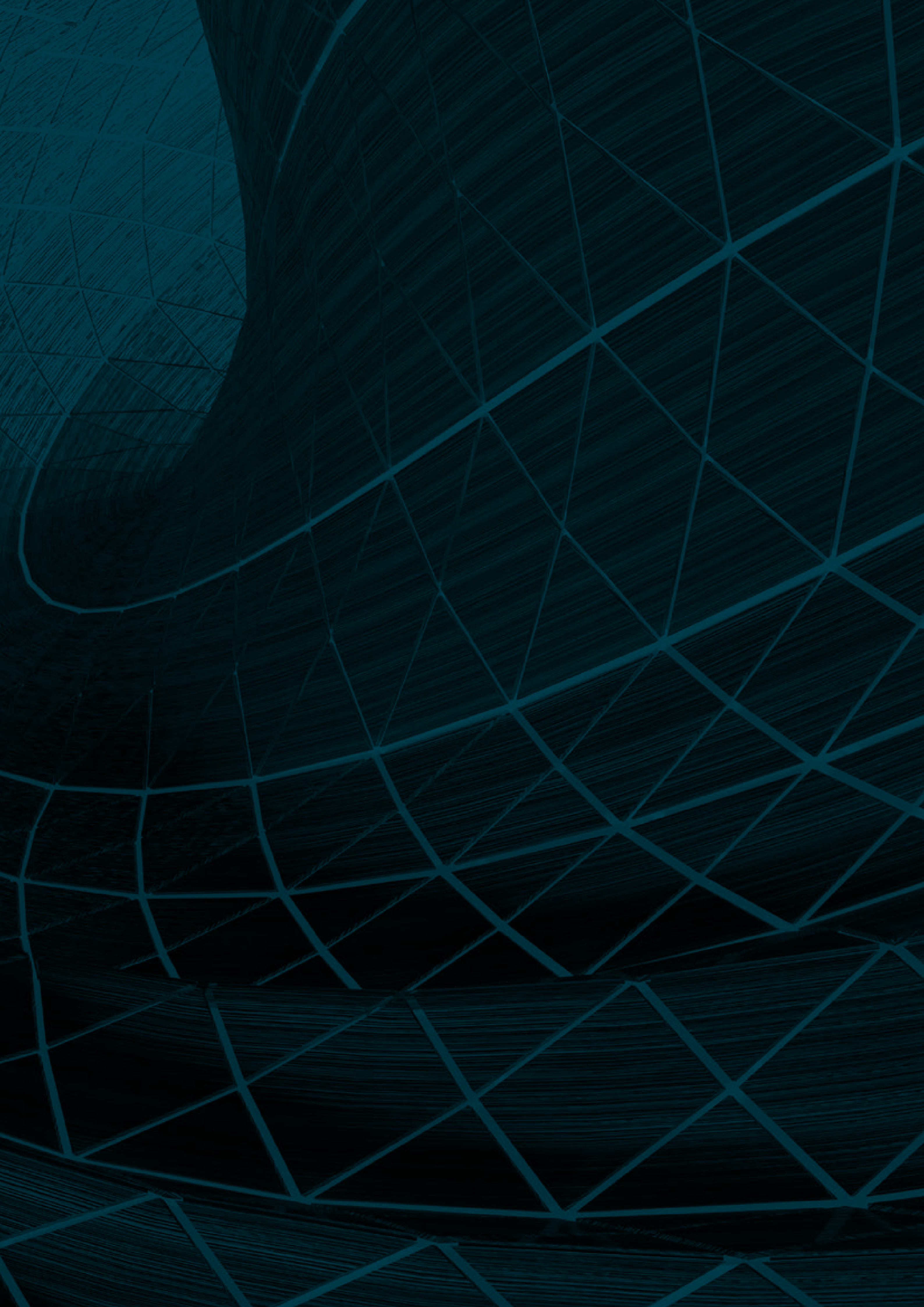
PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

