1,507,331

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 30. Structured products assets and liabilities (continued)

a. Exact Market Cash Funds (continued)

The impact of the EMCF on the consolidated profit after tax is dependent on the calculation of the total return swap between the fund and the consolidated entity and the performance of the fund relative to the benchmark. If the fund's performance is below the benchmark return, then the consolidated entity will be obliged to make payments to the fund under the swap agreement. Conversely, if the fund's performance is higher than the benchmark, then the fund will make payments to the consolidated entity.

The table below demonstrates the impact of a 1 per cent deviation of the fund from the benchmark return on the consolidated profit before tax.

	2009 $'000	2008 $'000
EMCF performance 1per cent higher than benchmark	15,132	15,073
EMCF performance 1per cent lower benchmark	(15,132)	(15,073)

The analysis is based on the assumption that the returns of the portfolios have increased or decreased as disclosed with all other variables held constant. However, actual movements in the risk may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of economies, markets, and securities in which the underlying funds invest. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

b. Perpetual Protected Investments

The Perpetual Protected Investments structured product (the PPI product) was established in the financial year ended 30 June 2007 for the purpose of providing investors the ability to select investments from a menu of managed funds while providing capital protection at maturity via a constant proportion portfolio insurance structure. The seven-year investment allows investors to borrow up to 100 per cent of their original invested amount (and their first year's interest if the interest is pre-paid), subject to a minimum loan of $50,000.

Structured products – loans receivable at reporting date consists of the following:

	Consolidated 2009 $'000	2008 $'000
Current		
Structured products – receivable from investors	108,935	-
	108,935	-
Non-current		
Structured products – loans receivable	212,247	344,675
Less: loan establishment fees	(540)	(1,042)
	211,707	343,633
Less: provision for credit losses	(991)	-
	210,716	343,633

Movements in the provision for credit losses are as follows :

	2009	2008
Balance as at 1 July 2008	-	-
Provision for credit losses recognised during the year	991	-
Balance as at 30 June 2009	991	-

In June 2009, a number of investors in the PPI product advised the Group that they intended to repay all or some of their loans. This gave rise to the reclassification to current assets and liabilities in relation to the PPI and corresponding bank funding facilities. Repayments received from investors will be applied to reduce the bank funding facilities used to finance these loans.

Note 30. Structured products assets and liabilities (continued)

b. Perpetual Protected Investments (continued)

During the year, the Group amended some of the bank funding facilities used to finance the PPI product. These facilities were amended from being variable interest rate into fixed interest rate with a fixed term, and simultaneously extinguished related interest rate swaps.

Investment and interest loans made to investors are funded by fixed and variable interest rate banking facilities. Total bank facilities available and utilised under these financial arrangements as at 30 June 2009 were $318.7 million (2008: $215.6 million).

It is the consolidated entity's policy to hedge variable rate facilities from exposure to fluctuating interest rates in accordance with its financial risk management policies. Accordingly, the consolidated entity has entered into interest rate swap contracts in order to hedge exposure to fluctuations in interest rates under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. Details of the consolidated entity's exposure to risks arising from Perpetual Protected Investments are set out in Note 29.

The contracts are settled on a net basis. For the 1 year interest rate swap, the fixed rate payment is paid either annually in advance or monthly in arrears, and the floating rate payment is received monthly in arrears; for the 7 years interest rate swap, the fixed rate leg is paid annually in advance, and the floating rate leg is received quarterly in arrears.

The fair value gains/(losses) of the consolidated entity on interest rate swaps cash flow hedges (transferred from equity) was $14,000 (2008: $155,000).

Interest rate swap contracts entered into cover approximately 94 per cent (2008: 96 per cent) of the variable interest rate banking facilities and are timed to expire as each loan falls due. The fixed interest rates of these swaps range from 3.12 per cent to 7.37 per cent (2008: 6.64 per cent to 7.66 per cent) and the banking facilities' variable interest rates range from 4.42 per cent to 4.50 per cent (2008: 7.98 per cent to 8.42 per cent).

The interest rates under the fixed interest banking facilities range from 3.53 per cent to 7.77 per cent. There were no fixed interest banking facilities at 30 June 2008.

Interest rate swaps have been both terminated and entered into in accordance with the Group's product interest rate risk policy.

The fair value of interest rate swap contracts outstanding as at reporting date and period of expiry are as follows:

	2009		2008	
	Fair value $'000	**Notional amount $'000**	**Fair value $'000**	**Notional amount $'000**
Less than 1 year	124	54,500	5,817	151,500
5-7 years	(821)	7,415	9,276	106,375
	(697)	61,915	15,093	257,875

The gain or loss from re-measuring interest rate swap contracts at fair value is deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately.

As at 30 June 2009, a re-measurement loss of $0.7 million (2008: gain of $2.7 million) was deferred in equity in the cash flow hedge reserve.

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

Note 31. Commitments

Capital expenditure commitments				
Contracted but not provided for and payable within one year	940	700	940	700

Capital expenditure contracted but not provided for and payable within one year relates primarily to costs associated with the fit out of Angel Place, Sydney and the costs associated with software development.

Operating lease commitments
Future operating lease rentals not provided for in the financial statements and payable:

Not later than 1 year	13,405	13,290	10,324	9,913
Later than 1 year and not later than 5 years	63,935	62,407	55,075	53,167
Later than 5 years	67,481	77,676	66,897	76,855
	144,821	153,373	132,296	139,935

Operating leases are predominantly related to premises.

Note 32. Contingencies

The directors are of the opinion that the recognition of liabilities is not required in respect of these matters, as it is not probable that future sacrifice of economic benefits will be required and the amount is not capable of reliable measurement.

