Perpetual Limited
ABN 86 000 431 827

OPERATING AND FINANCIAL REVIEW

For the 6 months
ended 31 December 2016

Perpetual

Disclaimer

The following information should be read in conjunction with the Group's unaudited consolidated financial statements and associated notes for the 6 months ended 31 December 2016 and should also be read in conjunction with the audited financial statements and notes thereto contained in the Annual Report for the financial year ended 30 June 2016 (FY16).The Group's unaudited consolidated financial statements for the 6 months ended 31 December 2016 were subject to independent review by KPMG.

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

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

Notes

Note that in this review:

- 1H17 refers to the financial reporting period for the six months ended 31 December 2016
- 2H16 refers to the financial reporting period for the six months ended 30 June 2016
- 1H16 refers to the financial reporting period for the six months ended 31 December 2015
- with similar abbreviations for previous and subsequent periods.

This is a review of Perpetual's operations for the 6 months ended 31 December 2016 (1H17). It also includes a review of its financial position as at 31 December 2016.

The following information should be read in conjunction with the Group's unaudited consolidated financial statements and associated notes for 6 months ended 31 December 2016.

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

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

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

OPERATING AND FINANCIAL REVIEW

FOR THE 6 MONTHS ENDED 31 DECEMBER 2016

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SECTION 1
REVIEW OF GROUP

1 REVIEW OF GROUP

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

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

1.1 STRATEGY

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

Perpetual's Lead & Grow strategy builds on the foundation of three core businesses forming a scalable business model, sharing central services and a strong brand.

Lead, Extend, Explore

The Lead & Grow strategy seeks to 'Lead' in each of the Group's core businesses, 'Extend' into nearby adjacencies and 'Explore' new markets and new ventures for the Group over the long term to capture sustainable growth.

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

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

The primary opportunity for Perpetual Corporate Trust is to build on its market-leading businesses. Debt Markets Services will enhance its position in the provision of trust, custody and standby services to debt capital and securitisation markets through the provision of value-added services via its Data Services capability. Managed Funds Services will continue to leverage its scale in the market and expand into adjacencies such as providing responsible entity and investment management services to managed investment schemes.

1.2 GROUP FINANCIAL PERFORMANCE

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

Financial Summary

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Operating revenue	252.4	253.5	240.7	-	5%
Total expenses	(160.7)	(163.5)	(152.8)	2%	(5%)
Underlying profit before tax (UPBT)	91.7	90.0	87.9	2%	4%
Underlying profit after tax (UPAT)[1,2]	65.7	64.7	63.5	2%	3%
Significant items	0.4	2.9	0.9	(86%)	(56%)
Net profit after tax (NPAT)	66.0	67.6	64.4	(2%)	2%
UPBT margin on revenue (%)	36	36	37	-	(1)
Diluted earnings per share (EPS)[3] on UPAT (cps)	140.7	139.2	137.3	1%	2%
Diluted EPS on NPAT (cps)	141.5	145.6	139.1	(3%)	2%
Dividends (cps)	130.0	130.0	125.0	-	4%
Return on Equity (ROE)[4] on UPAT (%)	22	22	22	-	-

1. UPAT attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the Group as determined by the Board and management. UPAT has been calculated in accordance with the AICD/Finsia principles for reporting underlying profit and ASIC's Regulatory Guide 230 - Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been audited by the Group's external auditors, however, the adjustments to NPAT attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited.
2. Effective tax rate is 28%.
3. Diluted EPS is calculated using the weighted average number of ordinary shares and potential ordinary shares on issue of 46,663,727 for 1H17 (1H16: 46,294,954 shares).
4. The return on equity (ROE) quoted in the above table is an annualised rate of return based on actual results for each period. ROE is calculated using the UPAT attributable to equity holders of Perpetual Limited for the period, divided by average equity attributable to equity holders of Perpetual Limited, multiplied by the number of such periods in a calendar year in order to arrive at an annualised ROE.

For the 6 months to 31 December 2016, Perpetual's UPAT was $65.7 million and NPAT was $66.0 million.

The 1H17 UPAT and NPAT results were 3% and 2% higher than 1H16 principally due to:

- average levels of equity markets being 4% higher which positively impacted average funds under management and advice
- underlying new business growth (positive flows, net new clients, transactional revenues) and
- cost discipline while continuing to invest in Lead & Grow initiatives.

The 1H17 UPAT and NPAT results were 2% higher and 2% lower than 2H16 principally due to:

- average levels of equity markets being 6% higher which positively impacted average funds under management and advice
- underlying new business growth (positive flows, net new clients and transactions revenues)
- cost discipline and seasonal impacts associated with variable remuneration, partially offset by
- lower performance fees earned, continued investments in Lead & Grow initiatives higher amortisation and depreciation expenses from prior year investments and lower significant items.

The Perpetual Board determined a 1H17 fully franked interim dividend of 130 cents per share, up 5 cents per share or 4% on 1H16, and consistent with 2H16. The interim dividend is payable on 24 March 2017. Refer to Section 1.3 for details.

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

1.2.1 REVENUE

The main drivers of total revenue are the value of Funds Under Management (FUM) in Perpetual Investments and Funds Under Advice (FUA) in Perpetual Private, which are primarily influenced by the level of the Australian equity market. At the end of 1H17, Perpetual Investments' FUM and Perpetual Private's FUA were around 80% and 57% exposed to equity markets respectively.

The S&P/ASX All Ordinaries Price Index (All Ords) closed at 5,719 on 31 December 2016, up 7% on the closing level on 31 December 2015 of 5,345 and up 8% on the closing level on 30 June 2016 of 5,310. The average All Ords of 5,514 in 1H17 was up 4% on the average All Ords in 1H16 (5,291) and up 6% on the average All Ords in 2H16 of 5,181.

In 1H17, Perpetual generated $252.4 million of total operating revenue, which was $11.7 million or 5% higher than 1H16, and $1.1 million lower than 2H16. Revenue was positively impacted by higher levels of FUM and FUA as a result of higher levels of equity markets. Performance fees earned were $3.9 million, $1.4 million higher than 1H16 and $7.8 million lower than 2H16.

