Directors' Report For The Year Ended 30 June 2010

The directors present their report together with the consolidated financial report of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the year ended 30 June 2010 and the auditor's audit report thereon.

Contents of the Directors' Report

Directors

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

Robert M Savage AM, Chairman and Independent Director
FASCPAS, FAICD, FAIM (Age 68)
Appointed as a director in 2001 and as Chairman in October 2005. Mr Savage will retire as Chairman at the conclusion of the Annual General Meeting on 26 October 2010. He was formerly Chairman and Managing Director of IBM Australia and New Zealand. He is Chairman of David Jones Limited and a director of Fairfax Media Limited. He is a member of Perpetual's Nominations Committee and a member of the People and Remuneration Committee.

Mr Savage brings to the Perpetual board his experience as a senior executive in Australia and the Asian region, including experience in people management and organisation effectiveness issues and several years as a non-executive director and chairman across a wide range of Australian companies.

Listed company directorships held during the past three financial years:
- David Jones Limited from October 1999 (current)
- Smorgon Steel Group Limited from April 2000 to August 2007
- Mincom Limited (Chairman) from May 2002 to May 2007
- Fairfax Media Limited from June 2007 (current)

Paul V Brasher, Independent Director
BEc (Hons), FCA (Age 60)
Appointed director in November 2009. Mr Brasher was formerly Chairman of the Global Board of PricewaterhouseCoopers International. He previously chaired the Board of PricewaterhouseCoopers' Australian firm and held a number of other senior management and client services roles during his career with the firm. Mr Brasher was Client Service Partner and / or Lead Engagement Partner for some of the firm's most significant clients. He also spent significant periods working with PricewaterhouseCoopers in the US and UK.

Mr Brasher is currently Chairman of the Reach Foundation, a Board member of the Victorian Arts Centre Trust and Honorary Treasurer of Vision Australia's i-access project. He is a member of Perpetual's Audit Risk and Compliance Committee and People and Remuneration Committee.

Mr Brasher brings to the board his local and global experience as a senior executive and director, particularly in the areas of strategy, audit and risk management and public company governance.

Meredith J Brooks, Independent Director
BA, FIAA (Age 48)
Appointed as a director in November 2004. She was formerly Managing Director, US Institutional Investment Services for Frank Russell Company based in New York. Prior to that she held the position of Managing Director of Frank Russell Australasia for five years and was previously Director, European Funds based in London. Ms Brooks is Chair of Synergy & TaikOz Limited and has been appointed to the industry advisory board of Macquarie University Faculty of Business and Economics. She is a member of Perpetual's Audit Risk and Compliance Committee and Investment Committee.

Ms Brooks brings to the board over 20 years of senior funds management experience both in Australia and internationally.

Philip Bullock, Independent Director
BA Maths, MBA, Dip. Ed. (Age 57)
Appointed director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was CEO and Managing Director of IBM Australia and New Zealand in a career spanning almost 30 years in the Asia Pacific region. Mr Bullock is a director of CSG Limited and Healthscope Limited. He also provides advice to the Federal Government, through his role as Chair of Skills Australia, as a member of the Education Investment Fund and a member of the recently concluded, National Resources Sector Employment Taskforce. He is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Bullock brings to the board broad management experience in Australia and Asia in technology, sales and client management, product and brand management, industry solutions and equity joint ventures.

Listed company directorships held during the past three financial years:

- Healthscope Limited from September 2007 (current)
- CSG Limited from August 2009 (current)

Directors (continued)

E Paul McClintock AO, Independent Director
BA, LLB (Age 61)
Appointed as a director in April 2004. He is Chairman of Thales Australia, Medibank Private Limited and the COAG Reform Council and has served as Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government. He is Chairman of Perpetual's Investment Committee and a member of the Nominations Committee and People and Remuneration Committee.

Mr McClintock brings to the board over 30 years experience as a legal adviser, investment banker and senior policy adviser to Government and corporations.

Listed company directorships held during the past three financial years:
- Symbion Health Limited (Chairman) from June 2005 to February 2008
- Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited) from May 2003 (current)

Elizabeth M Proust AO, Independent Director
BA (Hons), LLB, FAICD (Age 59)
Appointed as a director in January 2006. She was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ she was Secretary (CEO) of the Victorian Department of the Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd, a director of Spotless Group Limited, Insurance Manufacturers of Australia Pty Ltd and Sinclair Knight Merz Pty Ltd. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

In addition to her skills from her leadership roles in significant change management programs, Ms Proust brings to the board her strengths in human resources, public affairs and strategy development, and her strong knowledge of board processes and governance through her many senior executive and board roles.

Listed company directorships held during the past three financial years:
- Spotless Group Limited from June 2008 (current)

Peter B Scott, Independent Director
BE (Hons), M.Eng.Sc (Age 56)
Appointed as a director in July 2005. Mr Scott was appointed as Chairman Elect on 23 July 2010, to succeed Robert Savage AM who will be retiring at the conclusion of the Annual General Meeting on 26 October 2010. He was formerly the Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and held a number of senior positions with Lend Lease. He is Chairman of Sinclair Knight Merz Pty Limited and a director of Stockland Corporation Limited. Mr Scott is an advisory board member of Pilotlight Australia and an advisory panel member of Laing O'Rourke Australia. He is Chairman of the Nominations Committee and a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Scott has more than 20 years of senior business experience in publicly listed companies and extensive knowledge of the wealth management industry.

Listed company directorships held during the past three financial years:
- Stockland Corporation Limited from August 2005 (current)

Philip J Twyman, Independent Director
BSc, MBA, FAICD (Age 66)

Appointed as a director in November 2004. He was formerly Group Executive Director of the London-based Aviva plc, one of the world's largest insurance groups with extensive fund management and wealth management businesses. Mr Twyman was also formerly Chairman of Morley Fund Management, a director of the Quilter Group, a UK private client stockbroker, and a senior executive of AMP in Australia. He has also been Chief Financial Officer of General Accident plc, Aviva plc and the AMP Group. Since returning to Australia, Mr Twyman has joined the board of IAG Limited, Medibank Private Limited and the local boards of the Swiss Re Group. He is also Chairman of ANZ Lenders Mortgage Insurance Pty Ltd and Overseas Council Australia. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of the Investment Committee and Nominations Committee.

Directors (continued)

Philip J Twyman, Independent Director (continued)
BSc, MBA, FAICD (Age 66)
As an experienced international executive and director, Mr Twyman brings to the Perpetual board his background in financial services, investment and wealth management together with considerable practical experience in relation to the audit and risk management issues faced by public companies in Australia and overseas.

Listed company directorships held during the past three financial years:
- IAG Limited from July 2008 (current)

David M Deverall, Managing Director
BE (Hons), MBA (Stanford) (Age 44)
Appointed Managing Director in September 2003. Mr Deverall gave notice of his resignation on 23 June 2010 and will stay until the new CEO has been appointed or until 31 March 2011, whichever occurs first. Prior to his appointment as Managing Director and CEO of Perpetual, Mr Deverall held senior management positions at Macquarie Bank Limited for seven years including Group Head of the Funds Management Group and Head of Strategy and Planning. He was previously a strategy consultant with Bain and Company and The LEK Partnership. Mr Deverall is Chair of the Financial Services Council and a member of the Executive Council of the Faculty of Business at the University of Technology Sydney.

Mr Deverall brings to Perpetual a combination of strategic ability and commercial drive and skills in product innovation and experience in management across a broad range of investment products and services. He also possesses an extensive overall understanding of the wealth management and wider financial services industry.

Alternate Directors

Roger L Burrows, Alternate Director
BCom, CPA, MAICD (Age 46)
Alternate director for Mr Savage from December 2008. He joined Perpetual as Chief Financial Officer in March 2008. Mr Burrows has over 25 years of experience as a senior finance executive in a diverse range of industries, including property, financial services, IT services, professional services and manufacturing. Prior to working at Perpetual, Mr Burrows was with Lend Lease for 20 years, including 3 years as Group Chief Financial Officer.

Ivan D Holyman, Alternate Director
BEc, LLB (Age 54)
Alternate director for Mr Deverall from May 2006. He joined Perpetual in June 2004 as Chief Risk Officer. Prior to joining Perpetual he held the position of Chief Operating Officer Asia Pacific for UBS Warburg and spent 19 years with UBS AG (and its predecessor organisations) in various positions. Prior to UBS AG he spent two years with Samuel Montagu & Co Limited (a UK merchant bank) and four years with Blake Dawson Waldron, solicitors.

Company Secretaries

Joanne Hawkins
BCom, LLB, Grad Dip CSP FCIS
Appointed Company Secretary in June 2003. Prior to this, Ms Hawkins was Assistant Company Secretary of Macquarie Bank and Ord Minnett and was Company Secretary, National Bank of the Solomon Islands. Ms Hawkins has also worked as a solicitor and legal adviser in New Zealand. Ms Hawkins is also head of Perpetual's legal team.

Glenda Charles
Grad. Dip. Corp. Gov. ASX Listed Entities, CSA (Cert)
Joined Perpetual in August 1994. She was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 15 years experience in company secretarial practice and administration and has worked in the financial services industry for over 25 years.

Directors' meetings

The number of directors' meetings which directors were eligible to attend (including meetings of board committees) and the number of meetings attended by each director during the financial year to 30 June 2010 were:

Director	Board		Audit Risk and Compliance Committee		Investment Committee		Nominations Committee		People & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
R M Savage[1]	11	11	3	2	-	-	2	2	6	6
P Brasher[2]	6	6	4	4	-	-	-	-	3	3
M J Brooks	11	11	7	7	7	7	-	-	-	-
P Bullock[3]	1	1	-	-	-	-	-	-	-	-
E P McClintock	11	11	-	-	7	7	2	2	6	6
E M Proust	11	11	7	7	-	-	2	2	6	6
P B Scott[4]	11	10	-	-	7	7	-	-	6	6
P J Twyman	11	11	7	7	7	7	2	2	-	-
D M Deverall[5]	11	11	-	-	-	-	-	-	-	-

1. Robert Savage retired from the Audit Risk and Compliance Committee on 17 November 2009 and retired as Chairman of the Nominations Committee on 23 July 2010 but remains as a member of that committee until his retirement from the board on 26 October 2010.
2. Paul Brasher was appointed to the board on 1 November 2009 and to the Audit Risk and Compliance Committee on 17 November 2009 and the People and Remuneration Committee on 16 February 2010.
3. Philip Bullock was appointed to the board on 1 June 2010 and to the Investment Committee and People and Remuneration Committee on 9 August 2010.
4. Peter Scott became Chairman Elect and Chairman of the Nominations Committee on 23 July 2010.
5. Mr Deverall gave notice of his resignation on 23 June 2010 and will stay until the new CEO has been appointed or until 31 March 2011, whichever occurs first.

Principal activities

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

Review of operations

A review of operations is included in the Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of the Annual Report.

For the financial year to 30 June 2010, Perpetual reported a profit after tax of $90.5 million compared to the profit after tax for the financial year to 30 June 2009 of $37.8 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2010 financial year is as follows:

Reconciliation of underlying profit after tax	30 June 2010 $'000	30 June 2009 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**90,506**	**37,749**
Add/(less): Profit/(loss) after tax attributable to minority interests[1]	216	(58)
Net profit after tax	**90,722**	**37,691**
Add: Loss on sale of investments (after tax)	2,388	6,081
Add: Restructuring costs (after tax)	-	8,115
(Less)/add: Exact Market Cash Fund (gains)/losses (after tax)	(20,317)	13,810
Underlying profit after tax	**72,793**	**65,697**

[1] Profit/(loss) after tax attributable to minority interests arising from the sale of underlying investments within a seed fund.

Directors' Report For The Year Ended 30 June 2010 (continued)

Dividends

Dividends paid or provided by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked# / unfranked	Date of payment
Declared and paid during the financial year 2010				
Final 2009 ordinary	60	25,506	Franked	30 Sep 2009
Interim 2010 ordinary	105	45,398	Franked	1 Apr 2010
Total		70,904		

Declared after end of year

After balance sheet date, the directors declared the following dividend:

	Cents per share	Total amount $'000	Franked# / unfranked	Date of payment
Final 2010 ordinary	105	45,588	Franked	28 Sep 2010
Total		45,588		

All franked dividends declared or paid during the year were franked at a tax rate of 30 per cent and paid out of retained earnings.

The financial effect of dividends declared after year end are not reflected in the 30 June 2010 financial statements and will be recognised in subsequent financial reports.

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- The consolidated entity's net profit before tax increased by $29.0 million as a result of its guarantee of the benchmark return to Exact Market Cash Fund 1 investors.

- The consolidated entity acquired Grosvenor Financial Services Pty Ltd and Fordham Business Advisors Pty Ltd for consideration totalling $54.9 million.

Events subsequent to reporting date

The directors are not aware of any event or circumstance since the end of the financial year 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. Events subsequent to balance sheet date are set out in Note 37 to the consolidated Financial Statements.

Likely developments

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

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

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

Indemnification of directors and officers

The company and its controlled entities have resolved to indemnify the current directors and officers of the companies against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the consolidated entity, except where the liabilities arise out of conduct involving a lack of good faith. The resolution stipulates that the company and its controlled entities will meet the full amount of any such liabilities, including costs and expenses.

Insurance

In accordance with the provisions of the *Corporations Act 2001* the company has a directors and officers' liability policy which covers all directors and officers of the consolidated entity. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Corporate Responsibility Statement

Perpetual's board and management have a long-standing commitment to good corporate governance. The success of Perpetual's core businesses – the management of other people's money and the safekeeping of assets and securities – relies on a reputation of absolute trustworthiness. This statement sets out our approach to corporate governance. Copies of or summaries of documents that are underlined like this in this Corporate Governance Statement are available on our website at www.perpetual.com.au

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles). This includes recent amendments to the ASX Principles which will not come into effect for Perpetual until the financial year ending 30 June 2012, which we have approached with a view to implementing their substance as early as possible.

The board considers that it complies with all the ASX Principles, and has done so throughout the reporting period.

Principle/Recommendation		**Relevant section(s)**	**Comply?**
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish and disclose the functions reserved to the board and those delegated to management.	1	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	1	Yes
1.3	Provide the information indicated in the guide to reporting on Principle 1.	*	Yes
Principle 2 – Structure the board to add value			
2.1	A majority of the board should be independent directors.	3	Yes
2.2	The chair should be an independent director.	3	Yes
2.3	The roles of chair and Managing Director should not be exercised by the same individual.	2	Yes
2.4	The board should establish a Nomination Committee	9	Yes
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	10	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	*	Yes
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish and disclose a code of conduct outlining • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account legal obligations and the reasonable expectations of stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	13	Yes
3.2	Establish and disclose the policy concerning trading in Company securities by Directors, senior management and	14	Yes

Principle/Recommendation		Relevant section(s)	Comply?
	employees.		
3.3	Provide the information indicated in the guide to reporting on Principle 3.	*	Yes
Principle 4 – Safeguard integrity in financial reporting			
4.1	Establish an Audit Committee.	9	Yes
4.2	Structure the Audit Committee so that it : • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not the chair of the board; and • has at least three members.	9	Yes
4.3	The Audit Committee should have a formal charter.	9	Yes
4.4	Provide the information indicated in the guide to reporting on Principle 4.	*	Yes
Principle 5 – Make timely and balanced disclosure			
5.1	Establish and disclose written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	19	Yes
5.2	Provide the information indicated in the guide to reporting on Principle 5.	*	Yes
Principle 6 – Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	20	Yes
6.2	Provide the information indicated in the guide to reporting on Principle 6.	*	Yes
Principle 7 – Recognise and manage risk			
7.1	Establish and disclose policies for the oversight and management of material business risks.	15	Yes
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to the board on whether those risks are being managed effectively. The board should disclose whether management has reported to it on the management of those risks.	15, 16	Yes
7.3	Disclose whether the board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided under s295A of the Act is founded on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks.	16	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	*	Yes
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	9	Yes
8.2	Distinguish the structure of non-executive directors' remuneration from that of executive directors and senior management	21[1]	Yes
8.3	Provide the information indicated in the guide to reporting on Principle 8.	*	Yes

and an additional induction process tailored to their own responsibilities. Perpetual has an orientation program for all new employees covering Perpetual's history, business strategy, values, risk and compliance obligations and performance management.