ANNUAL REPORT
30 JUNE 2017

Perpetual



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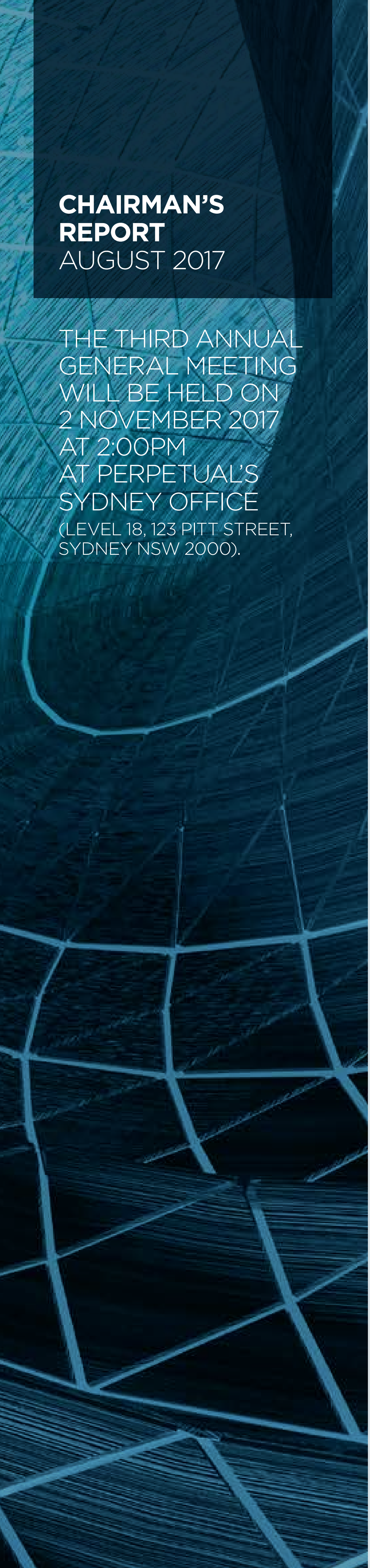


CHAIRMAN'S REPORT AUGUST 2017

THE THIRD ANNUAL GENERAL MEETING WILL BE HELD ON 2 NOVEMBER 2017 AT 2:00PM AT PERPETUAL'S SYDNEY OFFICE (LEVEL 18, 123 PITT STREET, SYDNEY NSW 2000).

Dear Fellow Shareholders,

On 1 July of this year I was appointed Chairman of Perpetual Equity Investment Company Limited ("the Company"). My first act, speaking on behalf of all shareholders, is to thank Peter Scott for his invaluable leadership as founding chairman, guiding the Company from its listing in December 2014.

Allow me to thank those of you who continue to own shares for your ongoing support of the Company, and as a new shareholder myself, let me welcome other new investors to the Company. The Company is managed by one of Australia's most experienced fund managers, Perpetual Investment Management Limited ("the Manager"), which offers a track record of delivering consistent performance to investors for over 50 years.

HIGHLIGHTS

I am pleased to share with you the following highlights for the financial year ending 30 June 2017:

- The Company has declared a fully franked final dividend of 2.5 cents per share, bringing total dividends declared for FY17 to 4.7 cents per share fully franked. This provides you with a dividend yield of 4.5% and a gross dividend yield of 6.5% (taking franking credits into account).[1] I am pleased to report that this represents a significant increase on the total dividends of 2.8 cents per share fully franked declared in FY16.
- The Company showed strong growth in net profit after tax (NPAT) of $31.8 million, which represents an increase of 318% on FY16.
- Net Tangible Assets (NTA) after tax per share grew by 8.2% to $1.097 as at 30 June 2017.[2]
- Investment returns over the year to 30 June 2017 were 17.4% net of management fees and operating expenses.[3] This represents a significant outperformance of the benchmark which returned 13.8% over the year to 30 June 2017.[4]
- Total shareholder return (dividends and share price appreciation) was 16.8%.[5]

INVESTMENT PERFORMANCE

The 2017 financial year has been one filled with market uncertainty. The Manager's investment philosophy focuses on identifying quality stocks trading at attractive valuations. It is a conservative approach that aims to grow the Company's capital whilst importantly protecting your assets. The net investment return after management fees and operating expenses of 17.4% has been achieved with the benefit of diversification to global securities and the flexibility to hold relatively high levels of cash.