Contingent liabilities

Uncalled capital of the controlled entities.	-	-	10,903	10,903
Controlled entity has bank guarantees to the favour of the Australian Securities and Investments Commission in respect of dealer's licence arrangements.	20	20	-	-
Bank guarantees of a controlled entity in favour of the ASX Settlement and Transfer Corporation Pty Limited with respect to normal trading activities.	1,000	1,000	-	-
Bank guarantees of a controlled entity in favour of various lessors for rental bonds on leased premises.	124	209	-	-

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

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 33. Related parties

Controlled entities and associates
The consolidated entity has a related party relationship with its subsidiaries (see Note 34) and with its Key Management Personnel (see Note 38).

Business transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Intercompany funding is provided by the Company by interest free loans to and from the Company and controlled entities.

	Company	
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with related parties are:	**2009 $'000**	**2008 $'000**
Dividend revenue:		
Controlled entities	86,900	115,100
Unit trust distributions:		
Controlled entities	3,464	5,897
Management fees:		
Controlled entities	3,550	9,034
Aggregate amounts receivable from, and payable to, related parties:		
Receivables – current:		
Controlled entities	64,950	64,100
Creditors and other liabilities – current:		
Controlled entities	63,190	62,216

Receivables from and payables to related parties are repayable on demand and are non-interest bearing.

Employee share purchase loans
Loans to executive directors of entities within the consolidated entity are made for the purposes of acquiring shares in the Company in accordance with the Perpetual Employee's Share Purchase Plan and are interest free for a maximum period of ten years. Loans are made by the Company.

At 30 June 2009 there were 2 loans (2008: 4) totalling $11,529 (2008: $24,841) outstanding from key management personnel. There were no loans granted to key management personnel during the 2009 financial year (2008: nil). The maximum loan outstanding to any one key management person at 30 June 2009 was $8,024 (2008: $7,454).

During the year loan repayments (other than by way of dividends received) made by key management personnel totalled nil (2008: nil).

Name of Company	Beneficial interest 2009 %	2008 %	Country of incorporation
Note 34. Controlled entities			
Perpetual Limited			
Controlled Entities [1]			
Australian Trustees Limited	100	100	Australia
Commonwealth Trustees Pty Limited [2]	100	100	Australia
Financial Pursuit Pty Limited [3]	100	-	Australia
Investor Marketplace Limited	100	100	Australia
Perpetual Assets Pty Limited [2]	100	100	Australia
Perpetual Australia Pty Limited [2]	100	100	Australia
Perpetual Investment Management Limited	100	100	Australia
Perpetual Loan Company Limited	100	100	Australia
Perpetual Mortgage Services Pty Limited	100	100	Australia
Perpetual Nominees Limited	100	100	Australia
Perpetual Loan Company No. 2 Limited	100	100	Australia
Perpetual Services Pty Limited [2]	100	100	Australia
Perpetual Trust Services Limited	100	100	Australia
Perpetual Trustee Company (Canberra) Limited	100	100	Australia
Perpetual Trustee Company Limited	100	100	Australia
Perpetual Trustees Consolidated Limited	100	100	Australia
Perpetual Trustees Queensland Limited	100	100	Australia
Perpetual Trustees SA Limited	100	100	Australia
Perpetual Trustees Victoria Limited	100	100	Australia
Perpetual Trustees WA Limited	100	100	Australia
PI Investment Management Limited	100	100	Ireland
Queensland Trustees Pty Limited	100	100	Australia
smartsuper Pty Limited [4]	100	-	Australia
Perpetual Legal Services Pty Limited	100	100	Australia
Perpetual Pure Value Share Fund	11	100	Australia
Perpetual Concentrated International Share Fund	100	100	Australia
Perpetual's Equity Alpha Fund	-	100	Australia
Perpetual Equity Analyst Fund	-	100	Australia
Perpetual Resource Fund	99	100	Australia
Perpetual Wholesale Geared International Share Fund	46	54	Australia
Perpetual Asia Pool Fund	100	-	Australia
Perpetual Equity Imputation Portfolio	100	-	Australia
Perpetual Capital Accumulation Portfolio	100	-	Australia
Entities under the control of Australian Trustees Limited			
Wilson Dilworth Partnership Pty Limited [2]	100	100	Australia
Entities under the control of Perpetual Assets Pty Limited			
Perpetual Asset Management Limited	100	100	Australia
Entities under the control of Perpetual Asset Management Limited [1]			
Perpetual Superannuation Ltd	100	100	Australia

Notes to and forming part of the financial statements for the year ended 30 June 2009

Name of Company	Beneficial interest 2009 %	2008 %	Country of incorporation
Note 34. Controlled entities (continued)			
Entities under the control of Perpetual Trustee Company Limited			
Perpetual Corporate Trust Limited	100	100	Australia
Perpetual Custodians Limited	100	100	Australia
Perpetual Service Network Pty Limited[2]	100	100	Australia
PT Limited	100	100	Australia
Entities under the control of Perpetual Trustees Consolidated Limited			
Perpetual Nominees (Canberra) Limited	100	100	Australia
Perpetual Custodian Nominees Pty Limited[2]	100	100	Australia
Entities under the control of Perpetual Trustees Victoria Limited			
Perpetual Executors Nominees Limited	100	100	Australia
AXA GESP Exempt (Aust) Pty Limited[2]	51	51	Australia
AXA GESP Deferred (Aust) Pty Limited[2]	51	51	Australia
Entities under the control of Perpetual Trustees WA Limited			
Terrace Guardians Limited	100	100	Australia
Entities under the control of PT Limited[1]			
Perpetrust Nominees Pty Limited[2]	100	100	Australia
Entities under the control of Wilson Dilworth Partnership Pty Limited[1]			
Wilson Dilworth Limited	100	100	Australia

[1] Entities in bold are directly owned by Perpetual Limited with the exception of Perpetual Asset Management, P.T. Limited and Wilson Dilworth Partnership Pty Limited which are owned by Perpetual subsidiaries.