2. Board structure

The board currently comprises nine directors: eight non-executive directors and the Managing Director. The roles of Chairman and Managing Director are separate.

The Chairman is responsible for leadership of the board and ensuring the board performs its role and functions. He is also responsible for facilitating the effective contribution of directors by ensuring that each director fully participates in the board's activities.

Details of the background, experience, professional skills and period in office of each director are set out on pages x to x of the Directors' Report.

The structure of the board accords with ASX Principle 2.

3. Director independence

The board considers all non-executive directors to be independent directors, including the Chairman.

In assessing the independence of each director, the board considers, on a director-by-director basis, whether he or she has any relationships that would materially affect the director's ability to exercise unfettered and independent judgment in the interests of Perpetual's shareholders. Consistent with the emphasis on 'substance over form' advocated by the ASX Principles, Perpetual takes a qualitative approach to materiality rather than setting strict quantitative thresholds, and considers each director's individual circumstances on its merits.

The independence of each director is formally reviewed each May and at any time when a change occurs that may affect a director's independence. Non-executive directors also formally advise the Chairman of any relevant information, and update the Chairman if their circumstances change at any time.

In determining the position of individual directors, the board has considered the relevant elements of the definition of independence adopted by the board. These elements include whether the director:

- has a substantial shareholding in Perpetual or is an officer of a company which has a substantial shareholding in Perpetual (or is otherwise associated with a substantial shareholder of Perpetual)
- has been employed by the Perpetual Group at any stage and in any capacity within the previous three years
- has been involved with the Perpetual Group in a material advising or consulting role at any time within the previous three years
- is (or is associated with) a material supplier or customer of the Perpetual Group
- is in a material contractual relationship with the Perpetual Group (other than as a director)

Until March 2010, Paul McClintock was, a director of Macquarie Infrastructure Investment Management Limited (now Intoll Management Limited), a company that operated in the financial services sector and whose businesses may, in part, compete with Perpetual.

In considering whether such circumstances materially affect the independence of individual directors, the board considers the extent of competition relative to each organisation's total business, and the frequency with which directors may be required to absent themselves from board deliberations by reason of conflicts of interest.

In the case of Paul McClintock, the board considered that in his position as a director of Perpetual, he is sufficiently removed from Perpetual's operations so as to make the likelihood of any actual or perceived conflict of interest between his Perpetual and his outside role minimal.

During the year, Meredith Brooks provided advisory and consulting services to Perpetual's Global Equities business for a fixed period of six months. Ms Brooks took on the short term role in order to provide strategic support to the Global Equities business during the critical period leading up to and following the departure of Emilio Gonzalez. Ms Brooks did not have a 'hands on' management role and was at no time an 'employee' of Perpetual.

The board considered that the provision of the services did not affect Ms Brooks' independent status. In arriving at this conclusion the board had regard to the 'one off' transitional nature of the consultancy. In particular, the board took account of the fact that the role was established with a finite timeframe and for a specific non-recurring purpose.

Paul Brasher receives superannuation benefits from his former employer, PricewaterhouseCoopers (PwC). From time to time, PwC provides consulting services to Perpetual which are not considered material in nature or quantity.

From time to time, funds managed by the Perpetual Group may take holdings, including substantial holdings in securities of listed entities. Perpetual directors may also serve as non-executive directors on the boards of these entities. This factor alone is not considered to impact director independence as decisions as to stock selection are not made by the board of Perpetual but by Perpetual's asset management team in accordance with client or fund investment mandates.

It is the board's view that no directors currently hold other positions that materially affect their ability to exercise independent judgement in the interests of Perpetual shareholders.

4. Contracts with directors

In the 2010 financial year, no director disclosed a material personal interest in any contract entered into by any member of the Perpetual Group other than the remuneration paid to the directors as outlined in this Annual Report, Meredith Brooks' consultancy contract and the deeds of indemnity described below.

5. Indemnity of directors and officers

Perpetual has entered into deeds to indemnify directors and officers of the Perpetual Group, to the extent permissible by law, from all liabilities incurred as directors or officers. Liabilities to the Perpetual Group, and liabilities that arise out of conduct that was not in good faith are not covered in the indemnities. In addition, Perpetual has directors and officers' insurance against claims Perpetual may be liable to pay under these indemnities. This policy insures directors and officers directly.

6. Board access to information and independent advice

Directors receive regular updates on changes in the regulatory environment affecting Perpetual and the financial services industry. Directors are also encouraged to attend relevant conferences and seminars.

Non-executive directors regularly confer without management present and the Chairman presides over these sessions. All directors have unrestricted access to company records and information. Perpetual has a formal policy allowing the board or an individual director to seek independent professional advice at the Perpetual Group's expense, provided that the director has obtained the prior approval of the Chairman, or if the relevant director is the Chairman, the prior approval of a majority of Perpetual's non-executive directors. In the 2010 financial year, no director sought professional advice under this policy.

7. Nomination, appointment, re-election and retirement of directors

Consistent with ASX Principle 2, the board has a Nominations Committee with its own Terms of Reference.

The Nominations Committee is responsible for reviewing the size and structure of the board. The aim is to ensure that the board comprises an appropriate balance of skills, diversity, experience and independence in order to enhance board performance and maximise value for shareholders. The Nominations Committee is responsible for administering Perpetual's Policy on the Appointment of Directors, which sets out the selection process and selection criteria for identifying candidates to fill board vacancies. Consistent with recent amendments to the ASX Principles regarding disclosure of board selection processes, the Policy is disclosed in full on our website. If a board vacancy arises, the Nominations Committee will conduct a search in accordance with the Policy and the board will appoint the most suitable candidate, having regard to the recommendation of the Nominations Committee. External consultants may be engaged to assist with the identification of appropriate candidates. A director appointed to fill a casual vacancy must stand for election at the next Annual General Meeting.

Upon appointment, new directors receive a detailed letter of appointment and participate in a comprehensive induction program designed to familiarise them with Perpetual's business, strategy, operations, Group Executive and senior management team.

Directors who have been in office without re-election for three years since their last appointment must retire and seek re-election at the company's Annual General Meeting. In order to revitalise the board, directors agree not to seek re-election after three terms of three years unless the board requests them to do so. The nine year principle does not displace shareholders' rights to vote on the appointment and removal of directors, as set out in the ASX Listing Rules and the *Corporations Act 2001*.

8. Meetings of the board

In the 2010 financial year, the board met 11 times, including a strategic planning session held over two days. The board receives performance, operations and risk reports from the Managing Director, the Chief Financial Officer, the Chief Risk Officer and the heads of each business division. The board also receives reports and updates on strategic issues.
In addition, directors spend time reading and analysing board papers and reports submitted by management and they engage in regular informal discussions with management. The views of the Chairman and the non-executive directors are canvassed regularly by the Managing Director and the Group Executive on a range of strategic and operational issues.

The Chief Financial Officer and Company Secretary attend all board meetings. Other Group Executives and senior management attend board and committee meetings to report on particular issues and to engage in discussion on these issues. Senior executive attendance at board and committee meetings is subject to the overriding requirement that no senior executive will be directly involved in deciding their own remuneration.

Attendance of directors at board and committee meetings is set out in the Directors' Report on page 5.

9. Board committees

A key component of the board's governance structure are its four board committees. Each committee has written Terms of Reference.

Unless more frequent meetings are required, all committees except the Nominations Committee generally meet at least quarterly. The Nominations Committee meets at least twice a year. The Managing Director attends all committee meetings except where matters relating to his own remuneration and performance are discussed.

The qualifications and skills of the members of each committee are set out on pages 2 to 4. of the Directors' Report.

The membership and key responsibilities of each of the board committees (as at the date of this report) are set out below.

Audit Risk and Compliance Committee

Members: Philip Twyman (Chairman), Meredith Brooks, Elizabeth Proust and Paul Brasher.

Changes to the committee since last Report:

Robert Savage retired November 2009

Paul Brasher appointed November 2009

The committee's role is to oversee the Perpetual Group's accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of Perpetual's external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of insurance programs, and to report on these matters to the board. This committee is also responsible for monitoring overall legal and regulatory compliance.

All members of the committee are independent non-executive directors and are required to be financially literate. At least one member must have accounting or finance related expertise. Members are also required to have an understanding of the financial services industry in which Perpetual operates.

Investment Committee

Members: Paul McClintock (Chairman), Meredith Brooks, Philip Bullock, Peter Scott and Philip Twyman

Changes to the committee since last Report: Philip Bullock appointed August 2010

The committee's role is to monitor management to ensure that it has in place, and carries out, appropriate investment strategies and processes for the investment activities conducted both for third parties and on the Group's own behalf. This committee does not select stocks for individual Perpetual funds as stock selection is carried out by Perpetual's asset management team. All members of the committee are independent non-executive directors.

People and Remuneration Committee

Members: Elizabeth Proust (Chairman), Robert Savage, Peter Scott and Paul McClintock, Paul Brasher and Philip Bullock

Changes to the committee since last Report:
Paul Brasher appointed February 2010
Philip Bullock appointed August 2010

The committee's role is to monitor the Perpetual Group's people and culture policies and practices including the diversity of Perpetual's workforce, and to assist the Managing Director to implement fair, effective and market competitive remuneration and incentive programs designed to retain high calibre employees and which demonstrate a clear relationship between performance and remuneration. The committee is authorised to directly engage external remuneration advisers and after obtaining their advice as and when appropriate, the committee recommends remuneration for non-executive directors, the Managing Director, the Group Executive and other senior managers, to the board. The committee also reviews succession and career plans for key executives.

All members of the committee are independent non-executive directors. New committee composition requirements to promote greater independence are proposed for introduction into the ASX Listing Rules. Perpetual's committee already complies with these requirements even though they have not yet formally come into effect.

Nominations Committee

Members: Peter Scott (Chairman) Robert Savage, Paul McClintock, Elizabeth Proust and Philip Twyman.

Changes to the committee since last Report:

Peter Scott appointed July 2010

The committee's role is to recommend to the board nominees for appointment/election (including re-election of existing board members) and to review board succession plans. At least annually, the committee reviews the size and structure of the board to ensure that the board comprises appropriately qualified and experienced people. This committee is also responsible for the formal evaluation of the board's performance as a whole. All members of the committee are independent non-executive directors.

10. Board performance

The board undertakes ongoing self-assessment and review of the performance of the board, its committees and individual directors annually. In 2010, the board undertook a review of board and committee performance with the assistance of an external consultant. The Chairman also reviewed with each director their individual performance and, after obtaining feedback from the other directors, a nominated director reviewed the Chairman's performance. The board review process aims to ensure that individual directors continue to contribute effectively to the board's performance and that the board as a whole and its committees continue to function effectively.

11. Company Secretaries

The board has access to the services and advice of Joanne Hawkins, the Company Secretary and Glenda Charles, Deputy Company Secretary. The Company Secretary is accountable to the board on governance matters. Details of the experience and qualifications of Joanne Hawkins and Glenda Charles are set out in the Directors' Report on page 4.

12. Perpetual's subsidiary boards

The boards of Perpetual's subsidiaries are generally made up of executive directors. The exceptions are Perpetual Superannuation Limited and Garnet Superannuation Pty Limited which carry out Perpetual's superannuation activities and PI Investment Management Limited which operates Perpetual's global equities business. The boards of these companies include non-executive directors. These non-executive directors are not directors of any other Perpetual Group companies. Perpetual's corporate governance policies are applied to its subsidiaries but adapted to reflect the size and nature of each subsidiary's operations and to recognise that the boards of most subsidiaries do not comprise non-executive directors. The subsidiary boards are a key component of Perpetual's Risk Management Framework.

13. Ethical conduct

Perpetual has a Code of Conduct which draws from and expands on Perpetual's Values. The Code of Conduct applies to all directors, executives and employees and is designed to assist them in making ethical business decisions. It is based on the following principles:

- acting with integrity
- managing conflicts of interests appropriately
- upholding the spirit as well as the letter of the law
- commitment to our clients and consistently delivering shareholder value
- respecting privacy and confidentiality
- maintaining a fair and safe work environment
- protecting those who report wrongdoing.

Additional policies deal with a range of ethical issues such as the obligation to maintain client confidentiality and to protect company information, the need to make full and timely disclosure of any price sensitive information and to provide a safe workplace for employees, which is free from discrimination . The Code of Conduct and associated policies are in keeping with ASX Principle 3.

Perpetual's Chief Risk Officer is Perpetual's Code of Conduct ombudsman and is available to all staff for a confidential discussion in relation to Code of Conduct matters. All new Perpetual employees are required to familiarise themselves with the Code of Conduct as part of their induction training requirements.

Perpetual has a Whistleblowing Policy to protect employees who make good faith reports of wrongdoing, prejudice or disadvantage. As part of Perpetual's Whistleblowing Policy, a third party has been engaged to provide an independent and confidential hotline for Perpetual employees who prefer to raise their concern with an external organisation.

14. Share dealings by directors and employees

Perpetual's overriding policy is that there should be no dealings in the company's shares by any director or employee who is in possession of price sensitive information or where the dealing is for short-term or speculative gain. Provided they do not have price sensitive information, directors and employees are permitted to deal in the company's shares only in one month periods commencing:

- 24 hours after announcement of the half-year and full-year financial results
- 24 hours after release of the Chairman's May Letter to Shareholders
- at the conclusion of the Annual General Meeting

The Sharedealing Policy requires prior approval for any share dealings from the Chairman in the case of directors, from a nominated director in the case of the Chairman and from the Managing Director in the case of senior executives. Prior approval is also required from the Managing Director or Company Secretary in the case of certain employees who are more likely to have access to potentially price sensitive information through their position in the company.

Perpetual's Sharedealing Policy prohibits employees from entering into 'hedging arrangements' in relation to Perpetual securities. Perpetual employees cannot trade in financial products issued over Perpetual securities by third parties or trade in any associated products which limit the economic risk of holding Perpetual securities. Perpetual employees and directors are prohibited from margin lending in relation to Perpetual securities.

A vendor of an entity, acquired by Perpetual during the financial year, has been permitted to continue a margin loan over Perpetual securities. The loan was entered into prior to commencing employment with Perpetual. The Perpetual securities were part of the consideration for the acquisition and the vendor became an employee following the acquisition.