Management has calculated the expected impact on revenue, across the business, for a 1% movement in the All Ords. Based on the level of the All Ords at the end of December 2016, a 1% movement impacts annualised revenue by approximately $2.25 million to $2.75 million. It is worth noting that this impact is not linear to the movement in the overall value of the market. This means that as the market reaches higher or lower levels, a 1% movement may have a larger or smaller impact on revenue as FUM and FUA are comprised of both equity market and non-equity market sensitive asset classes.

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

1.2.2 EXPENSES

Total expenses in 1H17 were $160.7 million, $8.0 million or 5% higher than 1H16, comprising:

- investments in Lead & Grow initiatives, an increase in depreciation and amortisation from prior year investments and growth in performance fee expenses partially offset by
- ongoing cost discipline.

Total expenses in 1H17 were $2.9 million or 2% lower than 2H16, comprising:

- cost discipline, seasonal impacts associated with variable remuneration and lower performance fee expenses partially offset by
- continued investments in Lead & Grow initiatives and an increase in depreciation and amortisation from prior year investments.

1.2.3 SIGNIFICANT ITEMS

Significant items were lower in 1H17 primarily due to lower net recoveries. The gain on sale of business reported during 1H17 pertains to the previously announced sale of a business in 2014.

Significant items	PROFIT/(LOSS) AFTER TAX		
FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M
Significant items:			
1. Net recoveries[1]	-	2.9	0.7
2. Gain on sale of business	0.4	-	0.2
Total significant items	0.4	2.9	0.9

1. Relates to the Trust Company Limited (TrustCo).

1.3 SHAREHOLDER RETURNS AND DIVIDENDS

Shareholder returns

FOR THE PERIOD		1H17	2H16	1H16	1H17 v 2H16	1H17 v 1H16
Diluted earnings per share (EPS) on UPAT[1]	cents	140.7	139.2	137.3	1%	2%
Diluted EPS on NPAT	cents	141.5	145.6	139.1	(3%)	2%
Annualised return on average equity (ROE) on UPAT[2]	%	21.5	21.6	21.6	-	-
Annualised ROE on NPAT[2]	%	21.6	22.6	21.8	(1)	-

Dividends

FOR THE PERIOD		1H17	2H16	1H16	1H17 v 2H16	1H17 v 1H16
Fully franked dividends paid/payable	$M	60.5	60.5	58.2	-	4%
Fully franked dividends per ordinary share	cents	130.0	130.0	125.0	-	4%
Dividend payout ratio[3]	%	91.9	89.3	89.9	3	2
Dividends paid/payable as a proportion of NPAT[4]	%	91.7	89.5	90.4	2	1

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

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

A fully franked interim dividend for FY17 of 130 cents per share will be payable on 24 March 2017, which represents a dividend payout of 91.7% of 1H17 NPAT.

The Dividend Reinvestment Plan (DRP) will be operational for the interim dividend. No discount will apply and the DRP will be met by existing shares acquired on market. The ten-day volume weighted average price (VWAP) pricing period for the final dividend commences on 6 March 2017 and ends on 17 March 2017. A broker will be appointed to acquire existing shares to satisfy the DRP.

The Group's franking credit balance at the end of 1H17, prior to the payment of the FY17 interim dividend, was $43.3 million. This will enable $101 million of cash dividends or around 217 cents per share to be fully franked. After payment of the interim dividend for 1H17, the franking balance is capable of fully franking a further $40.5 million of cash dividends, or around 87 cents per share.

As at 31 December 2016, Perpetual Limited, the Group's parent entity, had retained earnings of $153.5 million (equivalent to around 330 cents per share).

1.4 SEGMENT RESULTS SUMMARY

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

The key segment results for 1H17 are summarised in the table below.

Segment results summary	OPERATING REVENUE			EBITDA[1]			PROFIT BEFORE/ AFTER TAX		
FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 $M	2H16 $M	1H16 $M	1H17 $M	2H16 $M	1H16 $M
Perpetual Investments	113.8	117.9	110.0	63.0	63.9	61.0	58.8	60.9	57.2
Perpetual Private	86.6	85.3	82.3	25.5	23.3	23.8	18.7	17.0	17.2
Perpetual Corporate Trust	44.5	44.9	42.4	20.5	20.9	19.7	16.8	17.5	16.6
Group Support Services	7.5	5.4	6.0	(0.3)	(2.9)	(1.3)	(2.6)	(5.4)	(3.1)
Totals before tax and significant items	252.4	253.5	240.7	108.6	105.2	103.2	91.7	90.0	87.9
Income tax expense							(26.1)	(25.3)	(24.4)
UPAT before significant items							65.7	64.7	63.5
Significant items after tax:									
1. Net recoveries[2]							-	2.9	0.7
2. Gain on sale of business							0.4	-	0.2
Statutory NPAT attributable to equity holders of Perpetual Limited							66.0	67.6	64.4

1. EBITDA represents earnings before interest costs, taxation, depreciation, amortisation of intangible assets, equity remuneration expense, and significant items.

2. Relates to TrustCo.

Perpetual Investments reported profit before tax in 1H17 of $58.8 million, $1.6 million or 3% higher than 1H16 due to higher average FUM as a result of higher equity markets, and $2.1 million or 3% lower than 2H16 as a result of lower performance fees earned partially offset by higher average FUM as a result of higher equity markets and lower expenses.

Perpetual Private reported profit before tax in 1H17 of $18.7 million, $1.5M or 9% higher than 1H16, and $1.7 million or 10% higher than 2H16. This increase on 1H16 was due to higher market related revenue as a result of higher equity markets and higher non-market related revenues, partially offset by continued investments in Lead & Grow initiatives.

Perpetual Corporate Trust reported profit before tax in 1H17 of $16.8 million, $0.2 million or 1% higher than 1H16, and $0.7 million or 4% lower than 2H16. This increase on 1H16 reflected growth in the underlying Debt Capital Markets and Managed Funds Services businesses.