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

[3] Financial Pursuit Pty Limited was purchased by Perpetual Limited on 12 March 2009.

[4] smartsuper Pty Limited was purchased by Perpetual Limited on 24 September 2008.

Note 35. Notes to the Cash Flow Statements

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit for the year	37,749	128,813	80,748	144,954
Add/(less) items classified as investing/financing activities:				
Loss/(profit) on sale of investments	6,673	(34,251)	1,452	(24,954)
Reinvestment of dividends and unit distributions	(1,962)	(3,717)	(5,299)	(3,717)
Receivable from sale of shares in Rinker Group Limited	-	(7,512)	-	(6,807)
Working capital acquired from business combinations	1,000	-	-	-
Leave liabilities acquired from business combinations	(80)	(287)	-	-
Loss from re-measuring interest rate swap recognised in the income statement	-	(234)	-	-
Share of profit of equity accounted investees, net of income tax	(111)	-	-	-
Tax paid on the sale of investments	(1,657)	10,135	(695)	7,623
Decrease in treasury share reserve	-	(1,250)	-	-
Add/(less) non-cash items:				
Loss on sale of property, plant and equipment	470	1	470	1
Transfer from cash flow hedge reserve to profit and loss	(14)	(155)	-	-
Depreciation and amortisation of property, plant and equipment	13,163	9,792	11,161	8,414
Equity remuneration expense	25,930	20,424	-	-
Transfer to foreign currency translation reserve	197	225	-	-
Transfer to available-for-sale reserve	(1,725)	-	-	-
Loss after tax attributable to minority interests	58	-	-	-
Impairment of available-for-sale securities	1,065	2,971	1,065	2,971
Net cash provided by operating activities before change in assets and liabilities	80,756	124,955	88,902	128,485
Change in assets and liabilities net of acquisition of controlled entities during the financial year:				
(Increase)/decrease in receivables	6,155	(5,461)	(5,071)	2,941
(Increase)/decrease in intercompany balances	-	-	37,475	(23,065)
(Increase)/decrease in net structured products assets	(812)	21	-	-
(Increase)/decrease in derivative assets	15,358	(4,724)	(11)	-
Increase/(decrease) in derivative liabilities	586	(2,516)	-	-
Increase/(decrease) in payables	(14,694)	983	5,949	(1,483)
Increase in income received in advance	-	9,000	-	-
(Increase)/decrease in other assets	(4,039)	(2,424)	151	134
Decrease in other financial assets other than investments	-	-	-	(32)
Decrease in employee benefits	(7,580)	-	(11,214)	-
Increase in provisions	7,354	10,576	7,637	8,227
Decrease in income taxes payable	(25,258)	(16,578)	(25,292)	(16,591)
Increase in deferred tax assets	(1,517)	(7,664)	(1,805)	(875)
Increase/(decrease) in deferred tax liabilities	2,817	-	(1,380)	-
Increase in cash flow hedge reserve	3,599	2,882	-	-
Net cash provided by operating activities	62,725	109,050	95,341	97,741

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 36. Business combinations

During the financial year, the Company acquired 100% of the issued share capital of smartsuper Pty Limited, which is a Self Managed Superannuation Funds administration provider based in Sydney, and Financial Pursuit Pty Limited, which is a financial advisory practice based in Sydney.

The acquired businesses contributed revenue of $3.8 million and net profit after tax of $0.2 million to the consolidated entity from the date of acquisitions to 30 June 2009. If these acquisitions had occurred on 1 July 2008, the revenue and net profit after tax would have been $9.4 million and $1.1 million respectively.

Total purchase consideration included cash ($21.4 million), direct costs ($0.5 million), and adjustments to working capital ($0.5 million). The fair value of net identifiable assets acquired was $7.9 million, consisting of net working capital of $1.0 million and intangible assets of $6.9 million. The resulting goodwill from these acquisitions was $14.5 million.

Note 37. Subsequent events

The directors are not aware of any other event or circumstance since the end of the financial period not otherwise dealt with in this report that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report

Disclosure requirements of *AASB 124 Related Party Disclosures* are provided in the Remuneration Report located on pages 16 to 41 of the Directors' Report. The following disclosures required under AASB 124 are also required to be included in the Financial Report:

- Para 16 'Total Compensation of Key Management Personnel'
- Para 25.2 'Details of Each Key Management Personnel'
- Para 25.7.3 'Options and Rights holdings'
- Para 25.7.4 'Equity Holdings and Transactions'
- Para 25.8 'Disclosure of Loans' and
- Para 25.9 'Disclosure of Other Transactions'.