Employees who may have access to sensitive information in relation to Perpetual's investment activities (such as the asset management team) are required to obtain prior approval for personal trading in any securities.

Perpetual's Sharedealing Policy covers the suggested contents in ASX Principle 3.2 for a policy of its type.

15. Risk Management

The Board is committed to effective risk management and all Group Executives are accountable for managing risk within their area of responsibility. They are also required to manage risk as part of their business objectives with risk management integrated across business processes.

The Chief Risk Officer leads a group of risk management professionals including lawyers who provide the framework, tools, advice and assistance to enable management to effectively identify, assess and manage risk.

Consistent with ASX Principle 7, Perpetual's Risk Management Framework is designed to manage Perpetual's material business risks. One component of the Framework includes Perpetual's policies which are designed to address key areas of risk including strategic, financial and compliance risk. Perpetual's group policies are outlined in Perpetual's Risk Management Framework.

Through monitoring, the board and its committees are provided with assurance of the effectiveness of Perpetual's Management of its material business risks. In addition, the board reviews Perpetual's key risks, semiannually as part of the Key Risk Assessment process, further detailed in Perpetual's Risk Management Framework.

Perpetual also has an internal audit function. The Head of Internal Audit reports to the Audit Risk and Compliance Committee as well as to the Chief Risk Officer and is independent from the external auditor. Internal audit provides independent assurance over the effectiveness of Perpetual's risk management, internal control, and governance processes. The Internal Audit team do not make management decisions or engage in other activities which could be perceived as compromising their independence.

Each of the Chief Risk Officer, Chief Financial Officer and the Head of Internal Audit have the right to and do meet with the Audit Risk and Compliance Committee in the absence of other management.

Together with the Managing Director and Chief Financial Officer, Perpetual's Chief Risk Officer reports to the board on the effectiveness of Perpetual's management of its material business risks in accordance with ASX Principle 7. The board received this report in 2010 together with the statements outlined in section 16 below.

16. Financial Reporting

The board has adopted policies designed to ensure that Perpetual's financial reports:

- are true and fair
- meet high standards of disclosure and audit integrity

- when read with the Perpetual's other reports to shareholders, provide all material information necessary to understand Perpetual's financial performance and position.

To underpin the integrity of Perpetual's financial reporting and risk management framework, it is Perpetual's practice for the Managing Director and Chief Financial Officer to report to the board in writing that, in their respective opinions:

- the financial records of the company have been properly maintained in accordance with section 286 of the *Corporations Act 2001* and;
- the financial statements and notes comply with the accounting standards and give a true and fair view of the financial position and performance of the Company and consolidated entity.

It is also Perpetual's practice for the Managing Director, Chief Financial Officer and Chief Risk Officer to state to the board in writing that, in their respective opinions:

- the statements made regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control systems which implement the policies adopted by the board of directors

- the risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating effectively and efficiently, in all material respects, based on the risk management framework adopted by the company

- the Company's material business risks (including non-financial risks) are being managed effectively.

The statements referred to above are supported by written statements from senior management, detailed financial analysis and Perpetual's Risk Management Framework. As previously noted, the Chief Financial Officer is present when the board considers financial matters, as s/he attends all board meetings.

The statements made by the Managing Director, Chief Financial Officer and Chief Risk Officer are consistent with ASX Principle 7.3. In 2010 the board received the statements referred to above.

17. Audit process

The Perpetual Group's financial accounts are subject to an annual audit by an independent, professional auditor, who also reviews the Group's half yearly financial statements. The Audit Risk and Compliance Committee oversees this process on behalf of the board, in accordance with its Terms of Reference.

The external auditor attends each meeting of the committee, and it is the committee's policy to meet with the auditor for part of these meetings in the absence of management. The committee chairman meets with the audit partner at least once every quarter, also in the absence of management. The auditor has a standing invitation to meet with the committee, its chairman or with the board's Chairman in the absence of management. The auditor attends the board meetings at which the annual and half yearly accounts are adopted.

The current external auditor is KPMG. The lead audit partner for 2010 was Andrew Yates and the engagement partner was Brendan Twining. This is the first year that Andrew Yates supervised Perpetual's audit following the retirement of Andries Terblanché after five years in accordance with Perpetual's policy outlined below. Brendan Twining has acted as engagement partner for three years.

18. Auditor independence

The board has policies in place relating to the quality and independence of Perpetual's external auditor. These policies include:

- the audit must be tendered at least every seven years and after the fifth year, the board must make a positive decision each year on whether to retain existing arrangements

- the audit partners must be rotated at least every five years, with a two year gap before a partner may be reappointed

- former audit partners and audit firm employees involved in our audit cannot become directors or employees of Perpetual Group companies for at least two years

- the external audit firm is prohibited from providing non-audit services that may materially conflict with its ability to exercise objective and impartial judgment on issues that may arise within Perpetual's audit, such as:

  - services related to mergers and acquisitions
  - tax planning and strategy
  - senior management recruitment
  - significant valuations and appraisals
  - design and implementation of financial information systems

In 2010, the greater part of fees paid to KPMG for work other than audit of Perpetual Group accounts was for audit services in relation to investment funds of which Perpetual companies are the responsible entity, manager or trustee. It is the board's view that these services are appropriately provided by KPMG and are not services of a kind that might impair their impartial judgement in relation to the Perpetual Group's audit.

19. Market Disclosure

Perpetual has a Market Disclosure Policy to ensure compliance with its continuous disclosure obligations under ASX Listing Rule 3.1 and the *Corporations Act 2001*. The Managing Director, Chief Financial Officer, Chief Risk Officer and Company Secretary are members of the Continuous Disclosure Committee responsible for deciding information that is required to be disclosed to the ASX. Perpetual ensures that all senior management give regular sign offs as to whether there are matters that require disclosure to the ASX. The board considers its disclosure obligations at each scheduled board meeting. Perpetual's Market Disclosure Policy contains the matters recommended by ASX Principle 5.

Perpetual's website includes copies of announcements lodged with the ASX by Perpetual. Consistent with recent amendments to the ASX Principles, advance notification of scheduled analyst briefings are provided to shareholders and the briefings are webcast. These can be found on the company's website along with media releases, briefings and annual reports for the last five years.

20. Shareholders

The board is committed to ensuring that shareholders are fully informed of material matters that affect Perpetual's position and prospects. It seeks to accomplish this through a strategy which includes:

- the Half Year Results released in February each year
- the Chairman's May Letter to Shareholders each year
- the Full Year Results released in August each year
- the Annual Report released in September each year
- the Chairman's and Managing Director's addresses to the Annual General Meeting

- the posting of market briefings and other significant information on Perpetual's website as soon as it is disclosed to the market

Perpetual holds its Annual General Meeting in October and a copy of the notice of Annual General Meeting is posted on the Perpetual website. The board encourages shareholders to attend the Annual General Meeting or to appoint a proxy to vote on their behalf if they are unable to attend. The formal addresses at the Annual General Meeting are webcast for those shareholders who are unable to be present. In accordance with the *Corporations Act 2001*, a representative of the external auditor, KPMG, attends the Annual General Meeting for the purpose of answering shareholder questions about the audit report and audit process.

21. Remuneration

Perpetual has formed a People and Remuneration Committee consistent with ASX Principle 8.1. Its role is set out on page 14 of this report. Details of board and executive remuneration are set out in the remuneration report which commences on page 23. In accordance with the ASX Principles, the structure of non-executive director remuneration is clearly distinguished from that of executive directors and senior management.

22. Stakeholders

At Perpetual we take advantage of opportunities to build our social, environmental and financial performance in ways that enhance our core values and business sustainability. We draw on our people's experience, knowledge and expertise in investing, governance, financial advice and trusteeship to contribute positively to the community. We focus on activities where we can add value while minimising our environmental impact. Our activities include:

- having high standards of corporate governance and business probity
- investing responsibly and encouraging sustainable business practices
- contributing time and money to charities
- reducing the environmental impact of our operations
- encouraging practices which recognise the importance of our people.

Some examples of how we are achieving these goals include:

Governance

Perpetual has received a number of awards for corporate governance over the years. One of the more recent being the award of equal first and five stars in the 2009 WHK Horwarth Corporate Governance Report, an independent assessment of corporate governance structures and policies of Australian's top 250 companies.

Investment

Long Term Investment Approach

Perpetual's asset managers focus on quality investments for the long term. Their initial investment criteria include:

- the strength of the company's balance sheet
- whether the company can demonstrate a recurring earnings stream
- the quality of the business and
- the soundness of management running the company

Perpetual believes that this approach encourages behaviour in the long term interests of shareholders.

Signatory to the United Nations Principles for Responsible Investment

In October 2009, Perpetual became a signatory to the United Nations Principles for Responsible Investment (PRI) representing a commitment to take environmental, social and governance factors into account in our investment decision-making and ownership practices. PRI encourages institutional investors to adopt sustainable business practices, a stance which is aligned to Perpetual's long term investment approach.

Social

Philanthropy and the Perpetual Foundation

Perpetual has been managing charitable money for over 120 years. In 1998, we established the Perpetual Foundation, which brings the generosity of individuals and organisations together with our resources and expertise in managing charitable funds.

The Philanthropic team supports the not-for-profit sector via annual grant seeker workshops, quarterly newsletters to charities and facilitating a number of knowledge sharing opportunities. The Perpetual Foundation has also sponsored sector research including research at the Australian Centre for Philanthropy and Non-Profit Studies.

Staff Giving

Perpetual supports its own employees who wish to give back to the community through its Staff Giving program.
Through the program, Perpetual employees are able to make regular donations to a range of community organisations from their pre-tax pay. Perpetual matches employees' donations through the Perpetual Foundation.

Political Donations

In 2010, Perpetual made no political donations.

Environmental

Carbon Disclosure Project

Perpetual has responded to the last three Carbon Disclosure Project (CDP) surveys and has been included in the Climate Disclosure Leadership Index (Australia and New Zealand) on all three occasions.

Our People

Perpetual is committed to attracting, developing and engaging employees in a culture that is underpinned by Perpetual's Values.

Perpetual's inclusive culture is based on team work and collaboration and allows high performing employees to excel and be rewarded for their success. There is a focus on developing leaders from within Perpetual and on employee engagement. Employee engagement is assessed annually and results are used to develop future people initiatives.

The wellbeing of employees is supported by financial, insurance, health, fitness and work / life balance employee benefits. Some of the policies that support employee work / life balance include:

- Contribution Leave policy which provides an additional week of 'Contribution Leave' to allow employees to make a difference to their community, family or personal well being

- Purchased Leave policy which enables employees to apply for up to 3 weeks of additional leave to spend more time with family, for holidays or greater work / life balance
- Sabbatical Leave and Leave Without Pay policies which allow employees to take an extended period of unpaid leave where they may choose to take time out to be with their family, travel overseas or undertake further study
- Working From Home policy allows employees to work from home for greater work / life balance.

Perpetual aims to meet the needs of employees at different stages of their lives and parental leave benefits are available for both men and women.

Flexible working arrangements provide employees with further opportunities to achieve work/life balance and increase employee engagement. Perpetual is currently developing a tailored flexible working program to support managers and employees in managing requests for flexibility.

Diversity

Perpetual has implemented a number of initiatives to support an inclusive culture for its diverse employees including the creation of a Diversity Strategy. The Diversity Strategy is focussing on the following key areas:

- Representation of women in senior management roles
- Meeting the needs of the generations – Baby boomer, Generation X and Generation Y
- Flexibility for employees
- Ethnicity and cultural diversity

To encourage greater representation of women at the most senior levels of the organisation, high performing and senior women are offered career development, mentoring and quarterly networking forums to facilitate learning and knowledge sharing opportunities. There are further initiatives in development including refining recruitment processes for leadership positions to increase female representation at the most senior levels of the organisation.

In May 2010 all Perpetual employees were invited to participate in an anonymous Diversity Survey to gauge the needs of employees from different demographic groups including gender, age, religion and culture and the results of this survey will be used to establish future diversity initiatives.

Perpetual's board and People and Remuneration Committee are considering appropriate diversity targets for Perpetual's workforce and this will be publicly reported in future years.

Shareholders who wish to know more about Perpetual's corporate policies are invited to review our website www.perpetual.com.au or to contact us by email at info@perpetual.com.au. Comments and suggestions from shareholders are welcome

Remuneration Report

Dear Shareholder,

Welcome to Perpetual's Remuneration Report for 2010. We hope you find the report informative and that it provides a clear understanding of the remuneration strategy at Perpetual.

While the recommendations from the Productivity Commission have yet to be legislated, we support the recommendations that seek to simplify the remuneration report and better engage shareholders. In this regard, while the detail of the pending legislation is still unknown, we have aimed to present a report that complies with the spirit of the Productivity Commission's recommendations while continuing to meet high standards of disclosure.

Last year, we advised that we had conducted a major review of our executive remuneration policy and arrangements. From this we confirmed that Perpetual strikes an appropriate risk/reward balance that treats our employees, shareholders and clients fairly. During the year ending 30 June 2010, we have continued to refine our executive remuneration strategy based on feedback from our shareholders, and as the outcomes from various Federal Government initiatives have been announced and market practice has developed. We are committed to further refinement of our remuneration strategy as new legislation is finalised and market practice continues to evolve.

The People and Remuneration Committee has also conducted an assessment of our practices against the APRA Prudential Standards. Although compliance with these standards is not mandatory for Perpetual, we believe they represent governance best practice and have voluntarily agreed to adopt them.

On 23 June 2010, Perpetual announced that Managing Director, David Deverall, had given notice of his resignation. As a result, the changes to the remuneration structure for Group Executives from 1 July 2010 as described in this report will not apply to Mr Deverall, however they will apply to the new Managing Director when appointed. As set out in the ASX Announcement, Mr Deverall has a contractual entitlement to receive a Short-Term Incentive for the year ended 30 June 2010, and a pro-rata Short-Term Incentive for the year ending 30 June 2011. No Long-Term Incentives will vest as a result of Mr Deverall's resignation, and all unvested Long-Term Incentives will be forfeited on ceasing employment.

Thank you for taking the time to read this report. As always, we welcome your feedback.

Elizabeth Proust
Chairman, People and Remuneration Committee

Glossary

EPS	Earnings Per Share – For the purposes of measuring the growth in EPS to determine the vesting of Long-Term Incentive awards made to executives, EPS is defined as basic Earnings Per Share after tax and any adjustments determined by the PARC.
KMP	Key Management Personnel – these are the individuals who have the authority and responsibility for planning, directing and controlling the company's activities directly or indirectly. This includes directors, whether executive or otherwise, of the Perpetual consolidated group.
LTI	Long-Term Incentive - LTI is a key feature of Perpetual's remuneration strategy and seeks to align executive remuneration with sustainable shareholder wealth creation. LTI is granted in the form of shares and, in the case of the Managing Director, options. More details about LTI is included on page 34.
NPAT	Net Profit After Tax - NPAT, for the purposes of calculating PPP, is defined as net profit after tax with the post-tax amount of the PPP added back, and adjusted for any other items determined by the Board's Audit Risk and Compliance Committee and People and Remuneration Committee (for example, capital items that do not reflect management performance or day-to-day business operations and activities).
PPP	Profit Participation Pool – a pool created to fund STI payments for the majority of employees based on the company's net profit after tax. No pool is created unless the company's Return on Equity (ROE) performance measure is met. This is explained in more detail on page 33.
ROE	Return on Equity – ROE is a measure of how well a company has used shareholders' funds and reinvested earnings to generate additional earnings. ROE is equal to Perpetual's net profit after tax divided by weighted average shareholders' equity, expressed as a percentage.
STI	Short-Term Incentive – an incentive paid for meeting annual targets aimed at delivering our longer term strategic plan. Under the STI Plan employees may be paid a discretionary incentive (less applicable taxes and superannuation) based on their individual performance as well as the performance of their team, their division and Perpetual as a whole. More details about the STI Plan is included on page 32.
TSR	Total Shareholder Return - TSR is defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date. Where applicable, adjustments may be made for any capital reconstructions or rights or bonus issues.
UPAT	Underlying Profit After Tax – UPAT, for the purposes of calculating PPP prior to 2010, is defined as underlying profit after tax with the post tax amount of the PPP added back, and adjusted for any other items determined by the Board's Audit Risk and Compliance Committee and People and Remuneration Committee. Following feedback from shareholders, this measure was replaced with NPAT for the purposes of calculating the PPP for 2010.