1 Yield is calculated using the 30 June 2017 share price of $1.035.

2 'After tax' refers to after tax paid and provisions for deferred tax on set-up costs and on unrealised gains and losses in the Company's investment portfolio.

3 Returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends. Any tax paid and provisions for deferred tax on set up costs and on unrealised gains and losses are excluded. Past performance is not indicative of future performance. The benchmark is the S&P/ASX300 Accumulation Index.

4 Please note that in the June 2017 Monthly Investment Update we reported a one year return for the Company of 14.1% which was an after tax paid return. This was calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and tax paid and assuming reinvestment of dividends. Any provisions for deferred tax on set up costs and on unrealised gains and losses are excluded.

5 Total shareholder return assumes reinvestment of dividends at Dividend Reinvestment Plan pricing.

PORTFOLIO OF HOLDINGS

As at 30 June 2017, the Company held a high quality portfolio of 25 Australian and global listed securities. The Company's portfolio was invested in the following asset classes:

- 57% in Australian listed securities
- 22% in global listed securities
- 21% in cash.

The Company can hold up to a maximum of 25% in cash. Holding higher levels of cash provides downside protection and flexibility to take advantage of opportunities when they arise.

The Manager is comfortable with the construction of the portfolio and the quality assets in the portfolio. The Manager remains committed to buying shares in high quality companies using a fundamental, bottom-up investment approach. This allows the Manager to find true value in a stock while ignoring the 'noise' created by external factors. Further information can be found in the Portfolio Manager's report.

DIVIDENDS

The Board's objective is to pay a regular dividend and we remain focused on achieving this objective for shareholders. It is the intention of the Board that, where possible, the Company will pay fully-franked dividends twice a year. Some factors considered by the Board when paying a dividend include future earnings, financial conditions, capital requirements and future prospects.

The Board is pleased to announce a fully franked final dividend of 2.5 cents per share, bringing total dividends declared for FY17 to 4.7 cents per share fully franked. This will provide our shareholders with a dividend yield of 4.5% and a gross dividend yield (taking franking credits into account) of 6.5%.[1]

The Company is focused on paying dividends that provide a yield which compares favourably to the Australian market yield. Historically global stocks have provided a lower dividend yield than the Australian market. By actively realising capital gains on global stocks, the Manager has successfully generated franking credits from the global component of the portfolio throughout FY17. We recognise that our shareholders value a strong and sustainable, fully franked dividend stream. In addition to the strong 2017 final dividend, we have steadily built a healthy franking account. We believe this is a prudent approach that will assist us in delivering a sustainable fully franked dividend in future years. Total dividends declared in FY17 represent a significant increase on our 2.8 cents per share total dividends declared in FY16, and reflects the growing maturity of the Company.

Important dates for this dividend payment are as follows:

- Ex-dividend date 23 August 2017
- Record date 24 August 2017
- Payment date 8 September 2017.

The Company's Dividend Reinvestment Plan (DRP) remains available to shareholders. The DRP provides you with the choice to receive some or all of your future dividends as ordinary shares in the Company instead of cash. The DRP will be operating at a 2.5% discount for this year's final dividend.

KEEPING YOU INFORMED

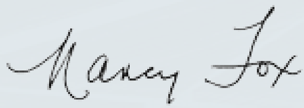
In FY17 the Company's website was updated and I would encourage you to visit www.perpetualequity.com.au as it provides shareholders with an easily accessible information channel. The website houses a number of tools and resources, news and insights from the Manager as well as information on the Company's history, the Manager's investment philosophy, and more. Further, the website displays Net Tangible Asset statements daily and share price information, providing greater transparency for shareholders.