Key management personnel

Key management personnel (KMP) are persons (including non-executive directors of Perpetual Limited) having the authority and responsibility for planning, directing and controlling the Company's activities, directly or indirectly, including directors (whether executive or otherwise) of the consolidated entity. The following persons were KMPs of Perpetual during the financial year:

Name	Position
Non-Executive Directors	
Robert Savage	Chairman and Independent Director
Meredith Brooks	Independent Director
Paul McClintock	Independent Director
Elizabeth Proust	Independent Director
Peter Scott	Independent Director
Philip Twyman	Independent Director
Executive Director	
David Deverall	Chief Executive Officer, Managing Director
Group Executives	
Richard Brandweiner	Group Executive Income and Multi-Sector
Roger Burrows	Chief Financial Officer [2]
Cathy Doyle [1]	Group Executive Perpetual Investments Business Services
Emilio Gonzalez [1]	Group Executive Global Equities
Christopher Green	Group Executive Corporate Trust [3]
Ivan Holyman	Chief Risk Officer [4]
John Nesbitt [1]	Group Executive Private Wealth
Matt Pancino	Group Executive Operations [5]
Janine Stewart	Group Executive People and Culture [6]
Eric Wang [1]	Group Executive Superannuation and Investment Solutions [7]
KMPs who departed during the year or since the end of the year	
Non-Executive Directors	
Alexander Stevens	Former Independent Director [8]
Group Executives	
Phillip Vernon [1]	Former Group Executive Corporate Trust [9]

[1] The five highest paid officers of the group during the year ended 30 June 2009 in accordance with *AASB 124.*

[2] Alternate Director for Robert Savage, appointed 1 December 2008.

[3] Appointed 1 October 2008.

[4] Alternate Director to David Deverall, appointed 23 May 2006.

[5] Appointed 1 September 2008.

[6] Appointed 29 September 2008.

[7] Held the position of Chief Operating Officer up to 17 September 2008, at which time he was appointed to this role.

[8] Termination date 3 February 2009.

[9] Termination date 31 December 2008.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report (continued)

Total compensation of key management personnel

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Short-Term	7,144,201	6,206,046	7,144,201	6,206,046
Post-Employment	397,882	222,358	397,882	222,358
Share-Based	1,014,888	1,642,142	1,014,888	1,642,142
Total	8,556,971	8,070,546	8,556,971	8,070,546

Related party disclosures

Executives have not entered into material contracts with the Company or a member of the consolidated entity since the end of the previous financial year and there were no material contracts involving KMP's interests existing at year end.

Option holdings of Managing Director, group and other executives

Name	Grant date	Exercise period	Exercise price	Held at 1 July 2008	Movement during the year: Granted	Movement during the year: Forfeited	Movement during the year: Exercised	Held at 30 June 2009	Vested & exercisable at 30 June 2009	Fair value per option at grant date[1]	Proceeds received on exercise
			$	No. of options	No. of options			No. of options	No. of options	$	$
Managing Director											
D Deverall [2]	Options granted prior to 1 July 2007[3]			65,912	-	6,840	-	59,072	978	-	-
	1 Jul 07	30 Jun 10 - 1 Jul 13	79.17	134,625	-	-	-	134,625	-	11.92	-
	1 Jul 07	30 Jun 12 - 1 Jul 13	79.17	67,313	-	-	-	67,313	-	11.92	-
	1 Jul 07	1 Jul 10 - 1 Jul 17	79.17	34,498	-	-	-	34,498	-	11.92	-
	1 Jul 08	1 Jul 11 - 1 Jul 14	42.73	-	57,390	-	-	57,390	-	8.97	-
	29 Jun 09	1 Jul 12 - 29 Jun 19	28.34	-	47,585	-	-	47,585	-	9.58	-
		Aggregate Value			$970,653	$322,027	-				-
Group executives											
E Gonzalez	Options granted prior to 1 July 2007[4]			33,334	-	-	33,334	-	-	-	-
	20 Jan 09	30 Jun 13 - 20 Jan 15	31.42	-	182,215	-	-	182,215	-	6.60	-
		Aggregate Value			$1,202,619	-	$409,342				$1,082,022
J Nesbitt	9 Jun 09	30 Jun 12 - 9 Jun 19	28.34	-	58,939	-	-	58,939	-	9.06	-
		Aggregate Value			$533,987	-	-				
E Wang	31 Mar 08	31 Mar 11 - 31 Mar 13	52.71	75,301	-	-	-	75,301	-	9.96	-
		Aggregate Value			-	-	-				-

Options granted to the Managing Director and group executives are granted from the Executive Option Plan. R Brandweiner, R Burrows, C Doyle, C Green, I Holyman, M Pancino and J Stewart do not hold options over Perpetual shares.

[1] Equity instruments issued have been valued by PricewaterhouseCoopers (PwC) using a Binomial Option Pricing model at grant dat

[2] Approval for the issue of options to D Deverall was obtained under ASX Listing Rule 10.14 at Perpetual's AGMs held on 19 October 2004, 17 October 2006, 30 October 2007 and 28 October 2008.

[3] These options were granted on 1 July 2004 (6,840; 100% forfeited in the current year), 19 October 2004 (978), 1 July 2005 (28,144) and 1 July 2006 (29,950

[4] These options were granted on 28 October 2002 (33,334)

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report (continued)