1.5 GROUP FINANCIAL POSITION

1.5.1 SUMMARY CONSOLIDATED BALANCE SHEET

AT END OF	1H17[1] $M	2H16[1] $M	1H16[1] $M
Assets			
Cash and cash equivalents	256.5	278.2	240.2
Liquid investments	76.1	75.5	76.0
Goodwill and other intangibles	307.5	310.6	314.5
Software	27.0	28.7	28.6
Other assets	172.7	160.3	151.4
Total assets	839.8	853.3	810.7
Liabilities			
Corporate loan facility	87.0	87.0	87.0
Other liabilities	134.5	160.8	128.3
Total liabilities	221.5	247.8	215.3
Net assets	618.3	605.5	595.4
Shareholder funds			
Contributed equity	501.2	493.5	493.2
Reserves	15.9	17.2	17.2
Retained earnings	101.2	94.8	85.0
Total equity	618.3	605.5	595.4

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

1.5.2 BALANCE SHEET ANALYSIS

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

Cash

Cash and cash equivalents decreased from $278.2 million at the end of 2H16 to $256.5 million at the end of 1H17, a decrease of $21.7 million or 8%.

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

Liquid investments

Liquid investments increased to $76.1 million at the end of 1H17 from $75.5 million at the end of 2H16. This increase was predominantly driven by an increase in the market value of seed fund investments.

Goodwill and other intangibles

Goodwill and other intangibles decreased by $3.1 million to $307.5 million at the end of 1H17.

Other assets and liabilities

'Other assets' increased to $172.7 million from $160.3 million at the end of 2H16 and 'Other liabilities' decreased to $134.5 million from $160.8 million at the end of 2H16. The increase in other assets of $12.4 million is primarily attributable to an increase in receivables and prepayments of $9.2 million and $7.2 million respectively, offset by a decrease in deferred tax assets of $5.1 million. The decrease in other liabilities of $26.3 million is predominantly attributable to a decrease in current tax liabilities and employee benefits of $15.1 million and $18.0 million respectively offset by an increase in payables of $7.9 million.

Loans

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

Contributed equity

Contributed Equity has increased by $7.7 million since 2H16. This increase is primarily attributable to the vesting of shares under employee share plans.

Reserves

Total reserves have decreased by $1.3 million to $15.9 million in 1H17 due primarily to a decrease in the Equity Compensation Reserve. The decrease in the Equity Compensation Reserve has resulted from an $8.6 million movement on employee shares, mainly due to the vesting of shares, offset by the 1H17 equity remuneration expense.

1.6 CAPITAL MANAGEMENT

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

i) Maximising returns to shareholders
ii) Enabling strategy
iii) Ensuring compliance with the Group's risk appetite statement and regulatory requirements
iv) Withstanding shocks to the market.

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

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

At the end of 1H17, total base capital requirements were $179 million compared to $319 million of available liquid funds.

During 1H17, the Group has continued to focus on a number of initiatives to strengthen its balance sheet, including:

- continuing to improve the overall credit quality of the Group's risk assets
- maintaining committed debt facilities of $130 million, drawn to $87 million as at 31 December 2016 and
- focusing on ensuring strong discretionary expense discipline across each business unit and support group.

1.6.1 CASH FLOW

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M
Net cash from operating activities	42.3	108.3	41.5
Net cash used in investing activities	(3.5)	(12.0)	(32.5)
Net cash used in financing activities	(60.5)	(58.2)	(58.2)
Net (decrease)/increase in cash and cash equivalents	(21.7)	38.1	(49.2)

In 1H17, cash and cash equivalents decreased by $21.7 million compared to a decrease of $49.2 million in 1H16. This represented a net increase in cash flow of $27.5 million, principally due to:

- net cash provided by operating activities increased by $0.8 million on 1H16
- net cash used in investing activities decreased by $29.0 million on 1H16 primarily due to a decrease in net payments for investments of $26.4 million
- net cash used in financing activities increased by $2.3 million on 1H16 due to an increase in dividend payments.

1.6.2 DEBT

AT END OF		1H17	2H16	1H16
Corporate debt	$M	87.0	87.0	87.0
Corporate debt to capital ratio (corporate debt/(corporate debt + equity))	%	12.3	12.6	12.7
Interest coverage calculation for continuing operations (EBIT/interest expense)	times	61x	69x	64x
Net tangible assets per share	$	5.95	5.50	5.39

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

Debt level: At the end of 1H17 Perpetual's gross corporate debt was $87 million. The Group's gearing ratio at the end of 1H17 was 12.3%, compared to 12.6% at the end of 2H16. The gearing ratio remains well within Perpetual's stated risk appetite limit of 30%.

Lenders and debt maturity: Perpetual's corporate debt is currently sourced solely from a long term banking relationship with National Australia Bank. At the end of 1H17, the Group had a committed bank corporate debt facility of $130 million and $87 million was drawn. The facility has greater than 12 months to its expiry date of 31 October 2018.

Covenants: Financial covenants related to the debt facility include minimum shareholders' funds, leverage, interest cover, capital adequacy ratios and limits on operational debt. At the end of 1H17, the Group was in compliance with all its debt covenants.

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

1.7 REGULATORY ENVIRONMENT

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

Regulation	Overview	Impact/Management
The Common Reporting Standard (CRS)	The CRS is a new global tax reporting regime that requires financial institutions to identify and report foreign resident account holder information to tax authorities (the ATO in Australia). Australian legislation introducing the CRS has been passed and CRS becomes effective on 1 July 2017.	The Group has commenced a project to implement the CRS and will be compliant by the required date.
ASIC Policy	ASIC continues to influence the regulatory landscape through reissuing a number of class orders set to expire, updates to various ASIC Regulatory Guides and the release of new regulatory instruments.	ASIC has provided more certainty with the release of instruments clarifying the PDS fee and cost disclosure requirements and transitional arrangements. The Group has commenced its implementation response and will be compliant by the required date.
Superannuation reforms	Most changes identified in the budget will take effect 1 July 2017.	The passage of the key* super bills late in 2016 formally heralded a new wave of superannuation legislative change. These changes are being considered when advising clients in relation to their post 1 July super strategies. * The remaining Bill outstanding is the Superannuation (Objective) Bill 2016, which enshrines the objective of superannuation.