In addition you can subscribe to the Company's monthly newsletter via the website, which provides a regular summary of the Company's performance and the Manager's view on the market. If you haven't already subscribed on our website, I encourage you to do so.

The Company will also be holding a series of shareholder updates during October and November, giving you an opportunity to hear first-hand how your capital is being invested. Please refer to our website www.perpetualequity.com.au for the event dates and how to register.

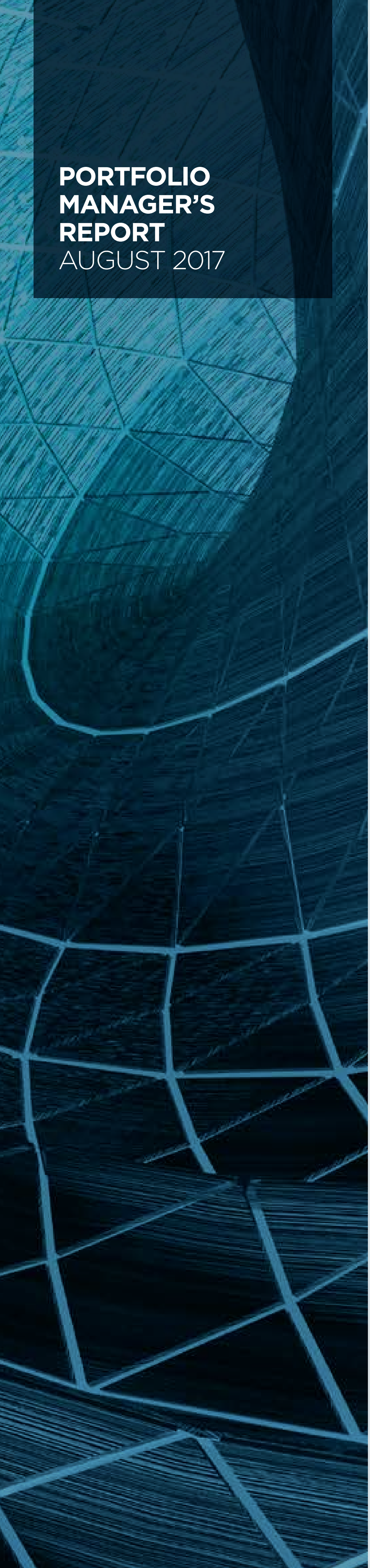
In addition, the Board values the opportunity to meet shareholders, and I invite you to attend our third Annual General Meeting on 2 November 2017 at Perpetual's Sydney office (Level 18, 123 Pitt Street, Sydney NSW 2000) at 2:00pm.