					Movement during the year						
Name	**Grant date**	**Exercise period**	**Exercise price**	**Held at 1 July 2007**	**Granted**	**Forfeited**	**Exercised**	**Held at 30 June 2008**	**Vested & exercisable at 30 June 2008**	**Fair value per option at grant date**	**Proceeds received on exercise**
			$	**No. of options**		**No. of options**		**No. of options**	**No. of options**	**$**	**$**
Managing Director											
D Deverall [2]	Options granted prior to 1 July 2006 [3]			62,738	-	-	26,776	35,962	-	-	-
	1 Jul 06	1 Jul 09 - 1 Jul 12	71.88	29,950	-	-	-	29,950	-	12.52	-
	1 Jul 07	30 Jun 10 - 1 Jul 13	79.17	-	134,625	-	-	134,625	-	11.92	-
	1 Jul 07	30 Jun 12 - 1 Jul 13	79.17	-	67,313	-	-	67,313	-	11.92	-
	1 Jul 07	1 Jul 10 - 1 Jul 17	79.17	-	34,498	-	-	34,498	-	11.92	-
		Aggregate Value			$2,818,317	-	$795,177				$1,254,526
Group Executives											
G Doherty	Options granted prior to 1 July 2006 [4]			33,334	-	-	33,334	-	-		-
		Aggregate Value			-	-	$1,284,692	-			$1,082,022
E Gonzalez	Options granted prior to 1 July 2006 [5]			43,393	-	-	10,059	33,334	-		-
		Aggregate Value			-	-	$381,136	-			$388,881
P Vernon	Options granted prior to 1 July 2006 [6]			3,093	-	-	3,093	-	-		-
		Aggregate Value			-	-	$123,751	-			$100,399
E Wang	31 Mar 08	31 Mar 11 - 31 Mar 13	52.71	-	75,301	-	-	75,301	-	9.96	-
		Aggregate Value			$749,998	-	-	-			

Options granted to the Managing Director and group executives are granted from the Executive Option Plan. R Brandweiner, R Burrows, C Doyle, C Green, I Holyman, M Pancino and J Stewart do not hold options over Perpetual shares.

[1] Equity instruments issued have been valued by PricewaterhouseCoopers (PwC) using a Binomial Option Pricing model at grant date

[2] Approval for the issue of options to D Deverall was obtained under ASX Listing Rule 10.14 at Perpetual's AGMs held on 20 October 2003, 19 October 2004, 17 October 2006 and 30 October 2007.

[3] These options were granted on 21 October 2003 (610), 1 July 2004 (29,736), 19 October 2004 (4,248) and 1 July 2005 (28,144)

[4] These options were granted on 28 October 2002

[5] These options were granted on 31 October 2001 (10,059) and 28 October 2002 (33,334; 100% vested in the current year)

[6] These options were granted on 28 October 2002 (3,093; 100% vested in the current year)

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report (continued)

Unvested shareholdings of Managing Director, group and other executives

Name	Grant date	Issue price	Vesting date	Held at 1 July 2008	Movement during the year: Granted	Forfeited	Vested	Held at 30 June 2009	Fair value per share ($) TSR Hurdle	Fair value per share ($) non-TSR hurdle
				No of shares	No of shares			No of shares		
Managing Director										
D Deverall [1]	Shares granted prior to 1 July 2007 [2]			16,121	-	1,955	-	14,166		
	1 July 2007	79.17	1 July 2010	31,735	-	-	-	31,735	57.22	80.08
	1 July 2007	79.17	30 June 2012	12,631	-	-	-	12,631	N/A	73.76
	1 July 2008	42.73	1 July 2011	-	11,993	-	-	11,993	38.97	50.80
	29 June 2009	28.34	1 July 2012	-	18,083	-	-	18,083	21.30	28.01
	Aggregate Value				$1,024,933	$92,041				
Group executives										
R Brandweiner	Shares granted prior to 1 July 2007 [3]			1,500	-	111	-	1,389		
	1 October 2007	73.54	1 October 2010	1,359	-	-	-	1,359	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	4,112	-	-	4,112	38.97	50.80
	Aggregate Value				$199,967	$5,513				
R Burrows	31 March 2008	52.71	31 March 2011	11,383	-	-	-	11,383	57.22	52.71
	1 October 2008	48.63	1 October 2011	-	12,338	-	-	12,338	38.97	50.80
	Aggregate value				$599,997					
C Doyle	4 December 2006	72.92	4 December 2009	1,645	-	-	-	1,645	52.13	72.92
	1 October 2007	73.54	1 October 2010	4,759	-	-	-	4,759	57.22	80.08
	20 February 2008	52.28	1 January 2011	19,127	-	-	-	19,127	N/A	52.28
	1 October 2008	48.63	1 October 2011	-	7,197	-	-	7,197	38.97	50.80
	Aggregate Value				$349,990					
E Gonzalez	Shares granted prior to 1 July 2007 [4]			15,744	-	-	-	15,744		
	1 October 2007	73.54	1 October 2010	10,878				10,878	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	16,450	-	-	16,450	38.97	50.80
	20 January 2009	31.42	30 June 2013	-	39,783	-	-	39,783	N/A	31.42
	Aggregate Value				$2,049,945					
C Green	Shares granted prior to 1 July 2007 [5]			2,056	-	-	2,056	-		
	1 October 2007	73.54	1 October 2010	2,291	-	-	-	2,291	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	4,112	-	-	4,112	38.97	50.80
	Aggregate Value				$199,967		$150,026			
I Holyman	Shares granted prior to 1 July 2007 [6]			11,162	-	817	-	10,345		
	1 October 2007	73.54	1 October 2010	6,119	-	-	-	6,119	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	9,253	-	-	9,253	38.97	50.80
	Aggregate Value				$449,973	$40,580				
J Nesbitt	Shares granted prior to 1 July 2007 [7]			12,943	-	817	-	12,126		
	1 October 2007	73.54	1 October 2010	10,878	-	-	-	10,878	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	16,450	-	-	16,450	38.97	50.80
	9 June 2009	29.74	30 June 2012	-	20,174	-	-	20,174	N/A	29.74
	Aggregate Value				$1,399,938	$40,580				
M Pancino	Shares granted prior to 1 July 2007 [8]			2,120	-	-	-	2,120		
	1 October 2007	73.54	1 October 2010	2,039	-	-	-	2,039	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	5,140	-	-	5,140	38.97	50.80
	Aggregate Value				$249,958					
J Stewart	10 September 2007	75.24	10 September 2010	584	-	-	-	584	N/A	75.24
	1 October 2008	48.63	1 October 2011	-	3,084	-	-	3,084	38.97	50.80
	Aggregate Value				$149,975					
E Wang	Shares granted prior to 1 July 2007 [9]			4,006	-	481	-	3,525		
	1 October 2007	73.54	1 October 2010	4,079	-	-	-	4,079	57.22	80.08
	31 March 2008	52.71	31 March 2011	14,228	-	-	-	14,228	N/A	52.71
	1 October 2008	48.63	1 October 2011	-	6,169	-	-	6,169	38.97	50.80
	Aggregate Value				$299,998	$23,891				
Departed group executives										
P Vernon	Shares granted prior to 1 July 2007 [10]			8,557	-	8,557	-	-		
	1 October 2007	73.54	1 October 2010	5,439	-	5,439	-	-	57.22	80.08
	Aggregate Value					$992,953				

