

2004 May Letter to Shareholders
Charles Curran AO, Chairman



Dear Shareholder,

In accordance with our normal practice as we near the end of the financial year, we take this opportunity to report on the progress and outlook for the Perpetual group.

Operational Update

In February, Perpetual announced a record half year net profit of \$41.4 million (before realised gains on sale of investments), a result which demonstrated the underlying strength and improved profitability of each of our operating divisions. Conditions have remained favourable since this time, with an improving outlook for global economic growth and a strong Australian economy.

Since 31 December 2003, **Perpetual Investments'** funds under management increased by \$1.2 billion to \$20.6 billion at 30 April 2004. Inflows into our Australian equities funds remain strong due to our excellent investment performance and ongoing client support, whilst flows into our mortgage and international equities funds have eased, despite strong results for these asset classes. Our multi-manager retail platform, WealthFocus has been signed by 32 dealer groups as an approved platform since its launch in October 2003.

We are delighted that the Perpetual Investments team was recently awarded the Money Management ASSIRT Australian Equities Fund Manager of the Year 2004 and the overall Money Management ASSIRT Fund Manager of the Year 2004. This closely follows our other major recognition in February as the overall Morningstar Fund Manager of the Year 2003 and Australian Equities Manager of the Year 2003.

The Private Client business continues its good performance and solid growth with total funds under advice for this business growing steadily to in excess of \$4 billion. The combining of the Perpetual Investments and Personal Financial Services operations, client service, product development, marketing and administration functions into Perpetual's Wealth Management division has yielded excellent results. Cost efficiencies at the annual rate of \$5 million announced in January have been achieved and potential for several other value creating opportunities have been identified and will be reported progressively.

The **Corporate Trust** business has continued its consistently strong performance, with securitisation funds under administration increasing since 31 December 2003 by \$7.2 billion to \$104.5 billion at 30 April 2004. This has been driven by strong lending volumes of our clients and high demand for Australian mortgage backed securities from offshore investors.

Perpetual Trustees Australia Limited

ABN 86 000 431 827

We continue to broaden our revenue base through the development of administrative support services to our securitisation, property and mortgage fund clients. During the period we successfully completed the transition of a portfolio for Macarthur Cook, a property and mortgage fund manager, boosting our registry, accounting and custody business.

ASX Perpetual Registrars Limited, 50 percent owned by Perpetual, continues its good performance, with recent new client wins including ING Office Trust, ING Industrial Trust and WMC Resources. In early April, ASX Perpetual Registrars acquired Queensland based share registry business Pitcher Partners, reaffirming its commitment to this market. The acquisition adds an additional 100 new clients, including Suncorp Metway, to this business.

Dividend

As previously announced, in view of our positive outlook, sound financial position, and healthy franking credit balance, Perpetual will pay a special dividend of 50 cents per share fully franked on 23 June (record date 9 June), which is in addition to our normal final dividend. We have already paid an interim dividend of 70 cents per share this year, and subject to continued satisfactory performance, we anticipate announcing a final dividend for 2004 of not less than 80 cents per share in August.

Perpetual's new Chief Financial Officer, John Nesbitt, is currently reviewing our capital management strategy with the board and he will be presenting the revised strategy at our full year results announcement in August.

New Board Members

In early April, Perpetual appointed two new non-executive directors, Mr Paul McClintock and Ms Sandra McPhee, to the Board.

Mr McClintock is a director of investment banking firm McClintock Associates, a role he has held since 1985 apart from the period between July 2000 and March 2003 where he was Secretary to the Cabinet and Head of the Cabinet Policy Unit in the Australian Government. Mr McClintock is currently the Chairman of Affinity Health Limited, a non-executive director of ADI Limited and a Commissioner of the Health Insurance Commission. He is a past Chairman of Ashton Mining and a past director of Homestake Mining.

Ms McPhee has extensive business experience, through several company directorships and having held senior positions with Qantas for the past 10 years. Most recently, Ms McPhee was Group General Manager Alliances at Qantas, with responsibility for the strategic direction of the alliances of the airline. Ms McPhee currently serves as a non-executive director of Australia Post, Coles Myer and Primelife Corporation.

We welcome Mr McClintock and Ms McPhee to the Perpetual board and look forward to the valuable input their considerable experience and skills will provide to the group.

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Strategy

Over recent months Perpetual's managing director, Mr David Deverall, and his management team have undertaken a rigorous process to review the group's strategic priorities. As part of the strategic review process, the board participated with management in a two day planning session and is continuing to review the ongoing development of the strategic plan. The strategy will be presented to shareholders by Mr Deverall at the full year results announcement in August.

Results Guidance

As previously announced, our second half operating profit will exceed the first half result for 2004. We expect that operating profit after tax for the year (which excludes gains on investment sales) will record an increase of not less than 25 percent over last year's result of \$68.2 million.

This strong profit results from good revenue growth combined with strong focus on careful cost management. Revenues continue to grow from a quality range of financial services products we offer to our clients and investors. Also, we remain focused on identifying efficient new ways to provide our clients with the high standard products and services they expect from Perpetual. Subject to economic conditions and investment markets, we anticipate increased earnings in 2004-2005 from our Wealth Management and Corporate Trust businesses.

In closing, I express appreciation for the contribution being made by Mr Deverall and the Perpetual team toward another strong year of profit performance by the group.



Charles Curran AO
Chairman

19 May 2004

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**MEDIA RELEASE****Positive outlook; increased full year dividend announced**

Perpetual Trustees Australia Limited Chairman, Mr Charles Curran, said in the May letter to shareholders released today, that the board expects the group's operating profit after tax for the year (excluding gains on investment sales) will increase by not less than 25 percent over last year's result of \$68.2 million.

The board has reconfirmed its intention to pay a special dividend of 50 cents per share fully franked on 23 June, in addition to a final dividend of not less than 80 cents per share fully franked, to be paid in August.

"Since 31 December 2003, Perpetual Investments' funds under management increased by \$1.2 billion to \$20.6 billion at 30 April 2004.

"We are delighted that the Perpetual Investments team was recently awarded the Money Management ASSIRT Australian Equities Fund Manager of the Year 2004 Award and the overall Money Management ASSIRT Fund Manager of the Year 2004 Award. This closely follows our other major recognition in February as the overall Morningstar Fund Manager of the Year 2003 and Morningstar Australian Equities Fund Manager of the Year 2003," Mr Curran said.

"The combining of the Perpetual Investments and Personal Financial Services operations, client service, product development, marketing and administration functions into Perpetual's Wealth Management division has yielded excellent results. Cost efficiencies at the annual rate of \$5 million announced in January have been achieved and potential for several other value creating opportunities have been identified.

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“Our revenues continue to grow from a quality range of financial services products we offer to our clients and investors. We remain focused on identifying efficient new ways to provide our clients with the high standard products and services they expect from Perpetual.

“Subject to economic conditions and investment markets, we anticipate increased earnings in 2004-2005,” Mr Curran said.

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For further information, please contact:

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