Yours sincerely,



Nancy Fox
Chairman

PORTFOLIO MANAGER'S REPORT
AUGUST 2017

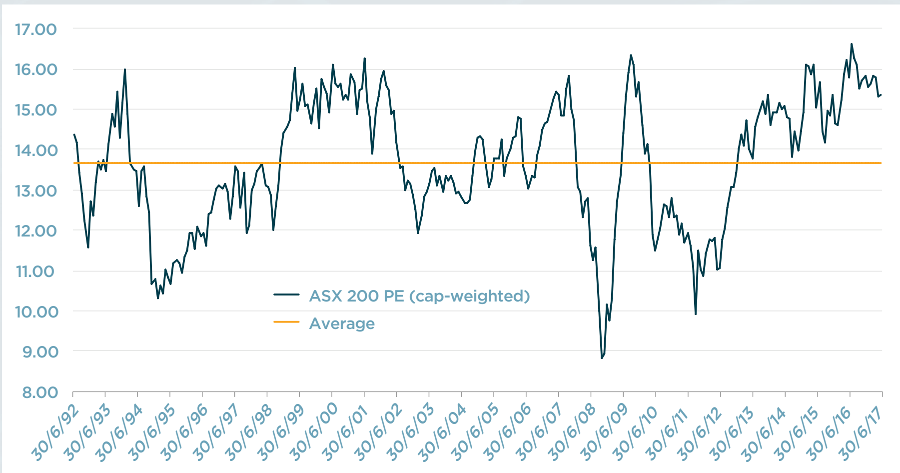


MARKET OVERVIEW

The Australian equity market, as measured by the S&P/ASX 300 Accumulation Index, rose +13.8% in the financial year to 30 June 2017. The positive returns were driven by broad contributions from all but two sectors. In terms of the best performing sectors, Resources finished the year higher with mining stocks benefitting from rising commodities prices as well as better than expected cost discipline allowing them to pay down debt and increase their dividend. Banks grew revenue and managed expenses well, credit quality was sound and bad and doubtful debts remained at historically low levels, resulting in earnings growth. Real Estate Investment Trusts (REITs), Utilities and Infrastructure stocks remained highly sought after for their attractive dividend yields, notwithstanding a short-lived correction earlier in the year when bond yields sold off. The weakest sector was Telecommunications, which is undergoing structural change as the industry transitions to the National Broadband Network resulting in increased competition and pricing pressure. Global equity markets also delivered strong gains over the year, despite several key geopolitical events including the U.S. and French presidential elections, and more recently the UK general election. The major U.S. indices – the S&P 500 Index (+15.5%), Dow Jones Industrial Average (+19.1%) and Nasdaq Composite (+26.8%) – all rose to record highs as earnings accelerated to the best year-on-year growth in six years. Technology stocks were the standout, with the 'FANG' stocks (Facebook, Amazon, Netflix, Google) delivering significant share price increases over the year. European markets also rose as the economic recovery continued – in the UK the FTSE 100 gained +12.4%, the German DAX +27.3%, and the French CAC 40 +20.8%.

Last year I wrote about a theme of investors pursuing yield and growth at any price. This continued into FY2017, and Australian equity market valuations remained above their long-term historical averages as depicted in Chart 1. With interest rates at all-time lows, high-growth and high-yield stocks continued to be highly sought

CHART 1: S&P/ASX 200 1 YEAR FORWARD PRICE-TO-EARNINGS RATIO
25 YEARS TO 30 JUNE 2017



Source: Credit Suisse, as at 30 June 2017 after by investors, which resulted in many of these stocks becoming expensive to own as investors have ignored valuations and purchased these stocks for their perceived future growth and dividends. As a value-orientated investment manager this has been a challenging environment, with many stocks appearing fully priced. That said there are always opportunities to own high quality companies with sustainable earnings and strong balance sheets trading at attractive valuations, so this has simply meant we have had to work harder to identify those stocks and act when appropriate.

PORTFOLIO PERFORMANCE

Over the year to 30 June 2017 the investment performance of the Perpetual Equity Investment Company Limited (the Company) after management fees and operating expenses was +17.4%.[1] This outperformed the benchmark return by 3.6%.[2]

When launched, the Company had the goal of offering investors access to a portfolio of high quality Australian and global listed securities. Given the Australian equity market provides a concentrated exposure to the Financials and Materials sectors, the Company saw it as important to provide investors with genuine diversification and the opportunity to benefit from potential global growth sectors such as Healthcare and Information Technology. As the Manager of the Company's portfolio, we held the belief that opportunities to purchase global listed securities at cheaper valuations relative to Australian listed securities would add significant value to investors. To this end, I am pleased to report that over the year the global stocks in the portfolio made the largest contribution to the Company's outperformance.

As always, we manage the Company's portfolio from an Australian investor's perspective and the Australian listed securities within the portfolio remain the core focus. In FY17 we remained true to our concentrated and actively managed investment strategy, holding an average of 19 Australian listed securities. Again, it is gratifying to report that the domestically listed stocks also contributed to the Company's outperformance.