Remuneration outcomes for 2010

This section provides a summary of remuneration outcomes at Perpetual for the year ended 30 June 2010.

Fixed remuneration
There was no increase in fixed remuneration for the Managing Director or Group Executives in 2009/10. Fixed remuneration increases for employees were only granted on promotion or for significant increases in roles and responsibilities.

Short-term incentive payments
Following feedback from shareholders, we have replaced Underlying Profit After Tax with Net Profit After Tax for the purposes of determining the PPP used to fund STI payments. This more closely aligns the funding of the PPP for employees with shareholder outcomes.

The STI pool available to employees increased by 113% reflecting the increase in NPAT for the year of 142%.

Long-term incentive vesting outcomes
LTI grants made to the Managing Director in 2006 that were due to vest in 2010 have been forfeited as the stretch TSR and EPS growth targets were not met. No LTI grants made to the Managing Director in 2007 have vested as a result of the initial test of the performance targets on 30 June 2010 and will lapse on his resignation, along with other unvested LTI.

LTI grants made to Group Executives in 2006 will be re-tested on 1 October 2010 and appear unlikely to vest. Grants made to Group Executives in 2007 are also unlikely to vest.

Non-executive director fees
There were no increases in directors' fees during 2009/10. A modest increase in fees of 3% for the Chairman and members of the Board, and the Chairmen and members of board committees, will apply from 1 July 2010. This will be the first increase in director fees since 1 July 2007. See page 46 for further details.

Changes to the executive remuneration framework to apply from 1 July 2010

Following the major review of our executive remuneration policy and arrangements in 2009, we have continued to refine the remuneration strategy in light of emerging market practice and the new regulatory environment. The following key changes will apply to Group Executives from 1 July 2010 and to the new Managing Director on appointment:

- individuals must satisfy certain Risk and Behaviour measures as assessed by the Board to be eligible to receive a STI payment
- the threshold from which STI payments must be deferred into shares has been lowered
- the LTI vesting schedule for the EPS performance hurdle has been amended so that vesting commences when Perpetual's EPS growth is 5% p.a.
- re-testing of LTI performance measures has been removed
- accelerated vesting of Long-Term Incentives on termination under certain circumstances has been removed
- a minimum shareholding guideline has been introduced

We believe that these changes will strengthen the alignment of performance-based remuneration to Perpetual's risk management framework and be more meaningful for participants.

The table below provides more detail on these changes:

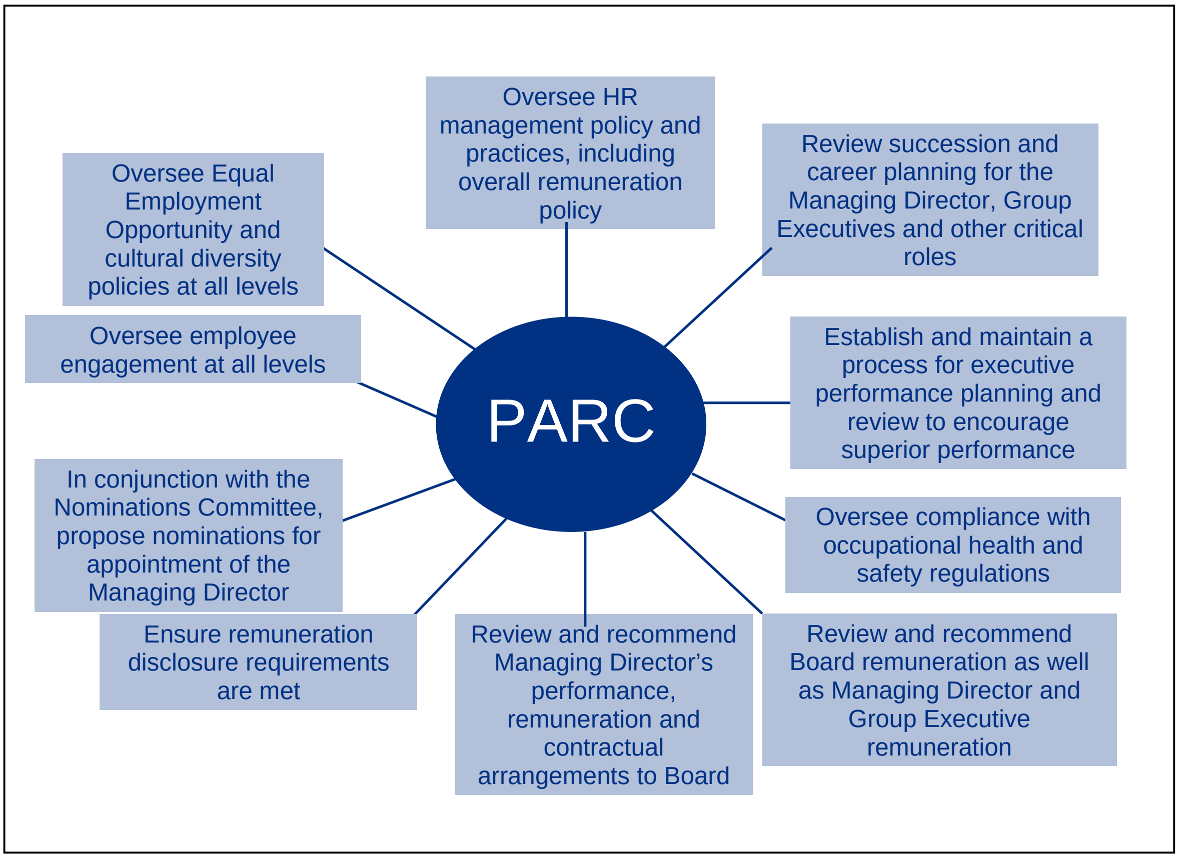
Feature	Arrangements for 2009/10	Arrangements from 1 July 2010	Rationale for change
A risk and behaviours gateway on STI has been introduced	▪ A Group ROE performance measure must be met before any STI pool is created. ▪ Each individual has performance goals that include risk and behaviour measures, however these are not explicitly used as a gateway to determine eligibility for a STI payment.	▪ The existing ROE performance measure will continue to apply. ▪ Individuals must also satisfy certain risk and behaviour measures as assessed by the Board to be eligible to receive an STI payment.	Strengthens the relationship between risk management and remuneration.
STI deferral	▪ *Threshold*: the threshold from which STI payments must be paid in shares rather than cash is two times target STI. ▪ *Deferral period*: shares are subject to a three-year trading restriction. ▪ *Forfeiture:* shares are only forfeited if the executive is summarily dismissed during the deferral period.	▪ *Threshold*: the threshold from which STI payments must be paid in shares rather than cash will be lowered to one times target STI. ▪ *Deferral period*: shares may vest two years from the date they are granted, and may be subsequently traded subject to the Perpetual share dealing policy. ▪ *Forfeiture:* leaver provisions apply such that if, during the deferral period, the executive resigns from Perpetual, or his or her employment is terminated without notice or due to poor performance, the shares shall be forfeited. Some or all shares held in deferral may be forfeited if the Board subsequently determines that the STI was awarded on unrealised profits that did not eventuate, inaccurate information (for example, that requires the financial statements to be restated), or from unacceptable risk-taking.	Strengthens the relationship between risk management and remuneration.
EPS performance measure	▪ Full vesting occurs when Perpetual's EPS growth is at least 10% p.a. No vesting occurs if Perpetual's EPS growth is less than 10% p.a.	▪ For LTI grants made after 1 July 2010, the EPS vesting schedule will be changed so that vesting commences when Perpetual's EPS growth is 5% p.a. Vesting will be scaled so that 2% vests for every 0.1% of EPS Growth over 5.0% p.a. and increasing to 100% vesting when Perpetual's EPS growth is 10% p.a.	▪ Reduce the 'cliff-edge' effect of the vesting schedule; and ▪ makes LTI more meaningful to executives

Feature	Arrangements for 2009/10	Arrangements from 1 July 2010	Rationale for change
Re-testing of LTI performance measures	▪ The EPS and TSR performance measures are tested at the end of the three-year performance period, and any unvested LTI after this test is re-tested at the end of the fourth year.	▪ No re-testing will apply to LTI grants made after 1 July 2010.	This change has been made in response to feedback from shareholders
Treatment of LTI on termination	▪ LTI awards for Group Executives have the potential to accelerate vesting on termination in certain cases such as retrenchment, death or permanent disablement, or termination with notice.	▪ For grants made after 1 July 2010, leaver provisions will be amended so that in cases where LTI is retained on termination (for example, in the case of retrenchment or termination with notice), vesting will remain subject to the original performance measures and performance period. Any unvested LTI after 24 months from termination will lapse.	Strengthens the alignment between the interests of executives and shareholders in the long-term performance of Perpetual, extending beyond the executive's tenure.
Introduction of minimum shareholding guidelines	▪ No guidelines currently apply.	▪ Executives are expected to establish and hold a minimum shareholding to the value of: - Managing Director: 1.5 times fixed remuneration - Group Executives: 0.5 times fixed remuneration ▪ Under these guidelines, the value of each vested share or option held in tax deferral by the executive is treated as being equal to 50% of that share or option. ▪ A five-year transition period, commencing on 1 July 2010 for current executives, will give executives a reasonable amount of time to meet their shareholding guideline.	Strengthens the alignment between the interests of executives and shareholders in the long-term performance of Perpetual.

1 The role of the People and Remuneration Committee

The People and Remuneration Committee (PARC) is committed to assisting the Board in fulfilling its responsibilities to shareholders through a strong focus on good governance, and in particular, the principles of accountability and transparency.

PARC operates under delegated authority from the Board and its activities are governed by the Terms of Reference. The Committee's Terms of Reference are available on our website (http://www.perpetual.com.au) and is shown graphically below:



As can be seen, the PARC's Terms of Reference are broad, with remuneration as well as executive development, talent management and succession planning being key areas of focus. This enables the PARC to spend time on ensuring that there is a high quality of succession planning and executive development at all levels of Perpetual.

The members of the Committee for 2010 were:

- Elizabeth Proust (Chairman)
- Paul Brasher
- Paul McClintock
- Robert Savage
- Peter Scott

The Committee met six times during the year and attendance at these meetings is set out on page 5 of the Directors' Report.

At the invitation of the Committee, David Deverall (Managing Director) and Janine Stewart (Group Executive People and Culture) attended meetings except where matters associated with their own performance evaluation, development and remuneration were considered.

The PARC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration consultants. Hewitt Associates were engaged by the PARC as our principal remuneration adviser during the year.

2 Overview of remuneration for year ended 30 June 2010

This report sets out remuneration arrangements for all Key Management Personnel (KMP). We have assessed the KMP to be the non-executive directors of Perpetual Limited, the Managing Director and Group Executives, as detailed in section 6 of this report. The information in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

2.1 Managing Director and Group Executives

Item	Summary
Remuneration Policy	The PARC has approved a remuneration policy for employees based on the following five key principles: • Variable pay should be a feature of all employees' remuneration. For the Managing Director and Group Executives variable pay forms a significant part of overall remuneration. Fixed remuneration should be competitive with comparable jobs in appropriate comparator organisations. • Variable pay is linked to shareholder wealth creation and individuals are clear on performance criteria • Short term incentives (STI) payments are based on yearly performance and uncapped to allow for recognition of performance • STI payments should be made out of the net profit of the company • Equity participation within the company should be used to encourage a sense of ownership, be appropriately tied to stretch targets and encourage retention of key individuals. At 30 June 2010 there was 8.50% of share capital in the employee share plans, 7.63% of this was held in unvested shares and 0.87% in unvested options. Unvested shares and unvested options are subject to performance hurdles.
Remuneration structure	The structure of our remuneration for the Managing Director and Group Executives comprises three components: • A Fixed Remuneration component (Fixed) • A Short-Term Incentive component (STI) • A component related to Longer-Term performance and retention (LTI) We seek to ensure that remuneration is fair, reasonable and aligned to performance. The target remuneration mix is determined in consideration of performance-based incentives, increasing with the level of responsibility and criticality of the executive's role.
Alignment with sound risk management	The structure of our remuneration ensures that risk management is a key performance metric in determining at-risk elements of remuneration, through specific performance goals and targets. Sound risk management practices include strict governance and deferred elements of remuneration to ensure a long-term focus and alignment to shareholders.

<table>
<tr><th>Item</th><th>Summary</th></tr>
<tr><td>Fixed remuneration</td><td>Fixed remuneration is typically set around the corresponding median of the market for each employee. By participating in relevant remuneration surveys and closely monitoring the market, we develop remuneration policies by comparing our company to other Australian-based financial institutions. In some circumstances, such as for specialist technical positions, we may compare the position to a more targeted group of comparable companies.

We calculate fixed remuneration on a ‘total cost to company’ basis, including the cost of employee benefits such as motor vehicles, superannuation and car parking, together with fringe benefits tax (FBT) applicable to those benefits.

There are no guaranteed increases to fixed remuneration in employee contracts.</td></tr>
<tr><td>Short-term incentive (STI)</td><td>Short-term incentives are incentives paid for meeting annual targets aimed at delivering our longer term strategic plan.

Four principles define our approach to Short-Term Incentives:
• The majority of permanent employees are eligible to receive a STI payment
• Incentive payments are a significant part of executives’ remuneration
• Incentive payments for most employees are funded out of net profit after tax linking STI to shareholder wealth creation; incentive payments for a small number of other employees are based on achievement of specific performance targets
• Individual incentive payments are uncapped to allow for recognition of performance that significantly exceeds expectations.

For the majority of employees, STI is paid through the Profit Participation Pool. It is awarded based on employee performance and is available to employees immediately, as cash, except where the STI payment exceeds two times the employee’s target STI. In these cases the excess above two times will be automatically awarded as shares. These shares vest immediately upon being granted to the employee, however they may not be traded until a period of three years has lapsed, even if this is beyond the employee’s termination date.</td></tr>
<tr><td>Long-term incentive (LTI)</td><td>A key feature of Perpetual’s remuneration strategy is ensuring a level of equity participation that aligns remuneration with sustainable shareholder wealth creation.

The key principles that underpin Long-Term Incentives are that:
• we provide LTI as equity in the company so that executives feel a sense of ownership
• LTI grants represent an important proportion of executive remuneration
• we encourage sustained performance from our executives by setting challenging targets.