1.8 BUSINESS RISKS

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

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

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

Risk Category	Risk Description/Impact	Risk Mitigants
Investment	The risk of loss resulting from ineffective investment strategies, management or structures resulting in sustained underperformance relative to peers and benchmarks	• Well defined and disciplined investment processes and philosophy for selection. • Established investment governance structure in place • Independent mandate monitoring and reporting
People	Exposure to changes in personnel, particularly in key investment management roles	• Succession planning, talent identification programs, reporting to the People and Remuneration Committee • Remuneration benchmarking and alignment of remuneration with long-term investment performance • Employee Engagement monitoring
	Exposure of staff, customers and suppliers to work health and safety (WH&S) issues with potential detrimental impact	• Well defined WH&S policies, procedures and training • WH&S Committee • Incident and Injury management processes
Strategic	Adverse strategic decisions, ineffective implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect Perpetual's market position	• Considered strategic and business planning processes • Strategic measures cascaded through performance management • Application of Risk Appetite Statement in strategic decision-making
Financial	Risk of inappropriate use of funds, financial performance not managed to expectations or financial results inappropriately accounted for or disclosed	• Budget planning process • Reconciliation and review processes • Regular income and expense reviews • Internal and external auditors
	The loss of the organisation's reputational capital, arising from adverse events that impact the way Perpetual is perceived in the market. Losses could include destruction of shareholder value, loss of clients and revenue or increased operating, capital or regulatory costs	• Application of risk appetite statement • Effective Risk Management Framework that sets out how risk is managed • Effective issues management processes to respond to events that may arise
	Exposure to, or reliance on, revenue streams linked to equity markets resulting in potentially volatile returns	• Diversification of revenue sources • Disciplined and active management of the cost base
	Impact upon the profitability and reputation of Perpetual in the event of the loss of key institutional clients	• Constant focus on servicing clients to the highest standards and acting in clients' best interests • Strong investment governance processes which support transparent and timely reporting to clients
Compliance, Legal & Conduct	The risk that Perpetual breaches its compliance and legal obligations, leading to reputation damage, litigation, fines, breach of contract or regulatory intervention and sanctions	• Independent Legal and Compliance team, and training across teams • Compliance obligations are documented and monitored • Independent issues assessment
	Manifestation of behaviours and practices (conduct) that are considered unacceptable, including actions that compromise the best interests of Perpetual's clients and the integrity of the market place	• Clearly defined expected behaviours of all individuals that form part of the performance assessment process • Implementation of the Three Lines of Defence risk practices • Whistleblowing arrangements managed by an independent vendor • Enterprise people, risk and compliance training arrangements
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	• Clearly defined policies, procedures, roles and responsibilities • Controls testing in the form of control self-assessment • Independent assurance
	Risk of loss (both data and financial) resulting from failure of Perpetual's IT systems or unauthorised access to these systems arising from cyber risk	• IT General Controls including access controls, change management, incident management and availability management • IT Disaster Recovery Planning • Information Security Program and IT Security policies • Implementation of operational security technology (including firewalls and antivirus) • Security (penetration) testing of key systems
Outsourcing	The risk that services performed by external service providers are not managed in line with the servicing contract or the operational standards required, resulting in potential negative impacts to shareholders and/or customers	• Partnered with well-regarded and proven strategic partners • Outsourced relationships are managed at a senior level • Outsourcing and vendor management framework, with legal contracts • Service level standards monitored

1.9 OUTLOOK

The Group is focused on executing its Lead & Grow strategy.

The long-term outlook for the Group is bolstered by the growing need for savings, advice and income in retirement. At the same time, environmental factors, such as regulatory and political uncertainty, and market volatility can pose near-term challenges facing not just Perpetual but also the broader financial services industry. Given the sensitivity of Perpetual's revenue and profitability to movements in Australian equity markets, net flows, and investment performance, near-term results are subject to significant variability, particularly during periods of high market volatility.

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

1.10 EVENTS SUBSEQUENT TO BALANCE DATE

At the time of publication of this report, the Directors were not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

SECTION 2
REVIEW OF BUSINESSES

2 REVIEW OF BUSINESSES

The results and drivers of financial performance in 1H17 for the three Perpetual business units are described in the following sections. A description of revenues and expenses at the Group Support Services level is also provided.

2.1 PERPETUAL INVESTMENTS

2.1.1 BUSINESS OVERVIEW

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

2.1.2 FINANCIAL PERFORMANCE

Perpetual Investments financial results

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Revenue	113.8	117.9	110.0	(3%)	3%
Operating expenses	(50.9)	(54.0)	(49.0)	6%	(4%)
EBITDA	63.0	63.9	61.0	(1%)	3%
Depreciation and amortisation	(1.3)	(1.1)	(0.9)	(18%)	(44%)
Equity remuneration expense	(2.8)	(1.9)	(2.9)	(47%)	3%
Profit before tax	58.8	60.9	57.2	(3%)	3%
Average FUM revenue margin (revenues/average FUM)	74bps	78bps	73bps	(4)bps	1bps
Average FUM	$30.7B	$29.9B	$30.1B	3%	2%

In 1H17, Perpetual Investments reported profit before tax of $58.8 million, $1.6 million or 3% higher than 1H16, and $2.1 million or 3% lower than 2H16. The result compared to 1H16 was driven by higher average FUM and higher performance fees earned, partially offset by higher expenses. The cost to income ratio in 1H17 was 48%, flat compared to both 1H16 and 2H16.

2.1.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Investments generated revenue of $113.8 million in 1H17, $3.8 million or 3% higher than 1H16, and $4.1 million or 3% lower than 2H16. The key factors that impacted revenue in 1H17 included:

- higher average FUM as a result of higher average All Ords which increased by 4% compared to 1H16 and 6% compared to 2H16, partially offset by prior period distributions (30 June 2016) and
- higher equities performance fees earned in 1H17 compared to 1H16.