[1] Approval for the issue of shares to David Deverall was obtained under ASX Listing Rule 10.14 at Perpetual's AGM held on 19 October 2004, 17 October 2006, 30 October 2007 and 28 October 2008.

[2] These shares were granted on 1 July 2004 (1,710; 100% forfeited in the current year), 19 October 2004 (245; 100% forfeited in the current year), 1 July 2005 (7,036) and 1 July 2006 (7,130).

[3] These shares were granted on 1 October 2004 (111; 100% forfeited in the current year), 30 September 2005 (745) and 2 October 2006 (644).

[4] These shares were granted on 30 September 2005 (7,453) and 2 October 2006 (8,291).

[5] These shares were granted on 17 July 2006 (4,796; 43% vested in the current year).

[6] These shares were granted on 1 October 2004 (817; 100% forfeited in the current year), 30 September 2005 (4,472) and 2 October 2006 (5,873).

[7] These shares were granted on 1 October 2004 (817; 100% forfeited in the current year), 30 September 2005 (5,217) and 2 October 2006 (6,909).

[8] These shares were granted on 14 August 2006 (255) and 2 October 2006 (1,865).

[9] These shares were granted on 1 October 2004 (481; 100% forfeited in the current year), 30 September 2005 (1,729) and 2 October 2006 (1,796).

[10] These shares were granted on 1 October 2004 (463; 100% forfeited in the current year), 30 September 2005 (2,981; 100% forfeited in the current year) and 2 October 2006 (5,113; 100% forfeited in the current year).

Shares granted to the Managing Director and group executives are granted from the Executive Share Plan. Grants of performance shares after 30 June 2003 contain 50% of the shares with a performance hurdle linked to TSR and 50% of the shares granted with a performance hurdle linked to EPS. Where applicable, the fair value of shares with a TSR performance hurdle are disclosed. The fair value of TSR-linked shares is calculated by PwC using valuation techniques which take into account the probability of vesting as reflected in the fair value at grant.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report (continued)

Unvested shareholdings of Managing Director, group and other executives

Name	Grant date	Issue price	Vesting date	Held at 1 July 2007	Movement during the year: Granted	Forfeited	Vested	Held at 30 June 2008	Fair value per share ($) TSR Hurdle	Fair value per share ($) non-TSR hurdle
				No of shares	No of shares			No of shares		
Managing Director										
D Deverall [1]	Shares granted prior to 1 July 2006 [2]			8,991	-	-	-	8,991		
	1 July 2006	71.88	1 July 2009	7,130	-	-	-	7,130	52.13	71.88
	1 July 2007	79.17	1 July 2010	-	31,735	-	-	31,735	57.22	80.08
	1 July 2007	79.17	30 June 2012	-	12,631	-	-	12,631	N/A	73.76
	Aggregate Value				$3,512,456	-	-			
Group executives										
R Brandweiner	Shares granted prior to 1 July 2006 [3]			1,228	-	-	372	856		
	2 October 2006	72.36	2 October 2009	644	-	-	-	644	52.13	72.36
	1 October 2007	73.54	1 October 2010	-	1,359	-	-	1,359	57.22	80.08
	Aggregate Value				$99,941	-	$18,477			
R Burrows	31 March 2008	52.71	31 March 2011	-	11,383	-	-	11,383	57.22	52.71
	Aggregate value				$599,998	-	-			
C Doyle	4 December 2006	72.92	4 December 2007	548	-	-	548	-	52.13	72.92
	4 December 2006	72.92	4 December 2009	1,645	-	-	-	1,645	52.13	72.92
	1 October 2007	73.54	1 October 2010	-	4,759	-	-	4,759	57.22	80.08
	20 February 2008	52.28	1 January 2011	-	19,127	-	-	19,127	N/A	52.28
	Aggregate Value				$1,349,936	-	$39,960			
E Gonzalez	Shares granted prior to 1 July 2006 [4]			7,453	-	-	-	7,453		
	2 October 2006	72.36	2 October 2009	8,291	-	-	-	8,291	52.13	72.36
	1 October 2007	73.54	1 October 2010	-	10,878	-	-	10,878	57.22	80.08
	Aggregate Value				$799,968	-	-			
I Holyman	Shares granted prior to 1 July 2006 [5]			8,025	-	-	2,736	5,289		
	2 October 2006	72.36	2 October 2009	5,873				5,873	52.13	72.36
	1 October 2007	73.54	1 October 2010	-	6,119			6,119	57.22	80.08
	Aggregate Value				$449,991	-	$135,897			
J Nesbitt	Shares granted prior to 1 July 2006 [6]			8,770	-	-	2,736	6,034		
	2 October 2006	72.36	2 October 2009	6,909				6,909	52.13	72.36
	1 October 2007	73.54	1 October 2010	-	10,878			10,878	57.22	80.08
	Aggregate Value				$799,968	-	$135,897			
P Vernon	Shares granted prior to 1 July 2006 [7]			4,994	-	-	1,550	3,444		
	2 October 2006	72.36	2 October 2009	5,113				5,113	52.13	72.36
	1 October 2007	73.54	1 October 2010	-	5,439			5,439	57.22	80.08
	Aggregate Value				$399,984	-	$76,989			
E Wang	Shares granted prior to 1 July 2006 [8]			3,818	-	-	1,608	2,210		
	2 October 2006	72.36	2 October 2009	1,796	-	-	-	1,796	52.13	72.36
	1 October 2007	73.54	1 October 2010	-	4,079	-	-	4,079	57.22	80.08
	31 March 2008	52.71	31 March 2011	-	14,228	-	-	14,228	N/A	52.71
					$1,049,928		$79,869			
Departed Executives										
G Doherty [10]	Shares granted prior to 1 July 2006 [9]			12,074	-	7,453	4,621	-		
	2 October 2006	72.36	2 October 2009	7,600	-	7,600	-	-	52.13	72.36
	Aggregate Value				-	$1,049,958	$149,998			