From a valuation perspective, equities look fairly fully priced both domestically and abroad. With this backdrop, we remained cautious and took advantage of our ability to hold up to 25% of the portfolio in cash during the year. This strategy is twofold – it provides capital protection in the instance of any market correction, as well as the flexibility to take advantage of buying opportunities whenever we find high quality, well managed companies with sustainable earnings trading below what we have assessed as fair value. However, with equity markets continuing to edge higher the portfolio's average cash position of 21% over the year detracted from the Company's performance. Nevertheless, rather than chase a rising market we remain disciplined and conservative in our approach.

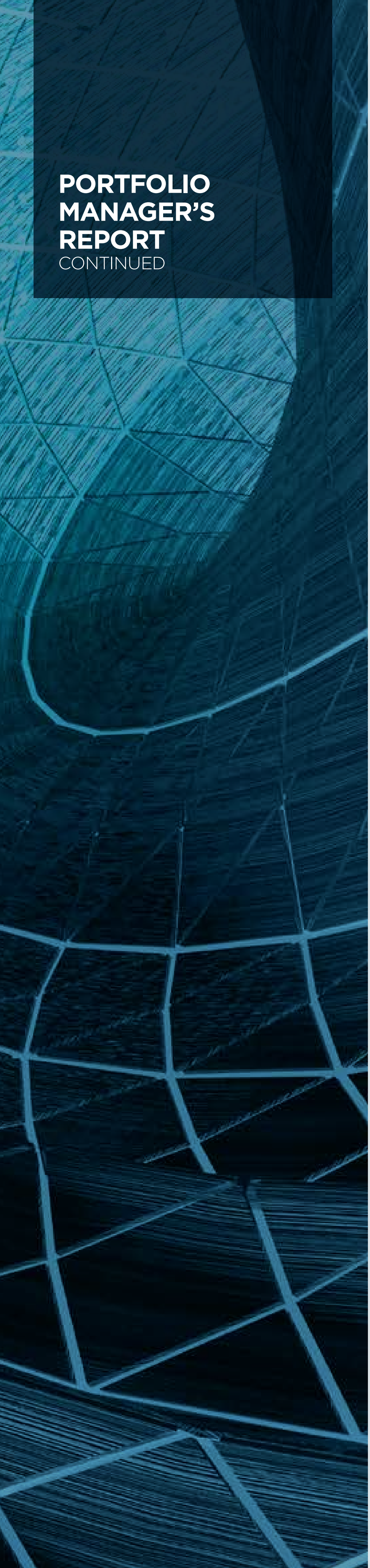
Along with long-term capital growth, one of the Company's key investment objectives is to provide investors with a growing income stream. The Board's intention is to pay a fully franked dividend or franked to the greatest extent possible, thereby providing shareholders with tax effective income. There are two main ways franking credits are created. The first is when the Company receives franked dividends paid by securities in its portfolio. The second is when the Company pays income tax at the corporate rate on gains realised on the sale of securities by actively managing the portfolio to its investment strategy. It is important to highlight the amount of franking credits generated, as this will eventually benefit you, the shareholders, through the payment of franked dividends. The Board has announced a final fully franked dividend of 2.5 cents per share, bringing total dividends declared for FY17 to 4.7 cents per share fully franked. To illustrate the benefit of the franking credits, on a grossed up basis this corresponds to a 6.5%[3] yield.

Despite approximately 18% (average over the year) of the Company's portfolio being invested in global listed securities which do not pay franked dividends, we have achieved an above market fully franked yield. We believe this is competitive with the Company's peers who have a large percentage of their portfolios invested in Australian stocks.

1 Returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends. Any tax paid and provisions for deferred tax on set up costs and on unrealised gains and losses are excluded. Past performance is not indicative of future performance.