LTI is granted in the form of shares and, in the case of the Managing Director, options. These typically vest over three years if Perpetual’s Total Shareholder Return (TSR) exceeds the median of the S&P/ASX 100 (excluding listed property trusts), and Perpetual’s Earnings Per Share (EPS) exceeds a set target. The performance hurdles operate independently and carry an equal weighting.

If the targets are met at the three-year testing point, then the LTI vests; if the targets have not been met they are retested at the four-year mark and, to the extent the targets have not been met, the LTI lapses and is forfeited.</td></tr>
</table>

Item	Summary
Link to performance	A key tenet of our remuneration philosophy is that remuneration is closely aligned to Perpetual's overall performance. Throughout this report, the various measures of company performance for the year ended 30 June 2010 illustrate how these have impacted on remuneration outcomes. This is set out in more detail in section 5 of this remuneration report.
Employment agreements	Core remuneration entitlements and terms and conditions of employment, including termination arrangements, are set out in each executive's employment agreement and summarised in this report.
Remuneration received in 2010	This report details the remuneration of the Managing Director and Group Executives for the year ended 30 June 2010. See tables on pages 44 to 56.
Hedging and share trading policy	Perpetual's share dealing policy prohibits employees and directors from entering into hedging arrangements in relation to Perpetual securities. Perpetual employees and directors cannot trade in financial products issued over Perpetual securities by third parties or trade in any associated products which limit the economic risk of holding Perpetual securities. Share dealing can only take place during agreed trading windows throughout the year and is subject to certain approvals (as set out on page 38 of this report).

2.2 Non-executive directors

Item	Summary
Remuneration Policy	The company's remuneration policy for non-executive directors aims to ensure Perpetual can attract and retain suitably skilled, experienced and committed individuals to serve on the Board. Total remuneration available to non-executive directors is approved by shareholders and is currently $2,250,000 as approved at the 2006 Annual General Meeting. Total fees paid to non-executive directors in 2010 were $1,780,644. Non-executive directors do not receive performance-related remuneration and are not entitled to receive performance shares or options over Perpetual shares.
Fee Framework	Non-executive directors receive a base fee. With the exception of the Chairman, they also receive fees for participating on board committees, either as chairman or as a member of the committee. In addition to the base fee, Perpetual pays superannuation contributions of up to 9% of non-executive director fees, capped at the maximum superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer superannuation contributions may be received in one of Perpetual's employee superannuation funds or a complying superannuation fund of their choice. Non-executive directors may also salary sacrifice additional superannuation contributions out of their base fee if they so choose.

Item	Summary
Alignment with shareholder interests	In accordance with the company's constitution, non-executive directors are required to acquire a minimum of 500 Perpetual shares on appointment and at least 1,000 shares when they have held office for three years or more. The Non-executive Directors' Share Purchase Plan allowed non-executive directors to sacrifice up to 50% of their directors' fees to acquire shares in Perpetual. Shares acquired via fee sacrifice are not subject to performance targets as they are acquired in lieu of cash payment by the company. Following changes to taxation rules, this plan has been closed since 1 July 2009. Shares are held in the plan until the earlier of a period of ten years or until the director retires from the Board. Non-executive directors do not receive share options. Directors' holdings held directly or indirectly (for example, through a superannuation fund) are shown in the table on page 59.
Fees received in 2010	This report includes details of each non-executive director's remuneration for the year ended 30 June 2010. See page 58.
Retirement Policy	Directors who have held office for three years since their last appointment must retire and seek re-election at the company's Annual General Meeting (AGM). In order to revitalise the Board, non-executive directors agree not to seek re-election after three terms of three years. However, the Board may invite a non-executive director to continue in office beyond nine years if it is advantageous to the company for reasons such as Board leadership or continuity.

2.3 Asset manager remuneration arrangements

The remuneration arrangements for asset managers are structured to ensure that we remunerate them appropriately within a highly competitive market place, as well as ensuring reward for adding value to client portfolios.

It is an arrangement that consists of fixed and variable components primarily driven by investment performance outcomes over short- and long-term investment horizons. In many cases incentives are paid outside the PPP and linked to outperforming benchmark indices which are aligned with client objectives. Incentives are paid as a mixture of cash and shares and expensed as part of Perpetual's net profit after tax. Where paid as shares, these shares vest progressively over many years. This provides for reward for sustainable long-term performance and supports retention objectives.

3 Short-term incentives

Short-term incentives are incentives paid in the form of cash and deferred shares for meeting annual targets aimed at delivering our longer term strategic plan.

3.1 How STI is funded

A Profit Participation Pool (PPP) is created each year to fund STI for the majority of employees. The size of the PPP is determined by the company's net profit after tax.

Some asset managers, whose STI is linked explicitly to investment performance, are excluded from the PPP. In addition, participants in the Private Wealth and Corporate Trust Sales Incentive Plans also have a proportion of their STI funded outside of the PPP.

The PPP is linked to profit performance, where increased profits create a larger pool and decreased profits result in a smaller pool. We use Return on Equity (ROE) and Net Profit After Tax (NPAT) to govern the operation of the PPP.

The PPP operates as follows:

- The profit pool begins to accumulate only when Perpetual's ROE for the current year exceeds 65% of companies listed on the S&P/ASX100 (excluding listed property trusts) measured on a rolling three-year basis.

  This measure was chosen to ensure that Perpetual's capital utilisation does not fall to unacceptable levels as the company seeks to grow net profits.

- Once the ROE target is met, the profit pool accumulates based on a percentage of NPAT. Although the value of the pool is uncapped, the accumulation rate is ultimately capped at one third of incremental NPAT where year-on-year NPAT growth is in excess of 40%.

  This measure was chosen to encourage year-on-year growth in net profit and to ensure a high correlation exists between NPAT performance and incentive outcomes.

- If there is a year-on-year fall in NPAT, mechanisms are included within the plan to limit the pool size in future years until the previous NPAT 'high water mark' is passed.

  NPAT is defined as net profit after tax with the post-tax amount of the profit pool added back, and adjusted for items determined by the Audit Risk and Compliance Committee and People and Remuneration Committee (for example, capital items such as realised gains on the sale of an investment that do not reflect management performance or day-to-day business operations and activities).

- Prior to 2010, underlying profit after tax (UPAT) was used for the purposes of determining the PPP. From 2010, UPAT has been replaced by NPAT because it more closely aligns the funding of the PPP paid to employees with shareholder outcomes.

3.2 Allocation of the PPP

Each year performance targets and other performance goals are set for all employees, in line with division and company targets. These performance objectives are classified into six categories (being Financial, Strategic, Operational, People, Risk and Values). The performance objectives are assessed throughout the year as part of the performance management process in which all employees participate. At year end, an annual assessment of each employee's performance is made and the PPP is then allocated based on relative divisional and employee performance. Allocations to the Managing Director and Group Executives are subject to Board approval.

3.3 Delivery of STI

STI payments are delivered in cash except where the STI outcome is more than two times the target STI, in which case the excess amount must be taken as Perpetual shares subject to a three-year trading restriction. Dividends on shares are paid to employees during the restriction period.

Employees may elect to sacrifice up to $1,000 of their cash STI payment into shares under the Tax Exempt Share Plan. Shares acquired via this sacrifice are not subject to performance targets as they are acquired in lieu of a cash payment by the company; however the plan's trading restrictions continue to apply until the earlier of three years from the date of grant or on termination of employment, before the shares can be released.

4 Long-term incentives

Long-term incentives within Perpetual are paid as shares and, in the case of the Managing Director, options. This section provides details of the plans in place and an overview of how they work.

4.1 Executive share program and executive options program

This section outlines the details of the LTI plans in which the Managing Director and Group Executives participate.

Executive shares
The Executive Share Plan (ESP) was approved by shareholders at the 1997 AGM and amended at the 1999 AGM.

The issue price of shares under this plan is the weighted average price of Perpetual's shares traded on the ASX during the five business days preceding the issue date or announcement date for relevant individuals.

Shares are either purchased on market or issued by the company and are held in trust for a maximum of ten years. They are subject to forfeiture if performance targets and tenure conditions are not met.

The Managing Director and Group Executives receive dividends and have voting rights while the shares are held in trust; the only exception to this, as approved by the PARC in 2009, is that future share grants with business targets will have dividends reinvested or held as cash, with the reinvested shares and cash being subject to the same performance targets as the underlying shares. No loan is made available or consideration payable by the executives to acquire shares under the ESP. Refer to the table showing unvested and vested share holdings for the Managing Director and Group Executives on pages 50 to 52 for further details.

Executive options
The Executive Option Plan (EOP) was approved by shareholders at the 1998 Annual General Meeting.

Options are granted over ordinary shares. The exercise price, determined in accordance with plan rules, is based on the weighted average price of Perpetual's shares traded on the ASX during the five business days preceding the date of option grant.

No consideration is payable to acquire the option and no voting or dividend rights are attached to the option or the unissued ordinary share underlying the option.

When exercisable, each option is converted into one ordinary share of Perpetual Limited. Options vest over three or four years, depending upon when and if performance targets are met. All vested options may be exercised on or after the vesting date. Options expire at the end of the exercise period six years after the grant date. Refer to the table 'Option holdings of Managing Director and Group Executives' on page 48 for details of options granted.

Other than a grant in accordance with the Managing Director's contract, no options were granted in 2010.

Performance targets
LTI performance targets are directly linked to company performance.

Each share or option grant is divided into two equal tranches, with the following performance targets being applied to each respective tranche:

- The first tranche vests based on Perpetual's Total Shareholder Return (TSR) measured against companies listed on the S&P/ASX100 (excluding listed property trusts) determined at the date the LTI is granted. TSR is measured independently by Link Market Services and reported to the PARC.

- The second tranche vests based on growth in Perpetual's Earnings Per Share (EPS).

Shares are held in trust for a maximum of ten years from the grant date, while vested options may be exercised up to the sixth anniversary of grant date.

TSR performance target
TSR is defined as share price growth plus dividends paid over the performance period from the initial TSR measurement date. Dividends are assumed to be reinvested on the ex-dividend date. Where applicable, adjustments may be made for any capital reconstructions or rights or bonus issues to ensure participants are neither advantaged nor disadvantaged by such capital events.

The TSR performance target requires Perpetual's TSR over the performance period to be equal to or better than the TSR of half of the comparator group consisting of companies listed on the S&P/ASX100 (excluding listed property trusts). For TSR performance greater than median, a sliding scale applies to determine the vesting percentage:

TSR vesting schedule

Perpetual's TSR ranking relative to the comparator group	Percentage of shares and options that will vest
Less than median	0%
Median	50%
Greater than median but less than 75th percentile	2% for every one percentile increase in Perpetual's relative position
Greater than 75th percentile	100%

EPS performance target
The EPS performance target requires Perpetual's EPS growth during the performance period to be equal to or greater than the target set by the Board. This target, which is currently 10% per annum, may be reviewed by the Board from time to time. 100% of shares and options vest if Perpetual's EPS growth is at or above the target; none vest if the target is not achieved.

EPS vesting schedule

Perpetual's growth in EPS	Percentage of shares and options that will vest
EPS growth less than target	0%
EPS growth at or above target	100%

The achievement of this performance target links the individual's remuneration to the company's growth in earnings.

Business performance targets
Two executives (and two departed executives) have previously received LTI allocations which are linked to the achievement of stretch business targets. These targets include achievement of specific business objectives related to profit growth, funds under management, and succession planning for their respective business units.

The shares may vest in accordance with a scale specific to each business target.

Dividends for unvested grants with business targets are reinvested into further Perpetual shares or are held as cash, and are also subject to the same performance targets as the original grant.

No LTI with business performance targets was granted to the Managing Director or Group Executives during 2010.

Performance target testing and re-testing guidelines
An initial three-year performance testing period applies to TSR and EPS targets. Three-year TSR and EPS performance is calculated and tested against the respective target on the third anniversary of the grant date. If the target is not met, it is re-tested on the fourth anniversary of the grant date, against four-year TSR and EPS targets. If the performance target is not met after this re-test, the portion of the LTI that has not vested is forfeited.

For other employees who received LTI allocations after 30 June 2006, there is no retesting of the EPS target if the target is not achieved on the third anniversary of the grant date.

Termination of employment
If an executive leaves the company, any unvested shares and/or options will be forfeited at the termination date, except as noted below:

- If an executive dies or resigns due to total and permanent disability, all unvested shares and options vest to the employee at the date of death or on termination
- If an executive is made redundant or retires, the executive will be entitled to a pro-rata portion of the grant calculated on the basis of the length of their employment (inclusive of any notice period actually given and any nominal notice period in respect of which any payment in lieu of notice is made). The pro-rata amount will be calculated based on the most recent performance targets to determine the number of shares and options that will vest.

4.2 Employee Share Plans

Following the changes to the legislation governing the taxation of employee share schemes, a review was conducted to assess the future viability of each plan.

A summary of the employee share plans at Perpetual follows:

The following are open plans:

OPEN PLANS	DESCRIPTION
Executive Share Plan (ESP) 237 members	This is the main plan used for LTI grants to eligible employees, including the Managing Director and Group Executives.
Deferred Share Plan (DSP) 7 members	This plan is used for a small number of employees as part of their incentive arrangements. No KMP participate in this plan.
Tax Exempt Employee Share Purchase Plan (TESP) 172 members	This plan allows all employees, including the Managing Director and Group Executives, to purchase shares using a salary-sacrifice arrangement.
Tax Deferred Share Purchase Plan (TDSP) 84 members	This plan was previously used by employees, including the Managing Director and Group Executives, to purchase shares using a salary- sacrifice arrangement. The Plan was closed to any new salary sacrifice purchases during 2010. The Plan continues to be used for awards made under Perpetual's sales incentive plans.
Executive Option Plan (EOP) 1 member	This plan is used for options granted as part of the LTI arrangements for the Managing Director and previously some Group Executives. Other than a grant in accordance with the Managing Director's contract, no options were granted in 2010.
Global Employee Share Trust (GEST) 11 members	This plan is used for a small number of employees in Perpetual's Ireland and UK operation as part of their incentive arrangements. No KMP are eligible to participate in the plan.

The following plans are closed to new issues:

PLANS CLOSED TO NEW ISSUES	DESCRIPTION
Employee Share Purchase Plan (ESPP) 219 members	This plan was used for granting shares under a non-recourse loan arrangement. It has been closed to new issues since 2004.
Non-Executive Director Share Purchase Plan (NEDSPP) 5 members	This plan was used only by non-executive directors and was closed to new purchases on 1 July 2009.

LTI arrangements for asset management employees based in Australia
The Deferred Share Plan (DSP) was established in 2005 to deliver LTI and retention arrangements for a number of key employees in the company's asset management team. Shares held in the plan vest over the long term subject to achievement of investment performance and succession targets.

The plan ensures the interests of these key employees are aligned with those of shareholders and clients over the longer term and provides a strong retention element as employees who cease employment with Perpetual during the vesting period forfeit any unvested shares.

In addition to LTI, some asset management employees also receive STI in cash and shares based on investment performance targets.

LTI arrangements for asset management employees based in the United Kingdom and Ireland
The Global Employee Share Trust (GEST) was established in 2005 to deliver LTI and retention arrangements for key individuals located in Perpetual's offices in the United Kingdom and Ireland who are pivotal to the long term success of Perpetual's global asset management performance.