Average FUM revenue margins in 1H17 were 74 basis points (bps), 1 bps higher than in 1H16 and 4 bps lower than 2H16. Movements in average margins are mainly brought about by changes in the mix of FUM between lower margin institutional and higher margin retail investors, as well as changes in the mix of asset classes such as cash (generally lower margin) and equities (generally higher margin) and the contribution of performance fees earned. Excluding higher performance fees in 2H16, underlying average margins were relatively stable.

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

Revenue by asset class

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
By asset class:					
> Equities	97.6	99.2	93.1	(2%)	5%
> Cash and fixed income	12.0	14.3	12.2	(16%)	(2%)
> Other FUM related	3.9	4.0	4.2	(3%)	(7%)
> Other non-FUM related	0.3	0.4	0.5	(25%)	(40%)
Revenues	113.8	117.9	110.0	(3%)	3%

Performance fees

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
By asset class:					
> Equities	2.7	8.2	1.5	(67%)	80%
> Cash and fixed income	1.2	3.5	1.0	(66%)	20%
Total performance fees	3.9	11.7	2.5	(67%)	56%

Revenue margin

FOR THE PERIOD	1H17 bps	2H16 bps	1H16 bps	1H17 v 2H16	1H17 v 1H16
By asset class:					
> Equities	82	85	81	(3)	1
> Cash and fixed income	41	48	40	(7)	1
> Other FUM related	78	78	83	-	(5)
Average revenue margin	74	78	73	(4)	1

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

Equities: Revenues represent fees earned on Australian and global equities products. Revenue in 1H17 was $97.6 million, an increase of 5% on 1H16 and a decrease of 2% on 2H16. Revenue was positively impacted by higher average FUM, from higher market levels, partially offset by prior year distributions. The average margin in 1H17 was 82 bps, 1 bps higher than 1H16 and 3 bps lower than 2H16. These differences were due to channel mix and higher performance fees earned in 2H16.

Cash and fixed income: Revenues are derived from cash and fixed income products. Revenue in 1H17 was $12.0 million, a decrease of 2% on 1H16 and a decrease of 16% on 2H16. The decrease in revenue margin compared to 2H16 was primarily due to one-off revenue in 2H16 of $2.5 million from the closure of an internal fund to improve efficiency (which positively impacted 2H16 margin by 8 bps), and product mix.

Other FUM related: Revenue includes management fees for sub-advisory mandates and external funds on the WealthFocus platform. Revenue in 1H17 was $3.9 million, a decrease of 7% on 1H16 and a decrease of 3% on 2H16, impacted by the re-allocation of a smart beta mandate, as previously announced.

Other non-FUM related: Revenue includes the interest earned on operational bank accounts across the business. The revenue decrease in 1H17 was mainly due a lower interest rate environment.

Expenses

In 1H17 total expenses for Perpetual Investments, comprising operating expenses, depreciation, amortisation and equity remuneration, of $55.0 million, an increase of $2.2 million or 4% on 1H16 and a decrease of $2.0 million or 4% on 2H16. The increase in expenses on 1H16 was due to higher variable remuneration and higher equity performance fee expenses in the period.

2.1.4 FUNDS UNDER MANAGEMENT

FUM and flows

FUM summary

AT END OF	1H17 $B	Net flows $B	Other[1] $B	2H16 $B	1H16 $B
Institutional	11.0	0.3	1.1	9.6	9.9
Intermediary (master fund and wrap)	15.2	(0.1)	1.0	14.3	15.1
Retail	5.4	(0.2)	0.4	5.2	5.6
Listed Investment Company	0.3	-	.	0.3	0.3
All distribution channels	31.9	-	2.5	29.4	30.9
Australian equities	23.4	(0.1)	2.3	21.2	22.2
Global equities	1.1	(0.3)	0.1	1.3	1.3
Listed Investment Company	0.3	-	-	0.3	0.3
Equities	24.8	(0.4)	2.4	22.8	23.8
Cash and fixed income	6.1	0.4	0.1	5.6	6.1
Other	1.0	-	-	1.0	1.0
All asset classes	31.9	-	2.5	29.4	30.9

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

Net flows

FOR THE PERIOD	1H17 $B	2H16 $B	1H16 $B
Institutional	0.3	(0.1)	(0.2)
Intermediary (master fund and wrap)	(0.1)	(0.1)	0.3
Retail	(0.2)	(0.2)	-
Listed Investment Company	-	-	-
All distribution channels	-	(0.4)	0.1
Australian equities	(0.1)	0.2	0.2
Global equities	(0.3)	-	-
Listed Investment Company	-	-	-
Equities	(0.4)	0.2	0.2
Cash and fixed income	0.4	(0.5)	(0.1)
Other	-	(0.1)	-
All asset classes	-	(0.4)	0.1

Perpetual's FUM as at 31 December 2016 was $31.9 billion, with flat net flows for the half year. Points of note in relation to the FUM and flows data for 1H17:

- inflows were mainly from the institutional channel, within cash and fixed income and
- outflows in Global Equities was the reallocation of a smart beta mandate within the multi asset strategies by an institutional investor, as previously announced.

Excess/(under) investment performance per annum - gross as at end December 2016[a]

Period	Australian Share Fund	Industrial Share Fund	Smaller Companies Fund	Concentrated Equity Fund	Share Plus Fund	Ethical Share Fund	Diversified Income Fund	Perpetual Active Fixed Interest Fund	Perpetual Global Share Fund[b]
1 year	(3.3)%	(0.9)%	(3.0)%	(1.6)%	(5.9)%	(4.9)%	3.1%	1.6%	(1.8)%
3 year pa	(1.3)%	(1.1)%	3.6%	0.7%	2.5%	3.7%	2.4%	1.0%	(0.1)%
5 year pa	1.0%	(0.3)%	9.9%	2.6%	5.8%	8.1%	3.1%	1.5%	4.1%
7 year pa	2.4%	0.3%	10.2%	3.4%	6.7%	7.2%	3.3%	1.4%	-
10 year pa	2.5%	1.4%	8.4%	3.9%	5.6%	6.1%	1.2%	1.0%	-

a. Compared to relevant benchmarks. The table provides no allowance for management expenses, redemption fees or taxation.
b. Includes performance in the incubation period.