2 The benchmark is the S&P/ASX 300 Accumulation Index.

3 Yield is calculated using the 30 June 2017 share price of $1.035.



PORTFOLIO MANAGER'S REPORT
CONTINUED

INVESTMENT PHILOSOPHY AND PROCESS

The Manager's investment philosophy and process focuses on buying high quality companies at prices below what we perceive as fair value, based on company fundamentals and prevailing market conditions. Our team of 24 investment professionals undertake intensive research, on an ongoing basis, to determine both the quality and value of a company. Key to our process is the use of four quality filters:

1. **Quality of business** – This test looks at the industry in which the company operates, its market share and barriers to entry, its products and their positioning and any issues such as social and environmental impacts.
2. **Conservative debt** – Involves strict balance sheet scrutiny to avoid overleveraged companies. We invest in companies that have less than 50% net debt to equity and strong interest coverage.
3. **Sound management** – Based on our assessment of the track record of a company's management. We are looking for management with a history of using shareholder's capital sensibly, a clear focus on maximising shareholder value and strong governance practices.
4. **Recurring earnings** – We look for companies that have at least a three year track record of generating earnings.

This investment process means that we do not focus on trying to predict where markets and prices are heading, rather making investment decisions based on in-depth research which allows us to understand the fundamental risks and opportunities of each company in the portfolio. Through this approach we aim to minimise downside risk and protect the portfolio during periods of market stress. The Manager has a track record of outperforming the share market when it is down, which has been beneficial for investors over the long-term. Our disciplined approach and focus on capital preservation was illustrated in the Company's ability to outperform in every down turn in the market over the year to 30 June 2017; the portfolio value falling less than the benchmark during those months when the market was down.

GLOBAL OPPORTUNITIES

As I've touched on, an advantage of the Company's investment strategy is that up to 25% of the portfolio can be held in global listed securities – allowing it to buy securities listed on overseas exchanges that represent more compelling value than similar businesses listed on the ASX. Over the year the portfolio had an average global equity exposure of 18%, which is reflective of the opportunities we have identified abroad. The global positions that were the largest contributors to the Company's performance in FY17 were Deutsche Boerse AG, ICON Plc and Bank of America Corporation.

Deutsche Boerse AG is the dominant European exchange operator offering derivatives and cash equities trading as well as settlement, clearing and custodial services. We were attracted to Deutsche Boerse given its fixed cost base and operating leverage to any increased market volatility and liquidity. We continue to believe that Deutsche Boerse is operating in a subdued environment, but is well positioned to benefit from improving cyclical conditions. As at 30 June 2017 Deutsche Boerse was still held in the portfolio.

ICON Plc is a clinical research organisation that undertakes clinical drug trials on behalf of pharmaceutical and biotechnology companies, and hence is not directly exposed to the binary outcome of drug discovery. In this sense, whilst classified as a healthcare company, we view ICON as more of an industrial style company given its stable revenue and earnings profile. As at 30 June 2017 ICON was still held in the portfolio.

Bank of America Corporation has been a core global exposure in the portfolio over the past 24 months. We initiated and built our position in the stock while it was trading at a discount to tangible book value; attractive on both an absolute and relative basis. By way of comparison, Commonwealth Bank of Australia was trading on a price-to-tangible book multiple of ~2.5x over the same period. Being largely retail deposit funded, Bank of America's balance sheet is very stable and highly leveraged to any increase in interest rates. We saw this play out in late-2016 as it became more apparent the U.S. Federal Reserve intended to increase the target rate to 0.5-0.75%, which it enacted on 14 December 2016, and the share price increased 83% over the year. As at 30 June 2017 Bank of America was still held in the portfolio.

AUSTRALIAN EQUITIES

The Australian-listed companies that made the largest contribution to performance of the portfolio for FY17 were BlueScope Steel Ltd, Woolworths Ltd and SAI Global Ltd. Woolworths has been a core holding in the portfolio for more than 18 months, and a stock I wrote about in the 2016 annual report when it had detracted from performance. Our initial investment thesis was based on our belief that Woolworths was a turnaround story with a sound strategy in place under a newly appointed Chairman, Board and Chief Executive Officer. Throughout FY17 we saw the start of this turnaround play out, with Woolworths reinvestment into lower prices to win back customers, resulting in like-for-like sales in their core Australian food and liquor business growing at the fastest rate since FY14. The speed of this turnaround has been impressive, and Woolworths share price has risen higher accordingly. As at 30 June 2017 Woolworths was still held in the portfolio.