Shares held in the plan vest over a number of years subject to achievement of agreed performance targets.

All shares are forfeited if the employee resigns or is terminated by Perpetual for poor performance or misconduct prior to vesting.

LTI arrangements for other employees
Prior to 30 June 2006, LTI performance targets for a small number of other employees were the same as the Managing Director and Group Executives.

For these other employees who received LTI allocations after 30 June 2006 the performance target used is linked only to EPS growth. The TSR target was not used as EPS growth represents a measure that better aligns performance with their responsibilities.

From October 2010, LTI grants made to senior employees (excluding the Managing Director and Group Executives, and asset managers with specific LTI performance hurdles) will be divided into two equal tranches, with the following performance targets being applied to each respective tranche:

- The first tranche shall vest subject to a three-year time-based hurdle and provided the employee continues to achieve a 'Good' or higher individual performance rating during the measurement period
- The second tranche vests based on Perpetual's EPS growth.

This change has been made to assist in the retention of key employees below Group Executive level.

There is no retesting of the EPS growth target if the target is not achieved on the third anniversary of the grant date.

Other employee share schemes
The company has two further equity-based benefit programs generally available to all Perpetual employees – the Tax Exempt Employee Share Plan (TESP) and the Tax Deferred Share Plan (TDSP). These plans superseded the Employee Share Purchase Plan (ESPP) which made its final issue of shares to Perpetual employees in December 2004.

In addition, eligible Private Wealth and Corporate Trust employees have the potential to receive a share allocation under the TDSP as part of an annual sales-based incentive plan.

Following the introduction of the new tax rules, a review of these plans was conducted in 2010. It was decided to only offer the TESP to employees wishing to purchase shares through salary sacrifice arrangements going forward.

The ESPP and another inactive plan, the Employee Reward Share Plan, are discussed in Note 26 to the Financial Statements.

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 this plan, each non-executive director was able to sacrifice up to fifty percent of their directors' fees to acquire shares in the company. These shares were purchased four times per year at market value and have a disposal restriction of ten years, or when the director ceases to be a director of the company. Shares are held in the plan until the earlier of a period of ten years or until the director retires from the Board.

Following changes to taxation rules, this plan has been closed since 1 July 2009.

Dilution limits for share plans
Shares awarded under Perpetual's employee share plans may be purchased on market or issued subject to Board discretion and the requirements of the Corporations Act 2001 and the ASX Listing Rules.

The Board will manage the issue of shares under employee incentive plans to balance remuneration needs of employees with shareholder returns, subject to the relevant regulatory requirements.

Share dealing approval
Any share dealings, whether these shares are held personally or were acquired as part of remuneration, require prior approval. The table below shows the approval required:

Person wishing to deal in shares	**Approval required from**
Managing Director	Chairman
Director	Chairman
Chairman	Nominated director
Group Executive	Managing Director
An employee likely to have price-sensitive information	Managing Director / Company Secretary

5 Summary of company performance

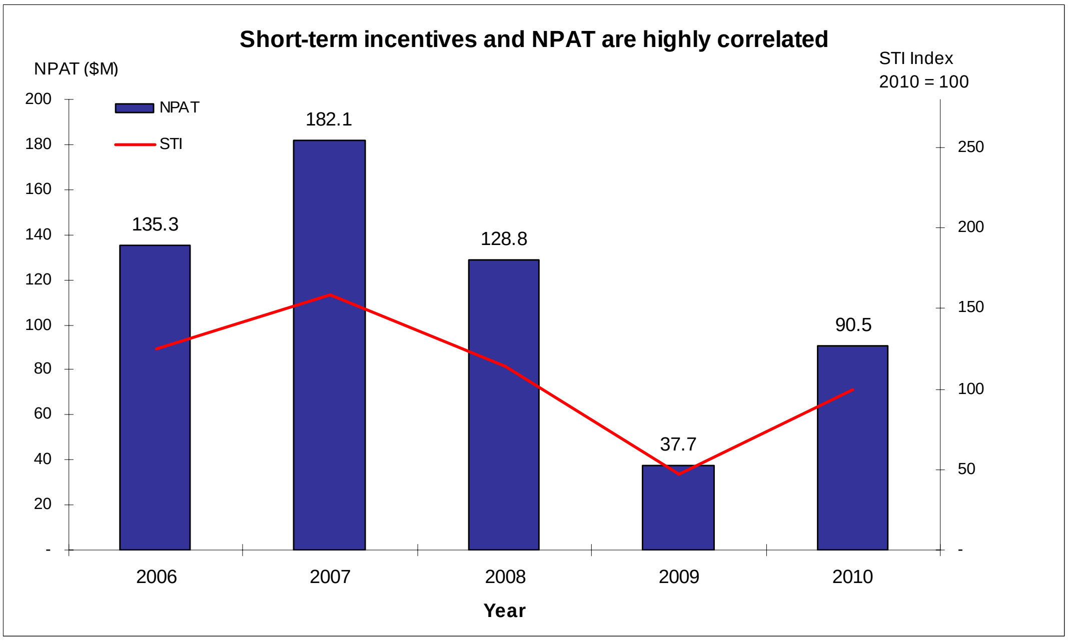
The following table shows the five-year company performance. This performance determines how much STI and LTI are paid to employees.

Five-year company performance					
			Year ended		
Perpetual's five-year performance	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Net profit after tax reported ($'000's)	135,320	182,108	128,813	37,749	90,506
UPAT reported ($'000's)	122,436	145,336	133,464	65,755	72,793
Ordinary dividend per share declared with respect to the year ($)	3.26	3.60	3.30	1.00	2.10
Special dividend per share declared with respect to the year $)	1.00	-	-	-	-
Total dividends	4.26	3.60	3.30	1.00	2.10
Basic earnings per share – UPAT ($)	3.21	3.76	3.42	1.67	1.83
Closing share price ($)	73.15	78.51	42.77	28.55	28.26

5.1 Profit Participation Pool payments for 2010

Five year company performance is shown in the table above. The relationship between STI and Perpetual's performance is further demonstrated in the graph below where the relative movement in total STI granted to all employees is shown against NPAT movements.

As described earlier in the report, one of the five key principles of our remuneration policy is that variable pay is linked to shareholder wealth creation (i.e. growth in the share price and dividends payments). The chart below demonstrates the close alignment between the profit measure and the STI pool payable to employees.



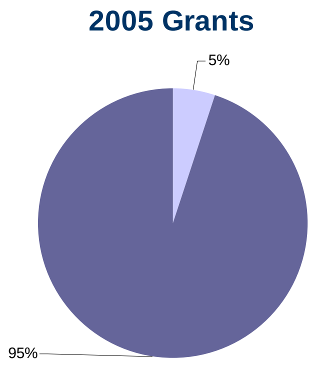
5.2 Unvested LTI issued to Key Management Personnel (KMP)

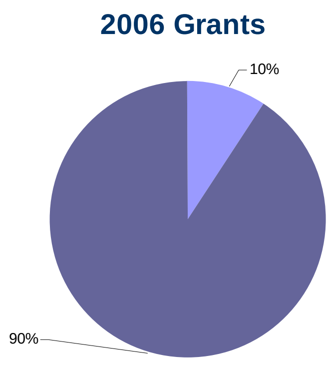
The following charts show the percentage of all LTI issued to KMP from the 2005, 2006 and 2007 grants that actually vested. It can be seen that no LTI has vested in respect to grants made 2007, and only minimal vesting for grants made in 2005 and 2006, illustrating the clear link between company performance and remuneration at Perpetual.

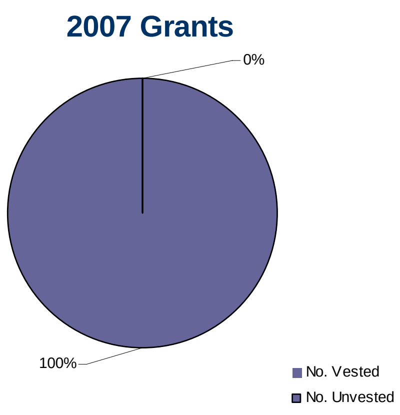
The performance hurdles for the 2005 allocation were initially tested in 2008 and then the unvested shares and options were retested in 2009. From this allocation, the pie chart shows that 95% of shares remained unvested and consequently those unvested shares and options lapsed.

Similarly, the performance hurdles for the 2006 allocation were first tested in 2009 with unvested shares and options to be retested in 2010. From this allocation, the pie chart shows that 10% of the shares and options granted in 2006 have vested.

The 2007 allocation was first tested in 2010 and the unvested shares will be retested in 2011. All shares that do not then vest will be forfeited.







6 Key Management Personnel

Key Management Personnel (KMP) are the individuals who have the authority and responsibility for planning, directing and controlling the company's activities directly or indirectly. This includes directors, whether executive or otherwise, of the consolidated entity. The following were KMP of Perpetual during the financial year:

Name	Position
Non-executive Directors	
Robert Savage	Chairman and Independent Director
Paul Brasher	Independent Director[1]
Meredith Brooks	Independent Director
Philip Bullock	Independent Director[2]
Paul McClintock	Independent Director
Elizabeth Proust	Independent Director
Peter Scott	Independent Director
Philip Twyman	Independent Director
Managing Director	
David Deverall	Chief Executive Officer and Managing Director[3]
Group Executives	
Richard Brandweiner*	Group Executive Income and Multi Sector
Roger Burrows*	Chief Financial Officer
Cathy Doyle*	Group Executive Equities
Christopher Green*	Group Executive Corporate Trust
Ivan Holyman*	Chief Risk Officer
Michael Miller	Group Executive Superannuation and Operations[4]
Matt Pancino	Group Executive Operations[5]
Janine Stewart	Group Executive People and Culture
Rory MacIntyre	Acting Group Executive Global Equities[6]
Paul Ryan	Co-acting Group Executive Private Wealth[7]
Shailendra Singh	Co-acting Group Executive Private Wealth[8]

KMP who departed during the year

Name	Position
Group Executives	
Emilio Gonzalez	Group Executive Global Equities[9]
John Nesbitt	Group Executive Private Wealth[10]
Eric Wang	Group Executive Superannuation and Investment Solutions[11]

* The five highest paid officers of the group and company during the year ended 30 June 2010

1 Appointed 1 November 2009
2 Appointed 1 June 2010
3 On 23 June 2010, Perpetual announced that Managing Director, David Deverall, had given notice of his resignation
4 Held the position of Chief Operating Officer Perpetual Investments up to 18 January 2010, at which point he was appointed to the role of Group Executive Superannuation and Investment Solutions. On 26 July 2010, he was appointed to the role of Group Executive Superannuation and Operations
5 Has given notice of his resignation effective 15 October 2010
6 Held the position of Head of Global Equities up to 1 November 2009, at which point he was temporarily appointed to this role
7 Held the position of General Manager Business Acquisitions up to 1 December 2009, at which point he was temporarily appointed to this role
8 Held the position of Chief Financial Officer Private Wealth up to 1 December 2009, at which point he was temporarily appointed to this role
9 Resigned 20 January 2010
10 Resigned 1 May 2010
11 Resigned 30 September 2009

Related party disclosures

For a fixed period of six months commencing on 2 November 2009 and ending on 2 May 2010, Meredith Brooks was engaged to provide advisory and consulting services to Perpetual Investment's Global Equities business. In accordance with the consultancy agreement, Ms Brooks received $196,900 for providing those services. This cash payment is in addition to the fees Ms Brooks received in her capacity as a non-executive director.

No other KMP have entered into material contracts with the company or members of the consolidated entity since the end of the previous financial year and there were no material contracts involving KMP interests subsisting at the year end.

7 Appendices

Index to tables

Details of Managing Director and Group Executive remuneration for 2010

Remuneration of Managing Director and Group Executives

The following table shows the remuneration amounts recorded in the financial statements in the year.

Name	Total	Fixed remuneration					STI	Fixed remuneration & STI	LTI		
		Short-term			Post employment	Total fixed remuneration			Share based[6]		Total LTI
		Cash salary, fees and short-term compensated absences[1]	Non-monetary benefits[2]	Other[3]	Pension and super		Cash profit sharing and other bonuses[4]		Shares[5]	Options[5]	
	$	$	$	$	$	$	$	$	$	$	$
Managing Director											
D Deverall											
2010	1,371,412	976,539	-	1,825	23,461	1,001,825	800,000	1,801,825	(189,956)	(240,457)	(430,413)
2009	195,925	956,043	-	3,106	43,958	1,003,107	331,000	1,334,107	(315,679)	(822,503)	(1,138,182)
Group Executives											
R Brandweiner*											
2010	680,534	310,539	-	2,149	14,461	327,149	290,000	617,149	63,385	-	63,385
2009	434,335	322,637	-	2,116	13,745	338,498	78,000	416,498	17,837	-	17,837
R Burrows*											
2010	1,004,296	512,137	14,402	1,825	23,461	551,825	220,000	771,825	232,471	-	232,471
2009	825,018	489,173	13,344	1,825	47,745	552,087	98,000	650,087	174,931	-	174,931
C Doyle*											
2010	1,129,727	441,950	44,596	1,825	14,461	502,833	300,000	802,833	326,894	-	326,894
2009	1,066,376	445,522	40,733	1,825	13,745	501,825	120,000	621,825	444,551	-	444,551
C Green*											
2010	690,528	335,539	-	1,825	14,461	351,825	280,000	631,825	58,703	-	58,703
2009	652,800	319,682	-	3,200	13,745	336,627	225,000	561,627	91,173	-	91,173
I Holyman*											
2010	866,781	362,500	-	1,825	46,710	411,035	240,000	651,035	215,746	-	215,746
2009	655,053	306,571	1,983	3,083	95,945	407,582	25,000	432,582	222,471	-	222,471
M Miller											
2010	494,401	287,720	-	2,126	19,050	308,895	155,000	463,895	30,506	-	30,506
M Pancino											
2010	416,644	305,054	30,485	1,825	14,461	351,825	-	351,825	64,819	-	64,819
2009	463,981	295,987	32,558	1,510	17,116	347,171	100,000	447,171	16,810	-	16,810
J Stewart											
2010	475,568	285,539	-	1,825	14,461	301,825	135,000	436,825	38,743	-	38,743
2009	355,103	266,589	-	1,370	18,745	286,704	60,000	346,704	8,399	-	8,399
R MacIntyre											
2010	419,819	277,539	-	2,447	38,461	318,447	90,000	408,447	11,372	-	11,372

P Ryan											
2010	426,722	253,978	-	1,825	24,122	279,925	130,000	409,925	16,797	-	16,797
S Singh											
2010	442,398	255,539	-	601	14,461	270,601	155,000	425,601	16,797	-	16,797
Departed Group Executives											
E Gonzalez											
2010	85,392	267,469	-	139,467	9,454	416,390	-	416,390	(222,111)	(108,887)	(330,998)
2009	1,160,712	486,255	-	3,638	13,745	503,638	100,000	603,638	448,187	108,887	557,074
J Nesbitt											
2010	328,912	425,872	6,079	601	61,270	493,822	-	493,822	(151,547)	(13,363)	(164,910)
2009	1,067,025	488,247	12,977	1,825	98,776	601,825	125,000	726,825	326,837	13,363	340,200
E Wang											
2010	110,472	93,600	2,785	604,552	3,615	704,552	-	704,552	(260,674)	(333,406)	(594,080)
2009	854,853	372,952	13,304	4,532	13,745	404,533	-	404,533	200,259	250,061	450,320
Total 2010	8,943,607	5,391,512	98,348	766,544	336,371	6,592,775	2,795,000	9,387,775	251,945	(696,113)	(444,168)
Total 2009	7,731,181	4,749,658	114,899	28,030	391,010	5,283,597	1,262,000	6,545,597	1,635,776	(450,192)	1,185,584
Total 2009 for executives disclosed in 2009[7]	8,556,971	5,121,121	146,149	614,931	397,882	6,280,083	1,262,000	7,542,083	1,465,080	(450,192)	1,014,888

* Five highest paid officers of the group and company during the year ended 30 June 2010.