Further to the above, the majority of Perpetual Investments' main funds outperformed over the medium and long-term time horizons and were represented in the first or second quartile of performance rankings over a five, seven and ten-year period[1].

[1] Mercer wholesale surveys, quartile rankings, December 2016.

2.2 PERPETUAL PRIVATE

2.2.1 BUSINESS OVERVIEW

Perpetual Private provides financial solutions for high net worth individuals in target segments of 'business owners', 'established wealthy' and 'professionals'. It had $13.3 billion of FUA at the end of 1H17. Perpetual Private aims to be the leading provider of advice and wealth management for high net worth individuals, families, businesses and not-for-profit organisations. A key part of Perpetual Private is its philanthropic business, and Perpetual is one of Australia's largest managers of philanthropic funds, with $2.6 billion in FUA for charitable trusts and endowment funds as at the end of 1H17.

2.2.2 FINANCIAL PERFORMANCE

Perpetual Private financial results

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Market related revenue	55.7	53.9	53.9	3%	3%
Non-market related revenue	30.9	31.4	28.4	(2%)	9%
Total revenues	86.6	85.3	82.3	2%	5%
Operating expenses	(61.1)	(62.0)	(58.5)	1%	(4%)
EBITDA	25.5	23.3	23.8	9%	7%
Depreciation and amortisation	(5.0)	(4.9)	(4.7)	(2%)	(6%)
Equity remuneration expense	(1.7)	(1.4)	(1.9)	(21%)	11%
Profit before tax	18.7	17.0	17.2	10%	9%
Closing FUA	$13.3B	$12.7B	$12.8B	5%	4%
Average FUA	$13.0B	$12.7B	$12.8B	2%	2%
Market related revenue margin	85bps	85bps	85bps	-	-

In 1H17, Perpetual Private reported profit before tax of $18.7 million, $1.5 million or 9% higher than 1H16 and $1.7 million or 10% higher than 2H16. This increase compared to 1H16 was due to higher market related revenue as a result of higher equity markets and higher non-market related revenues, partially offset by continued investments in Lead & Grow initiatives. The increase compared to 2H16 was primarily driven by higher market related revenues and lower expenses, partially offset by lower non-market related revenues. Perpetual Private experienced new client growth across the high net worth segments. The cost to income ratio in 1H17 was 78% compared to 79% in 1H16 and 80% in 2H16.

2.2.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Private generated revenue of $86.6 million in 1H17, $4.3 million or 5% higher than 1H16 and $1.3M or 2% higher than 2H16. The main drivers of revenue in 1H17 compared to 1H16 were:

- higher non-market related activity, primarily Fordham (tax and accounting) and property services
- higher average FUA due to equity market increases and positive net flows and
- higher funds management activity.

Perpetual Private's market related revenue margin was 85bps in 1H17, flat compared to both 1H16 and 2H16.

Expenses

Total expenses, comprising operating expenses, depreciation, amortisation and equity remuneration, for Perpetual Private in 1H17 were $67.8 million, $2.8 million or 4% higher than in 1H16 and $0.6 million or 1% lower than 2H16.

The increase compared to 1H16 was primarily due to:

- investments in Lead & Grow initiatives and
- continued investment into Fordham.

The decrease compared to 2H16 was primarily due to:

- seasonal impacts associated with variable remuneration partially offset by
- continued investment into Fordham.

2.2.4 FUNDS UNDER ADVICE

Funds under advice

AT END OF	1H17 $B	Net flows $B	Other[1] $B	2H16 $B	1H16 $B
Total FUA	13.3	0.1	0.5	12.7	12.8

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

Perpetual Private's FUA at the end of 1H17 was $13.3 billion, $0.5 billion higher than 1H16 and $0.6 billion higher than 2H16, primarily due to higher equity markets and positive net flows.

2.3 PERPETUAL CORPORATE TRUST

2.3.1 BUSINESS OVERVIEW

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

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

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

Note: In 1H17 there has been a minor change in the disclosure of business segmentation within Perpetual Corporate Trust to better reflect the client segments being serviced and management structure. Please refer to Section 3.3, Appendix C for prior period adjustments to reflect this change.

2.3.2 FINANCIAL PERFORMANCE

Perpetual Corporate Trust financial results

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Debt Markets Services	25.5	26.0	24.9	(2%)	2%
Managed Funds Services	19.1	18.8	17.6	2%	9%
Total revenues	44.5	44.9	42.4	(1%)	5%
Operating expenses	(24.1)	(24.0)	(22.7)	-	(6%)
EBITDA	20.5	20.9	19.7	(2%)	4%
Depreciation and amortisation	(3.0)	(2.8)	(2.3)	(7%)	(30%)
Equity remuneration expense	(0.6)	(0.6)	(0.8)	-	25%
Profit before tax	16.8	17.5	16.6	(4%)	1%
Funds under administration					
- Debt Markets Services securitisation	$430.5B	$427.5B	$413.6B	1%	4%
- Managed Funds Services and other	$213.6B	$193.0B	$186.5B	11%	15%

In 1H17, Perpetual Corporate Trust reported profit before tax of $16.8 million, $0.2 million or 1% higher than 1H16, and $0.7 million or 4% lower than 2H16. This increase on 1H16 reflected strong underlying revenue growth in both the Debt Markets Services and Managed Funds Services businesses, partially offset by continued investments in Lead & Grow initiatives. The decrease on 2H16 was due to lower revenue in Debt Markets Services and combined with higher depreciation and amortisation expenses. The cost to income ratio in 1H17 was 62%, 1% higher than both 1H16 and 2H16.

2.3.3 DRIVERS OF PERFORMANCE

Revenue

Perpetual Corporate Trust generated total revenues of $44.5 million in 1H17, $2.1 million or 5% higher than 1H16 and $0.4M or 1% lower than 2H16. The main drivers of the improvement compared to 1H16 were:

- sustained growth in the securitisation market in Australia and extension products (for example, document custody, trust management, data services)

- continued market activity within property and infrastructure investments particularly from inbound capital flows.