[1] Approval for the issue of shares to David Deverall was obtained under ASX Listing Rule 10.14 at Perpetual's AGM held on 20 October 2003 and 19 October 2004, 17 October 2006 and 30 October 2007.
[2] These shares were granted on 1 July 2004 (1,710), 19 October 2004 (245) and 1 July 2005 (7,036).
[3] These shares were granted on 1 October 2004 (483; 77% vested in the current year) and 30 September 2005 (745).
[4] These shares were granted on 30 September 2005 (7,453).
[5] These shares were granted on 1 October 2004 (3,553; 77% vested in the current year) and 30 September 2005 (4,472).
[6] These shares were granted on 1 October 2004 (3,553; 77% vested in the current year) and 30 September 2005 (5,217).
[7] These shares were granted on 1 October 2004 (2,013; 77% vested in the current year) and 30 September 2005 (2,981).
[8] These shares were granted on 1 October 2004 (2,089; 77% vested in the current year) and 30 September 2005 (1,729).
[9] These shares were granted on 20 October 2002 (4,621; 100% vested in the current year) and 30 September 2005 (7,453; 100% forfeited in the current year).
[10] Entitlement to these shares was determined by the HRRC upon termination of employment.

Shares granted to the Managing Director and group executives are granted from the Executive Share Plan. Grants of performance shares after 30 June 2003 contain 50% of the shares with a performance hurdle linked to TSR and 50% of the shares granted with a performance hurdle linked to EPS. Where applicable, the fair value of shares with a TSR performance hurdle are disclosed. The fair value of TSR-linked shares is calculated by PwC using valuation techniques which take into account the probability of vesting as reflected in the fair value at grant.

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report (continued)

Vested shareholdings of Managing Director, group and other executives

Name	Balance at 1 July 2008	LTI Shares vesting in the period No of shares	Other changes during the year No of shares	Balance at 30 June 2009 * No of shares
Managing Director				
D Deverall	35,540	-	-	35,540
Group executives				
R Brandweiner	402	-	-	402
C Doyle	-	-	-	-
E Gonzalez	69,134	-	19,145	88,279
C Green	-	2,056	-	2,056
I Holyman	2,736	-	-	2,736
J Nesbitt	7,527	-	(110)	7,417
M Pancino	-	-	-	-
J Stewart	-	-	-	-
E Wang	600	-	-	600
Departed group executives				
P Vernon	1,580	-	-	1,580

* or date of departure for group executives that departed in the year.

Other changes during the year represent shares acquired via bonus sacrifice, conversion of options into shares and disposal of shares. Disposals during the year include E Gonzalez (14,189) and J Nesbitt (110).

Name	Balance at 1 July 2007	LTI Shares vesting in the period No of shares	Other changes during the year No of shares	Balance at 30 June 2008 * No of shares
Managing Director				
D Deverall	42,688	-	(7,148)	35,540
Group executives				
R Brandweiner	30	372	-	402
C Doyle	-	548	(548)	-
E Gonzalez	69,134	-	-	69,134
I Holyman	-	2,736	-	2,736
J Nesbitt	4,791	2,736	-	7,527
P Vernon	30	1,550	-	1,580
E Wang	600	1,608	(1,608)	600
Departed executives				
G Doherty	51,793	4,621	-	56,414

* or date of departure for Executives that departed in the year.

Other changes during the year represent shares acquired via bonus sacrifice, conversion of options into shares and disposal of shares. Disposals during the year include D Deverall (7,148), C Doyle (548) and E Wang (1,608).

Notes to and forming part of the financial statements for the year ended 30 June 2009

Note 38. Remuneration details provided as part of the financial report (continued)

Loans to Managing Director, group and other executives under the ESPP

All Perpetual employees, including group executives and others but excluding the Managing Director, were eligible to participate in the ESPP (refer to Note 27 for details of the operation of this plan). The ESPP no longer operates and no further issues of shares will be made under this plan. Aggregate loans to group and other executives are set out below.

Name	Balance at the start of the year $	Repayment of loan $	Interest paid and payable for the year $	Balance at the end of the year $	Interest not charged [1] $	Highest balance in year $
Group executives						
R Brandweiner	3,903	(398)	-	3,505	291	3,903
E Gonzalez	8,965	(941)	-	8,024	664	8,965
Departed group executives						
P Vernon	9,318	(9,318)	-	-	418	9,318

[1] Interest not charged has been calculated at 9% on the weighted average loan balance as at 30 June 2009 and 30 June 2008, or for terminated specified executives, on the pro-rata loan balances for the period up to six months from the date of leaving employment. The terms of these loans are discussed in more detail in Note 33 of the Financial Statements.