1. Cash salary is the ordinary cash salary received in the year

2. Non-monetary benefits relate to the salary sacrifice component of remuneration and represents benefits such as motor vehicles and car parking

3. Other short-term benefits relate to Salary Continuance and Death and Total and Permanent Disability insurance provided as part of the remuneration package, interest on loans arising from shares issued under the ESPP (refer to page 48 'Loans to Group Executives under the ESPP') and final payments in respect of executives who departed during or since the end of the year (including any termination benefits of $138,268 paid to Gonzalez and $603,951 paid to Wang).

4. Cash profit sharing and other bonuses equate to the best estimate of the incentive performance bonus, based on available information at year end

5. Share-based remuneration has been valued using the binomial method which takes into account the performance hurdles relevant to each issue of equity instrument. The value of each equity instrument has been provided by PricewaterhouseCoopers.

6. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including Earnings Per Share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as Total Shareholder Return hurdles, the number of grants expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements. The accounting treatment of non-market and market conditions is in accordance with Accounting Standards.

7. The totals shown relate to executives disclosed in the 2009 Annual Report and so do not equal the 2009 totals for executives disclosed in this table.

In addition to the above table that shows the accounting treatment of share and option based remuneration components, the following table sets out the actual market value of shares on the date they vested and options on the date they were exercised during the year. This highlights the alignment between shareholder return and employee reward.

Actual remuneration of Managing Director and Group Executives

The table below shows the remuneration amounts received in the year.

Name	Total	Fixed remuneration & STI	LTI		
			Share based[1]		Total LTI
			Shares vested	Options exercised	
	$	$	$	$	$
Managing Director					
D Deverall					
2010	1,801,825	1,801,825	-	-	-
2009	1,334,107	1,334,107	-	-	-
Group Executives					
R Brandweiner					
2010	617,149	617,149	-	-	-
2009	416,498	416,498	-	-	-
R Burrows					
2010	771,825	771,825	-	-	-
2009	650,087	650,087	-	-	-
C Doyle					
2010	802,833	802,833	-	-	-
2009	621,825	621,825	-	-	-
C Green					
2010	704,435	631,825	72,610	-	72,610
2009	644,031	561,627	82,404	-	82,404
I Holyman					
2010	651,035	651,035	-	-	-
2009	432,582	432,582	-	-	-
M Miller					
2010	463,895	463,895	-	-	-
M Pancino					
2010	351,825	351,825	-	-	-
2009	447,171	447,171	-	-	-
J Stewart					
2010	436,825	436,825	-	-	-
2009	346,704	346,704	-	-	-
R MacIntyre					
2010	408,447	408,447	-	-	-

P Ryan					
2010	409,925	409,925	-	-	-
S Singh					
2010	425,601	425,601	-	-	-
Departed Group Executives					
E Gonzalez					
2010	416,390	416,390	-	-	-
2009	2,095,002	603,638	-	1,491,364[2]	1,491,364
J Nesbitt					
2010	493,822	493,822	-	-	-
2009	726,825	726,825	-	-	-
E Wang					
2010	704,552	704,552	-	-	-
2009	404,533	404,533	-	-	-
Total 2010	9,460,385	9,387,775	72,610	-	72,610
Total 2009	8,119,365	6,545,597	82,404	1,491,364	1,573,768

1. Share based remuneration represents the fair value of shares vested and options exercised during the year. Shares and options have been valued based on their market value on the date the shares vested and options were exercised.

2. These options were granted in 2002

Remuneration components as a proportion of total remuneration[1]

Name	Fixed benefits %	Performance linked benefits		Total %
		STI %	LTI %	
Managing Director				
D Deverall	56%	44%	0%	100%
Group Executives				
R Brandweiner	48%	43%	9%	100%
R Burrows	55%	22%	23%	100%
C Doyle	45%	27%	28%	100%
C Green	51%	41%	8%	100%
I Holyman	47%	28%	25%	100%
M Miller	62%	31%	7%	100%
M Pancino	84%	0%	16%	100%
J Stewart	63%	28%	9%	100%
R MacIntyre	76%	21%	3%	100%
P Ryan	66%	30%	4%	100%
S Singh	61%	35%	4%	100%
Departed Group Executives				
E Gonzalez	100%	0%	0%	100%
J Nesbitt	100%	0%	0%	100%
E Wang	100%	0%	0%	100%

1. The remuneration components are determined based on the 'Remuneration of Managing Director and Group Executives' table on page 44.

Loans to Group Executives under the ESPP

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 period
	$	$	$	$	$	$
Group Executives						
R Brandweiner	3,505	(3,505)	-	-	324	3,505
M Miller	3,202	(313)	-	2,889	301	3,202
R MacIntyre	6,658	(726)	-	5,932	622	6,658
Departed Group Executives						
E Gonzalez	8,024	(8,024)	-	-	598	8,024

[1] Interest not charged has been calculated at 9.8% on the weighted average loan balance as at 30 June 2010 and 30 June 2009, 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 26 of the Financial Statements.

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

No other Group Executives have loans.

Option holdings of the Managing Director and Group Executives

Name	Grant date	Exercise period	Exercise price	Held at 1 July 2009	Movement during the year: Granted	Movement during the year: Forfeited	Movement during the year: Exercised	Held at 30 June 2010	Vested & exercisable at 30 June 2010	Fair value per option at grant date[1]	Proceeds received on exercise
			$	No. of options	No. of options	No. of options	No. of options	No. of options	No. of options	$	$
Managing Director											
D Deverall [2]	Options granted prior to 1 July 2008 [3]			295,508	-	28,144	-	267,364	978		
	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 15	28.34	47,585	-	-	-	47,585	-	9.58	-
	3 Jul 09	1 Jul 12 - 29 Jun 15	28.34	-	5,911	-	-	5,911	-	9.58	-
		Aggregate Value			$56,627	$1,599,986	-				-
Departed Group Executives											
E Gonzalez	20 Jan 09	30 Jun 13 - 20 Jan 15	31.42	182,215	-	182,215	-	-	-	6.60	-
		Aggregate Value			-	$5,725,195	-				-
J Nesbitt	9 Jun 09	30 Jun 12 - 30 Jun 14	28.34	58,939	-	58,939	-	-	-	9.06	-
		Aggregate Value			-	$1,670,331	-				-
E Wang	31 Mar 08	31 Mar 11 - 31 Mar 13	52.71	75,301	-	75,301	-	-	-	9.96	-
		Aggregate Value			-	$3,969,116	-				-

Options granted to the Managing Director and Group Executives are granted from the Executive Option Plan. No other Group Executives 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 19 October 2004, 17 October 2006, 30 October 2007, 28 October 2008 and 22 October 2009.

3. These options were granted on 19 October 2004 (978), 1 July 2005 (28,144), 1 July 2006 (29,950) and 1 July 2007 (236,436). On 23 June 2010, the company announced that Managing Director, David Deverall, had given notice of his resignation. As a result, no long term incentives, including the options outstanding as at 30 June 2010, will vest as a result of Mr Deverall's resignation and all unvested options will be forfeited on ceasing employment. The options outstanding as at 30 June 2010 have a carrying value of $Nil.

4. Percentage of total remuneration received as options for the Managing Director and Group Executives are: D Deverall (0%), E Gonzalez (0%), J Nesbitt (0%) and E Wang (0%).

Value of unvested remuneration that vest in future years

	Estimates of the maximum and minimum cost in future years relating to equity based remuneration granted by the Company					
	30 June 2011		30 June 2012		30 June 2013	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Managing Director						
D M Deverall[1]	-	-	-	-	-	-
Group Executives						
R Brandweiner	-	105,435	-	113,402	-	28,232
R Burrows	-	323,591	-	255,084	-	61,599
C Doyle	-	413,736	-	305,694	-	35,932
C Green	-	98,986	-	103,948	-	25,667
I Holyman	-	212,046	-	191,306	-	46,198
R MacIntyre	-	24,877	-	34,384	-	9,329
M Miller	-	99,145	-	122,978	-	33,366
M Pancino[2]	-	-	-	-	-	-
P Ryan	-	44,392	-	58,039	-	15,747
S Singh	-	44,392	-	58,039	-	15,747
J Stewart	-	64,552	-	63,760	-	15,397

1. The maximum value of equity that may vest in future years for Mr Deverall has been calculated to be zero on the basis that he has given notice of his resignation.
2. The maximum value of equity that may vest in future years for Mr Pancino has been calculated to be zero on the basis that he has given notice of his resignation.

Vested shareholdings of the Managing Director and Group Executives

Name	Balance at the start of the year	LTI Shares vesting in the period	Other changes during the year	Balance at the end of the year[1]
		No of shares		
Managing Director				
D Deverall	35,540	-	-	35,540
Group Executives				
R Brandweiner	402	-	-	402
R Burrows	-	-	-	-
C Doyle	-	-	-	-
C Green	2,056	2,740	-	4,796
I Holyman	2,736	-	-	2,736
M Miller	234	-	-	234
M Pancino	-	-	-	-
J Stewart	-	-	-	-
R MacIntyre	16,893	-	-	16,893
P Ryan	-	-	-	-
S Singh	-	-	-	-
Departed Group Executives				
E Gonzalez	88,279	-	(69,632)	18,647
J Nesbitt	7,417	-	-	7,417
E Wang	600	-	-	600

1 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 (69,632).

Unvested shareholdings of the Managing Director and Group Executives

Name	Grant date	Issue price	Vesting date	Held at 1 July 2009	Movement during the year Granted	Forfeited	Vested	Held at 30 June 2010	Fair value per share ($) TSR Hurdle[17]	Fair value per share ($) non-TSR hurdle[17]
				No of shares	No of shares			No of shares		
Managing Director										
D Deverall [1]	Shares granted prior to 1 July 2008 [2]			58,532	-	7,036	-	51,496		
	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				-	$399,997	-			
Group Executives										
R Brandweiner	Shares granted prior to 1 July 2008 [3]			2,748	-	1,389	-	1,359		
	1 October 2008	48.63	1 October 2011	4,112	-	-	-	4,112	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	7,208	-	-	7,208	29.02	37.93
	Aggregate Value				$274,985	$96,582	-			
R Burrows	Shares granted prior to 1 July 2008 [4]			11,383	-	-	-	11,383		
	1 October 2008	48.63	1 October 2011	12,338	-	-	-	12,338	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	15,727	-	-	15,727	29.02	37.93
	Aggregate value				$599,985	-	-			
C Doyle	Shares granted prior to 1 July 2008 [5]			25,531	-	-	-	25,531		
	1 October 2008	48.63	1 October 2011	7,197	-	-	-	7,197	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	9,174	-	-	9,174	29.02	37.93
	Aggregate Value				$349,988	-	-			
C Green	Shares granted prior to 1 July 2008 [6]			5,031	-	-	2,740	2,291		
	1 October 2008	48.63	1 October 2011	4,112	-	-	-	4,112	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	6,553	-	-	6,553	29.02	37.93
	Aggregate Value				$249,997	-	$ 199,938			
I Holyman	Shares granted prior to 1 July 2008 [7]			16,464	-	4,472	-	11,992		
	1 October 2008	48.63	1 October 2011	9,253	-	-	-	9,253	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	11,795	-	-	11,795	29.02	37.93
	Aggregate Value				$449,979	$300,026	-			
M Miller	Shares granted prior to 1 July 2008 [8]			3,308	-	1,677	-	1,631		
	1 October 2008	48.63	1 October 2011	2,467	-	-	-	2,467	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	8,519	-	-	8,519	29.02	37.93
	Aggregate Value				$325,000	$121,348	-			
M Pancino	Shares granted prior to 1 July 2008 [9]			4,159	-	1,865	-	2,294		
	1 October 2008	48.63	1 October 2011	5,140	-	-	-	5,140	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	6,553	-	-	6,553	29.02	37.93
	Aggregate Value				$249,997	$134,951	-			
J Stewart	Shares granted prior to 1 July 2008 [10]			584	-	-	-	584		
	1 October 2008	48.63	1 October 2011	3,084	-	-	-	3,084	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	3,931	-	-	3,931	29.02	37.93
	Aggregate Value				$149,968	-	-			
P Ryan	Shares granted prior to 1 July 2008 [11]			2,946	-	1,451	-	1,495		
	1 October 2008	48.63	1 October 2011	2,287	-	-	-	2,287	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	3,538	-	-	3,538	29.02	37.93
	Aggregate Value				$134,975	$104,994	-			
S Singh	Shares granted prior to 1 July 2008 [12]			1,931	-	566	-	1,365		
	1 October 2008	48.63	1 October 2011	2,261	-	-	-	2,261	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	3,538	-	-	3,538	29.02	37.93
	Aggregate Value				$134,975	$40,956	-			
R MacIntyre	Shares granted prior to 1 July 2008 [13]			9,498	-	2,257	-	7,241		
	1 October 2008	48.63	1 October 2011	1,028	-	-	-	1,028	38.97	50.80
	1 October 2009	38.15	1 October 2012	-	2,096	-	-	2,096	29.02	37.93
	Aggregate Value				$79,962	$158,700	-			

Departed Executives										
E Gonzalez	Shares granted prior to 1 July 2008 [14]			26,622	-	26,622	-	-		
	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				-	$ 3,949,872	-			
J Nesbitt	Shares granted prior to 1 July 2008 [15]			23,004	-	23,004	-	-		
	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
	1 October 2009	38.15	1 October 2012	-	20,969	20,969	-	-	29.02	37.93
	Aggregate Value				$799,967	$3,849,818	-			
E Wang	Shares granted prior to 1 July 2008 [16]			21,832	-	21,832	-	-		
	1 October 2008	48.63	1 October 2011	6,169	-	6,169	-	-	38.97	50.80
	Aggregate Value				-	$1,595,883	-			

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, 28 October 2008 and 22 October 2009.

2 These shares were granted on 1 July 2005 (7,036; 100% forfeited in the current year), 1 July 2006 (7,130) and 1 July 2007 (44,366).

3 These shares were granted on 30 September 2005 (745; 100% forfeited in the current year), 2 October 2006 (644; 100% forfeited in the current year) and 1 October 2007 (1,359).

4 These shares were granted on 31 March 2008 (11,383).

5 These shares were granted on 4 December 2006 (1,645), 1 October 2010 (4,759) and 20 February 2008 (19,127).

6 These shares were granted on 1 October 2007 (2,291) and 17 July 2006 (2,740; 100% vested in the current year).

7 These shares were granted on 30 September 2005 (4,472; 100% forfeited in the current year), 2 October 2006 (5,873) and 1 October 2007 (6,119).