In 1H17, Debt Markets Services revenue was $25.5 million, $0.6 million or 2% higher than 1H16 and $0.5 million or 2% lower than 2H16. The primary driver for the increase on 1H16 was the full period benefit of the growth in the auto finance and consumer finance asset-backed securities asset class late in 1H16 and syndicated debt market growth.

In 1H17, Managed Fund Services revenue was $19.1 million, $1.5 million or 9% higher than 1H16 and $0.3 million or 2% higher than 2H16. The increase compared to 1H16 was primarily due to sustained inbound capital flows into Australian property and infrastructure investments.

Expenses

Perpetual Corporate Trust incurred total expenses of $27.7 million in 1H17, comprising operating expenses, depreciation, amortisation and equity remuneration expenses. Total expenses were $1.9 million or 7% higher than 1H16, and $0.3 million or 1% higher than 2H16. The primary drivers of the increase in expenses on 1H16 were the continued investment in Lead & Grow initiatives and projects expanding data services capability.

2.3.4 FUNDS UNDER ADMINISTRATION

Funds under administration

AT END OF	1H17 $B	2H16 $B	1H16 $B
Market Securitisation			
RMBS - bank	48.9	49.9	50.7
RMBS - non bank	49.5	48.7	49.2
CMBS and ABS	43.0	44.9	42.0
Balance Sheet Securitisation			
RMBS - repos	212.1	212.0	203.7
Covered bonds	77.0	72.0	68.0
Total FUA – Debt Markets Services securitisation [1]	430.5	427.5	413.6
Managed Fund Services and other	213.6	193.0	186.5
Total FUA	644.1	620.5	600.1

1. Includes warehouse and liquidity finance facilities.

At the end of 1H17, Debt Markets Services - Securitisation FUA was $430.5 billion, an increase of $16.9 billion or 4% on 1H16 and $3.0 billion or 1% on 2H16.

- Market Securitisation FUA remained relatively flat during 1H17 due to subdued primary-market activity reflecting volatile market conditions, including widening of credit spreads in the early part of 2016, and use of alternative funding options by regulated banks.
- RMBS runoff rates have been largely consistent to 1H16 and 2H16 levels.

At the end of 1H17, Managed Fund Services and other Debt Markets Services FUA was $213.6 billion, an increase of $27.1 billion or 15% on 1H16 and an increase of $20.6 billion or 11% on 2H16, driven by growth in the Managed Funds Services business.

2.4 GROUP SUPPORT SERVICES

2.4.1 OVERVIEW

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

2.4.2 FINANCIAL PERFORMANCE

Group Support Services financial results

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Revenue	7.5	5.4	6.0	39%	25%
Operating expenses	(7.8)	(8.3)	(7.3)	6%	(7%)
EBITDA	(0.3)	(2.9)	(1.3)	90%	77%
Depreciation and amortisation	(0.2)	(0.1)	(0.1)	(100%)	(100%)
Equity remuneration expense	(0.6)	(1.0)	(0.3)	40%	(100%)
Interest expense	(1.5)	(1.4)	(1.4)	(7%)	(7%)
Profit before tax	(2.6)	(5.4)	(3.1)	52%	16%

In 1H17, revenue from the Group's cash and principal investments was $7.5 million, $1.5 million or 25% higher than 1H16 and $2.1 million or 39% higher than 2H16 due to gains from disposals of Perpetual's seed fund investments and higher investment income.

In 1H17, Group Support Services expenses were $10.1 million, $1.0 million or 11% higher than 1H16 primarily due to higher variable remuneration and $0.7 million or 6% lower than 2H16 primarily due to seasonal impacts associated with variable remuneration.

SECTION 3
APPENDICES

3 APPENDICES

3.1 APPENDIX A: SEGMENT RESULTS

PERIOD ENDING	1H17					2H16					1H16				
	Perpetual Investments $M	Perpetual Private $M	Perpetual Corporate Trust $M	Group Support Services $M	Total $M	Perpetual Investments $M	Perpetual Private $M	Perpetual Corporate Trust $M	Group Support Services $M	Total $M	Perpetual Investments $M	Perpetual Private $M	Perpetual Corporate Trust $M	Group Support Services $M	Total $M
Operating revenue	113.8	86.6	44.5	7.5	252.4	117.9	85.3	44.9	5.4	253.5	110.0	82.3	42.4	6.0	240.7
Operating expenses	(50.9)	(61.1)	(24.1)	(7.8)	(143.8)	(54.0)	(62.0)	(24.0)	(8.3)	(148.3)	(49.0)	(58.5)	(22.7)	(7.3)	(137.5)
EBITDA	63.0	25.5	20.5	(0.3)	108.6	63.9	23.3	20.9	(2.9)	105.2	61.0	23.8	19.7	(1.3)	103.2
Depreciation and amortisation	(1.3)	(5.0)	(3.0)	(0.2)	(9.6)	(1.1)	(4.9)	(2.8)	(0.1)	(8.9)	(0.9)	(4.7)	(2.3)	(0.1)	(8.0)
Equity remuneration	(2.8)	(1.7)	(0.6)	(0.6)	(5.7)	(1.9)	(1.4)	(0.6)	(1.0)	(4.9)	(2.9)	(1.9)	(0.8)	(0.3)	(5.9)
EBIT	58.8	18.7	16.8	(1.1)	93.3	60.9	17.0	17.5	(4.0)	91.4	57.2	17.2	16.6	(1.7)	(89.3)
Interest expense	-	-	-	(1.5)	(1.5)	-	-	-	(1.4)	(1.4)	-	-	-	(1.4)	(1.4)
UPBT	58.8	18.7	16.8	(2.6)	91.7	60.9	17.0	17.5	(5.4)	90.0	57.2	17.2	16.6	(3.1)	87.9