[2] The loans were available to all executives except for the Managing Director. They were also not available to the non-executive directors.

[3] R Burrows, C Doyle, C Green, I Holyman, J Nesbitt, M Pancino, J Stewart and E Wang had Nil loans at the beginning and end of the period.

Remuneration of Non-Executive Directors

Directors' individual shareholdings

	Balance at the start of the year, or for directors appointed in the year, the date of appointment	Shares acquired via salary sacrifice during the year[1]	Other changes during the year	Balance at the end of the year, or for directors who retired in the year, the date of retirement
Directors				
R M Savage	7,246	2,134	-	9,380
M J Brooks	4,500	-	1,000	5,500
E P McClintock	6,810	1,675	-	8,485
E Proust	2,728	419	-	3,147
P B Scott	1,000	1,047	-	2,047
A Stevens [2]	1,500	-	-	1,500
P J Twyman	5,677	2,095	1,000	8,772

[1] Shares are acquired four times a year.

[2] Mr A Stevens joined Perpetual on 24 June 2008 and resigned on 3 February 2009.

Directors' declaration

1 In the opinion of the directors of Perpetual Limited:

a. the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 16 to 41, are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);

c. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the company and the group entities identified in Note 34 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the company and those group entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 19th day of August 2009.

Robert Savage
Director

David Deverall
Director

Independent auditor's report to the members of Perpetual Limited

Report on the financial report

We have audited the accompanying financial report of Perpetual Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 38 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Perpetual Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included on pages 16 to 41 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Perpetual Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Dr Andries B Terblanché
Partner

Sydney

19 August 2009

Stock exchange and investor information

2009 Annual General Meeting

The 2009 Annual General Meeting of the Company will be held in the Heritage Ballroom, Level 6, The Westin Sydney, 1 Martin Place, Sydney on Thursday 22 October 2009 commencing at 11:00 am.

Stock exchange listing

The ordinary shares of Perpetual Limited are listed on the Australian Securities Exchange under the ASX code PPT, with Sydney being the home exchange. Details of trading activity are published in most daily newspapers.

Substantial shareholders

Queensland Trustees Pty Limited is a substantial shareholder of Perpetual Limited as at 31 July 2009.

Distribution schedule of holdings as at 31 July 2009	Number of holders	Number of shares
1 – 1,000 shares	23,568	8,401,024
1,001 – 5,000 shares	4,185	8,973,883
5,001 – 10,000 shares	428	3,085,118
10,001 – 100,000 shares	283	5,712,282
100,001 and over shares	31	16,337,123
Total	28,495	42,509,430
Number of shareholders with less than a marketable parcel:	259	2,185

Twenty Largest Shareholders as at 31 July 2009

Name	Number of ordinary shares	Percentage of issued capital
HSBC Custody Nominees (Australia) Limited[1]	2,966,559	6.98%
Queensland Trustees Pty Limited[1]	2,645,867	6.22%
J P Morgan Nominees Australia Limited[1]	2,188,681	5.15%
National Nominees Limited[1]	850,217	2.00%
Citicorp Nominees Pty Limited[1]	699,274	1.64%
Perpetual Trustee Company Limited[1]	639,249	1.50%
Milton Corporation Limited	634,688	1.49%
RBC CEES Trustee Limited[1]	621,304	1.46%
UBS Wealth Management Australia Nominees Pty Ltd[1]	588,957	1.39%
Washington H Soul Pattinson & Co Ltd	529,598	1.25%
ANZ Nominees Limited[1]	517,296	1.22%
Australian Foundation Investment Company Limited	500,000	1.18%
Queensland Investment Corporation	474,271	1.12%
Argo Investments Limited	350,880	0.83%
Enbeear Pty Ltd	310,678	0.73%
Bond Street Custodians Limited[1]	298,163	0.70%
RBC Dexia Investor Services Australia Nominees Pty Ltd[1]	266,268	0.63%
Australian United Investment Co. Limited	250,000	0.59%
B T Portfolio Services Limited[1]	243,948	0.57%
Carlton Hotel Ltd	237,332	0.56%
Total	15,813,230	37.21%

[1] Held in capacity as executor, trustee or agent.

Stock exchange and investor information (continued)

Other Information

Perpetual Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Voting rights

Under the Company's Constitution, each member present at a general meeting (whether in person, by proxy, attorney or corporate representative) is entitled:

- on a show of hands to one vote; and
- on a poll to one vote for each share held.

If a member is present in person, any proxy of that member is not entitled to vote.

Voting by proxy

Voting by proxy allows shareholders to express their views on the direction and management of the economic entity without attending a meeting in person.

Shareholders who are unable to attend the 2009 Annual General Meeting are encouraged to complete and return the proxy form that accompanies the notice of meeting enclosed with this report.

On-market buy back

There is no current on-market buy back.

Final dividend

The final dividend of 60 cents per share will be paid on 30 September 2009 to shareholders entitled to receive dividends and registered on 2 September 2009 being the record date.

Enquiries

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

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Perpetual Shareholder Information Line:
1300 732 806 or (02) 8280 7620
Fax: (02) 9287 0303

Locked Bag A14
Sydney South NSW 1235

Any other enquiries which you may have about the Company, can be directed to the Company's registered office or visit the company's website.

Principal registered office

Level 12
123 Pitt Street
Sydney NSW 2000

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

Company Secretary
Joanne Hawkins

Website address: www.perpetual.com.au