8 These shares were granted on 30 September 2005 (641; 100% forfeited in the current year), 2 October 2006 (1,036; 100% forfeited in the current year) and 1 October 2007 (1,631).

9 These shares were granted on 14 August 2006 (255), 2 October 2006 (1,865; 100% forfeited in the current year) and 1 October 2007 (2,039).

10 These shares were granted on 10 September 2007 (584).

11 These shares were granted on 2 October 2006 (1,451; 100% forfeited in the current year) and 1 October 2007 (1,495).

12 These shares were granted on 3 July 2006 (139), 2 October 2006 (566; 100% forfeited in the current year) and 1 October 2007 (1,226).

13 These shares were granted on 30 September 2005 (876; 100% forfeited in the current year), 2 October 2006 (1,381; 100% forfeited in the current year), 1 October 2007 (1,359) and 3 December 2007 (5,882).

14 These shares were granted on 30 September 2005 (7,453; 100% forfeited in the current year), 2 October 2006 (8,291; 100% forfeited in the current year) and 1 October 2007 (10,878; 100% forfeited in the current year).

15 These shares were granted on 30 September 2005 (5,217; 100% forfeited in the current year), 2 October 2006 (6,909; 100% forfeited in the current year) and 1 October 2007 (10,878; 100% forfeited in the current year).

16 These shares were granted on 30 September 2005 (1,729; 100% forfeited in the current year), 2 October 2006 (1,796; 100% forfeited in the current year), 1 October 2007 (4,079; 100% forfeited in the current year) and 31 March 2008 (14,228; 100% forfeited in the current year).

17 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.

Contract terms for the Managing Director

Contract Details	David Deverall, Chief Executive Officer and Managing Director
Term of contract	Mr Deverall's appointment as Chief Executive Officer and Managing Director continues from the date of the agreement (24 September 2007) until terminated in accordance with its terms.
Fixed Remuneration	$1,000,000 per annum, reviewable in accordance with Perpetual's policies.
STI	STI of up to the maximum STI for previous year multiplied by the change in the Profit Participation Pool. 20% of the STI will be subject to the Board's assessment annually of additional performance criteria.
LTI – Group	Eligible to receive LTI – Group grants equivalent to $1.025 million per annum (or such greater amounts as may be determined by the Board from year to year). 50% of the LTI – Group benefits is provided by way of performance shares and 50% by way of options. Grants are divided into two portions. The first portion is subject to a TSR target. If Perpetual's growth in TSR relative to the comparator group is: - less than the median, 0% vests; - at the median, 50% vests; - greater than the median but less that 75%, 50% plus 2% for every percentile increase vests; and - 75% or above, 100% vests. The second portion is subject to an EPS target. If Perpetual's growth in EPS is: - less than 10% per annum, 0% vests; and - at 10% or more, 100% vests. The TSR and EPS targets are first tested on the third anniversary of the grant date. If any portion remains unvested, it is retested on the fourth anniversary of the grant date. After this date, any unvested portion is forfeited.
LTI – Business – one-off grant made on 1 July 2007	Eligible to receive LTI - Business grants up to $6,000,000. 50% of the LTI – Business benefit is provided by way of shares and 50% by way of options. LTI Business benefit will vest on 30 June 2012 subject to compound annual growth in EPS targets and OPAT targets. A threshold compound annual growth in EPS of 11% over the five-year performance period is required before any shares or options can vest in 2012. Once the threshold is achieved, vesting operates as follows: - vesting of 10% of the total shares and options occurs upon achievement of compound annual growth in EPS of 11% and required UPAT target; - 100% of the shares and options will vest if compound annual growth in EPS is 20% and required UPAT target is achieved; - a sliding scale of vesting operates if compound annual growth in EPS is greater than 11% and below 20% and required UPAT targets are achieved. There is an opportunity for accelerated vesting as at 30 June 2010 of up to 67% ($4,000,000) of the original benefit. A threshold compound annual growth in EPS of 15% is required before any shares or options can vest in 2010. Once the threshold is achieved, vesting operates as follows: - vesting of shares and options valued at $2,000,000 occurs upon achievement of a

	compound annual growth in EPS of 15% and required UPAT target; - shares and options valued at a total of $4,000,000 will vest upon achievement of a compound annual growth in EPS of 25% and required UPAT target; - a sliding scale of vesting operates if compound annual growth in EPS is greater than 15% and below 25% and required UPAT targets are achieved. Mr Deverall is not permitted to transfer or exercise any shares or options that vest under these accelerated vesting provisions until after 30 June 2011. If accelerated vesting is achieved, the balance of the LTI-Business will vest on 30 June 2012 subject to the original targets. There is no provision for retesting if performance targets are not achieved as of 30 June 2012. Any shares and options that do not vest will be forfeited as at 30 June 2012.
Termination of employment	Mr Deverall can resign by providing 12 months' notice. Perpetual can terminate Mr Deverall's employment at any time by providing 12 months' notice; immediately for misconduct or other circumstances justifying summary dismissal; as a result of Mr Deverall's illness by providing 12 months' notice; and for poor performance by providing 6 months' notice. When notice is required, the Company can make a payment in lieu of all or part of any notice period. **Immediate termination without notice in certain circumstances** STI – no entitlement in respect of year in which termination occurs. LTI – Group – shares and options not vested at termination date are forfeited. LTI – Business – shares and options not vested at termination date are forfeited. **Termination by Perpetual on notice or due to illness – 12 months' written notice (for payment in lieu)** STI – pro-rated, based on prior year entitlements. LTI – Group - eligible to receive vesting of shares and options that have not vested at the termination date for a period of 24 months after the termination date, subject to the original performance hurdles and performance period. LTI – Business – entitled to the greater of a pro-rata proportion of shares and options (subject to performance targets measured at the date of termination) and 1/10 of the LTI – Business. **Termination by Perpetual due to poor performance – 6 months' written notice (or payment in lieu)** STI – no entitlement in respect of year in which termination occurs. LTI – Group – shares and options not vested at the termination date are forfeited. LTI – Business – entitled to the greater of a pro-rata proportion of shares and options (subject to performance targets measured at the date of termination) and 1/10 of the LTI – Business. **Voluntary termination – 12 months' written notice (or payment in lieu)** STI – pro-rated, based on previous year entitlements. LTI – Group – shares and options not vested at the termination date are forfeited. LTI – Business – shares and options not vested at the termination date are forfeited. **Death of Mr Deverall** STI – pro-rata entitlement based on previous year's STI. LTI – Group – eligible to receive vesting of shares and options that have not vested at the termination date, subject to the original performance hurdles and performance period. LTI – Business – eligible to receive allocated but unvested equity at the discretion of the Board.

As previously noted, on 23 June 2010 Perpetual announced that Managing Director, David Deverall, had given notice of his resignation. As set out in the ASX Announcement, Mr Deverall has a contractual entitlement to receive a STI for the year ended 30 June 2010, and a pro-rata STI for the year ending 30 June 2011. No LTI will vest as a result of Mr Deverall's resignation, and all unvested LTI will be forfeited on ceasing employment.

Termination provisions for Group Executives

The material terms for the Group Executives are summarised below:

Term	Who	Conditions
Duration of Contract	All Group Executives	Ongoing until notice is given by either party
Notice to be provided by Group Executive to terminate the employment agreement	John Nesbitt	6 months
	Janine Stewart	12 weeks
	Paul Ryan	2 months
	Shailendra Singh	2 months
	All other Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement for poor performance	John Nesbitt	12 months
	Roger Burrows	6 months
	Janine Stewart	12 weeks
	Paul Ryan	2 months
	Shailendra Singh	2 months
	All other Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	John Nesbitt	12 months
	Roger Burrows	6 months
	Ivan Holyman	3 months' notice plus 3 weeks per completed year of service (up to 52 weeks)
	Janine Stewart	12 weeks
	Paul Ryan	2 months
	Shailendra Singh	2 months
	All other Group Executives	3 months
Termination payments and/or benefits to be made on termination without cause	**Payment in lieu of notice**	
	All Group Executives	Group Executives are entitled to payment in lieu of any unexpired part of the notice period
	STI	
	All Group Executives	Subject to the terms and conditions of the STI Plan.
	LTI	
	All Group Executives	Subject to the terms of the Offer and LTI Plan
Termination for cause	**Payment in lieu of notice**	
	All Group Executives	None – immediate termination for cause

Term	Who	Conditions
	STI	
	All Group Executives	Subject to the terms and conditions of the STI Plan.
	LTI	
	All Group Executives	Subject to the terms of the Offer and LTI Plan
Post-employment restraints	All Group Executives	6 month non-solicitation restraint

Non-executive director fee schedule

	2010 $	2011 $
Chairman	455,000	468,500
Directors	165,000	170,000
Audit Risk and Compliance Committee Chairman	38,500	40,000
Audit Risk and Compliance Committee Member	19,250	20,000
People and Remuneration Committee Chairman	27,500	28,500
People and Remuneration Committee Member	13,750	14,250
Investment Committee Chairman	27,500	28,500
Investment Committee Member	13,750	14,250
Nominations Committee Member	13,750	14,250

Note: In addition to the base fee, Perpetual pays superannuation contributions to non-executive directors of up to 9% of non-executive director fees, capped at the maximum superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer superannuation contributions may be received in one of our employee superannuation funds or an eligible superannuation fund of their choice.

Contract terms of engagement and non-executive director fees and responsibilities*

	Robert M Savage[1]	Paul Brasher[2]	Meredith J Brooks	Philip Bullock[3]	E Paul McClintock	Elizabeth M Proust	Peter B Scott[4]	Philip J Twyman
	$	$	$	$	$	$	$	$
Board fees (per annum)								
Chairman	455,000	-	-	-	-	-	-	-
Independent Director	-	165,000	165,000	165,000	165,000	165,000	165,000	165,000
Committee fees (per annum)								
Audit Risk and Compliance Committee								
Chairman	-	-	-	-	-	-	-	38,500
Member	-	19,250	19,250	-	-	19,250	-	-
People and Remuneration Committee								
Chairman	-	-	-	-	-	27,500	-	-
Member	-	13,750	-	-	13,750	-	13,750	-
Investment Committee								
Chairman	-	-	-	-	27,500	-	-	-
Member	-	-	13,750	-	-	-	13,750	13,750
Nomination Committee								
Member	-	-	-	-	13,750	13,750	-	13,750
Appointed	August 2001 as Director and October 2005 as Chairman	November 2009	November 2004	June 2010	April 2004	January 2006	July 2005	November 2004

* In addition to committee fees, directors are entitled to minimum superannuation guarantee contributions.

[1] Robert Savage retired from the Audit, Risk and Compliance Committee on 17 November 2009 and retired as Chairman of the Nominations Committee on 23 July 2010 but remains as a Member of that Committee until his retirement from the Board on 26 October 2010.

[2] Paul Brasher was appointed to the Board on 1 November 2009, as a member of the Audit Risk and Compliance Committee on 17 November 2009 and the People and Remuneration Committee on 16 February 2010.

[3] Philip Bullock was appointed to the Board on 1 June 2010, and as a member of the Investment Committee and the People and Remuneration Committee on 9 August 2010.

[4] Peter Scott became Chairman Elect and Chairman of the Nominations Committee on 23 July 2010.

Remuneration received by non-executive directors

Name	Total		Short-term Cash salary, fees and short-term compensated absences [1]		Post employment Pension and Superannuation		Share-based Equity settled [1,3]	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $
R M Savage	469,461	468,745	447,421	335,378	22,040	72,700	-	60,667
P Brasher	133,969	-	83,969	-	50,000		-	-
M J Brooks	212,461	211,745	198,000	198,000	14,461	13,745	-	-
P Bullock	14,955	-	13,750	-	1,205		-	-
E P McClintock	234,461	232,636	220,000	174,891	14,461	13,745	-	44,000
E M Proust	262,915	225,495	248,454	200,750	14,461	13,745	-	11,000
P B Scott	206,961	207,797	192,500	166,552	14,461	13,745	-	27,500
P J Twyman	245,461	244,745	231,000	176,000	14,461	13,745	-	55,000
TOTAL	1,780,644	1,591,162	1,635,094	1,251,572	145,550	141,424	-	198,167

[1] Cash salary is the ordinary cash salary. Under a share purchase plan for non-executive directors approved by shareholders on 20 October 1998, non-executive directors may sacrifice up to 50% of their fees to acquire shares in the company.

[2] Non-executive directors do not receive any non cash benefits as part of their remuneration.

[3] Shares issued as remuneration have been valued and recorded as remuneration as at the date of issue

Shares, options, dividends and units held by non-executive directors

	Ordinary shares		Dividends received		Options		Registered scheme interests [1]	
	2010 No.	2009 No.	2010 $	2009 $	2010 No.	2009 No.	2010 $	2009 $
R M Savage	9,609	9,380	15,560	13,417	-	-	2,015,797	4,484,416
P V Brasher[2]	1,000	-	1,050	-	-	-	497,825	-
M J Brooks	5,753	5,500	9,165	8,345	-	-	1,568,458	1,545,392
P Bullock[3]	1,000	-	-	-	-	-	-	-
E P McClintock	8,768	8,485	14,102	12,596	-	-	188,674	170,528
E M Proust	3,245	3,147	5,227	5,005	-	-	-	-
P B Scott	2,140	2,047	3,410	1,979	-	-	73,888	56,744
P J Twyman	8,107	8,772	13,544	11,013	-	-	2,045,167	2,526,899

[1] Amounts invested in Perpetual's products

[2] Paul Brasher was appointed as a director on 1 November 2009

[3] Philip Bullock was appointed as a director on 1 June 2010

Non-executive director holdings held directly or indirectly

Name	Balance at the start of the year, or for directors appointed in the year, the date of appointment	Shares acquired via fee sacrifice during the year	Other changes during the year	Balance at the end of the year or, for directors who retired in the year, the date of retirement
	No of shares			
R M Savage	9,380	-	229	9,609
P Brasher	-	-	1,000	1,000
M J Brooks	5,500	-	253	5,753
P Bullock	-	-	1,000	1,000
E P McClintock	8,485	-	283	8,768
E Proust	3,147	-	98	3,245
P B Scott	2,047	-	93	2,140
P J Twyman	8,772	-	(665)	8,107

Directors' Report For The Year Ended 30 June 2010 (continued)

Chief Executive Officer's and Chief Financial Officer's Declaration

The Chief Executive Officer and Chief Financial Officer declared in writing to the board, in accordance with section 295A of the *Corporations Act 2001* that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2010 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Non-audit services

During the year KPMG, the Company's auditor, did not perform other non-audit services in addition to their statutory duties (2009: Nil).

The board has a review process in relation to any non-audit services provided by the external auditor. The board will consider any non-audit services provided by the auditor and, in accordance with written advice provided by resolution of the Audit Risk and Compliance Committee, ensure it is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they do not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Lead Auditor's independence declaration for the 30 June 2010 financial year is included at the end of this report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Order, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:

Robert Savage	David Deverall
Chairman	Chief Executive Officer and Managing Director

Sydney 24 August 2010

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

To: The Directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

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

KPMG

Andrew Yates
Partner

Sydney 24 August 2010