3.2 APPENDIX B: BRIDGE FOR 1H17 STATUTORY ACCOUNTS AND OFR

	1H17 Statutory Accounts $'000	OFR UPAT adjustments $'000	1H17 OFR $'000	EMCF $'000	Gain on sale of businesses $'000	Total adjustments $'000
Revenue	255,472	(3,066)	252,406	(2,695)	(371)	(3,066)
Staff related expenses excluding equity remuneration expense	(89,563)		(89,563)			
Occupancy expenses	(9,072)		(9,072)			
Administrative and general expenses	(45,157)		(45,157)			
Distributions and expenses relating to structured products	(2,695)	2,695	-	2,695		2,695
Equity remuneration expense	(5,743)		(5,743)			
Depreciation and amortisation expense	(9,605)		(9,605)			
Financing costs	(1,547)		(1,547)			
Net profit before tax	92,090	(371)	91,719	-	(371)	(371)
Income tax expense	(26,055)		(26,055)			
Net profit after tax	66,035	(371)	65,664	-	(371)	(371)
Net profit after tax consolidated entity	66,035	(371)	65,664	-	(371)	(371)
Net profit after tax attributable to equity holders of Perpetual Limited	66,035	(371)	65,664	-	(371)	(371)
Gain on sale of businesses			371			
Net profit after tax attributable to equity holders			66,035			

3.3 APPENDIX C: PCT SEGMENT RECLASSIFICATION

As previously mentioned, during the half there has been a minor change in the business segmentation within Perpetual Corporate Trust to better reflect the client segments being serviced and management structure. The table below illustrates the movements.

PCT - pre segmentation change

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Trust Services	24.1	24.6	23.7	(2%)	2%
Fund Services	20.5	20.3	18.7	1%	9%
Total revenues	44.5	44.9	42.4	(1%)	5%

Adjustments

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Net reclassification from Fund Services to Debt Markets Services	1.4	1.4	1.2	-	17%

PCT - post segmentation change

FOR THE PERIOD	1H17 $M	2H16 $M	1H16 $M	1H17 v 2H16	1H17 v 1H16
Debt Markets Services	25.5	26.0	24.9	(2%)	3%
Managed Funds Services	19.1	18.8	17.6	1%	9%
Total revenues	44.5	44.9	42.4	(1%)	5%

3.4 APPENDIX D: AVERAGE FUNDS UNDER MANAGEMENT

Average FUM by asset class

FOR THE PERIOD	1H17 $B	2H16 $B	1H16 $B	1H17 v 2H16	1H17 v 1H16
Australian equities	22.5	21.5	21.3	5%	6%
Global equities	1.1	1.3	1.4	(15%)	(21%)
Listed Investment Company	0.3	0.3	0.3	-	-
Total equities	23.9	23.1	23.0	3%	4%
Cash and fixed income	5.8	5.8	6.1	-	(5%)
Other	1.0	1.0	1.0	-	-
Total average FUM	30.7	29.9	30.1	3%	2%

3.5 APPENDIX E: FULL TIME EQUIVALENT EMPLOYEES (FTE)

Total FTE employees

AT END OF	1H17	2H16	1H16
Perpetual Investments	155	171	170
Perpetual Private	387	378	377
Perpetual Corporate Trust	168	158	162
Group Support Services	158	176	157
Total operations	868	883	866
Permanent	856	849	845
Contractors	12	34	21
Total operations	868	883	866

3.6 APPENDIX F: DIVIDEND HISTORY

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

Year	Dividend	Date paid	Dividend per share	Franking rate	Company tax rate	DRP price
FY17	Interim	24 Mar 2017	130 cents	100%	30%	Not determined at time of publication
FY16	Final	28 Sep 2016	130 cents	100%	30%	$45.93
FY16	Interim	24 Mar 2016	125 cents	100%	30%	$42.93
FY15	Final	25 Sep 2015	125 cents	100%	30%	$40.61
FY15	Interim	27 Mar 2015	115 cents	100%	30%	$54.20
FY14	Final	3 Oct 2014	95 cents	100%	30%	$45.54
FY14	Interim	4 Apr 2014	80 cents	100%	30%	$50.32
FY13	Final	4 Oct 2013	80 cents	100%	30%	$38.66
FY13	Interim	5 Apr 2013	50 cents	100%	30%	$40.71
FY12	Final	5 Oct 2012	40 cents	100%	30%	$27.00
FY12	Interim	29 Mar 2012	50 cents	100%	30%	$24.34
FY11	Final	27 Sep 2011	90 cents	100%	30%	$22.40
FY11	Interim	30 Mar 2011	95 cents	100%	30%	$28.44
FY10	Final	28 Sep 2010	105 cents	100%	30%	$29.60
FY10	Interim	1 Apr 2010	105 cents	100%	30%	$35.21
FY09	Final	30 Sep 2009	60 cents	100%	30%	$37.78
FY09	Interim	13 Mar 2009	40 cents	100%	30%	N/A
FY08	Final	12 Sep 2008	141 cents	100%	30%	N/A
FY08	Interim	14 Mar 2008	189 cents	100%	30%	N/A
FY07	Final	14 Sep 2007	187 cents	100%	30%	N/A
FY07	Interim	16 Mar 2007	173 cents	100%	30%	N/A
FY06	Special	12 Sep 2006	100 cents	100%	30%	N/A
FY06	Final	12 Sep 2006	164 cents	100%	30%	N/A
FY06	Interim	17 Mar 2006	162 cents	100%	30%	N/A
FY05	Special	12 Sep 2005	100 cents	100%	30%	N/A
FY05	Final	12 Sep 2005	130 cents	100%	30%	N/A
FY05	Interim	18 Mar 2005	130 cents	100%	30%	N/A
FY04	Special	17 Sep 2004	200 cents	100%	30%	N/A
FY04	Final	17 Sep 2004	80 cents	100%	30%	N/A
FY04	Special	23 Jun 2004	50 cents	100%	30%	N/A
FY04	Interim	19 Mar 2004	70 cents	100%	30%	N/A
FY03	Final	3 Sep 2003	70 cents	100%	30%	N/A
FY03	Special	25 Jun 2003	50 cents	100%	30%	N/A
FY03	Interim	21 Mar 2003	60 cents	100%	30%	N/A

3.7 GLOSSARY

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

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

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