The largest detractor from the value of the portfolio over the year was SKY Network Television Ltd. SKY Network is the monopoly pay television operator in New Zealand that owns the exclusive broadcast rights to a variety of sports and entertainment content. Despite its incumbent market position, SKY has struggled to retain customers as the industry continues to face disruption from "over-the-top" services such as Netflix. An additional setback during the year was the competition regulator blocking a proposed merger with Vodafone NZ, whereby the combined entity could have sold telecom and pay TV as a package. SKY is well managed, has a solid balance sheet, and has historically produced strong free cash flow. Currently trading on a reasonable forward price-to-earnings multiple of 12.5x and yielding more than 8%, as at 30 June 2017 SKY was still held in the portfolio.

As at 30 June 2017 the portfolio held 57% in Australian securities, 22% in global securities and 21% in cash. Given current equity valuations both in Australia and globally, we remain cautious but are confident that our in-depth, fundamental analysis will continue to identify high quality companies for the portfolio. We remain committed to delivering a regular income stream and long-term capital growth for the Company's shareholders.

Thank you for your continued support and trust.

Vince Pezzullo
Portfolio Manager

This Portfolio Manager's Report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426 and Perpetual Trustee Company Limited ABN 42 000 001 007 AFSL 236643. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. Past performance is not indicative of future performance.

INVESTMENT PORTFOLIO

List of investments held at 30 June 2017	Market value $'000
Australian listed securities	
Alumina Limited	6,887
Ardent Leisure Group	852
Bapcor Limited	13,181
Bega Cheese Limited	5,779
BetaShares Australian Equities Bear Hedge Fund	3,815
CYBG PLC	16,191
Graincorp Limited Class A	2,415
Incitec Pivot Limited	9,603
Janus Henderson Group PLC	13,131
Medibank Private Limited	13,190
Oil Search Limited	5,917
Sky Network Television Limited	1,965
Suncorp Group Limited	6,374
Tabcorp Holdings Limited	5,187
The Star Entertainment Group Limited	15,841
TPG Telecom Limited	2,199
Westpac Bank	19,852
Woolworths Limited	22,055
Total Australian listed securities	**164,434**
Global listed securities	
AXA SA	12,008
Bank of America Corporation	7,777
BHP Billiton PLC	4,454
Deutsche Boerse AG	8,667
ICON PLC	7,320
ING Group NV	11,533
Shire PLC	10,958
Total global listed securities	**62,717**
Cash and deposit products	
Cash at bank	61,421
Total cash and deposit products	**61,421**
Total	**288,572**

The total number of securities transactions entered during the year was 605.

The total brokerage paid during the year was $783,477 (GST inclusive).

DIRECTORS' REPORT

The Directors present their report together with the annual financial report of Perpetual Equity Investment Company Limited ("the Company") for the year ended 30 June 2017 and the auditor's report thereon.

Directors

The following persons were Directors of the Company during the financial year and up to the date of this report:

Nancy Fox, Chairman and Non-executive Director
BA JD (Law) FAICD

Appointed Chairman and Director on 1 July 2017. Nancy is currently a Non-executive Director of Perpetual Limited, a member of Perpetual's Audit, Risk and Compliance Committee and People and Remuneration Committee. She is also a Director of HCF Life and Lawcover and sits on the Boards of the Taronga Conservation Society Australia and the Australian Theatre for Young People.

Nancy has more than 30 years of experience in financial services, securitisation and risk management gained in Australia, the US and across Asia. A lawyer by training, she was Managing Director for Ambac Assurance Corporation from 2001 to 2011 and previously Managing Director of ABN Amro Australia from 1997 to 2001.

Listed company directorship held during the past three financial years:

• Perpetual Limited (from September 2015 to present)

Peter B Scott, Chairman and Non-executive Director
BE (Hons), M.Eng.Sc

Appointed Chairman and Director on 25 August 2014. Peter retired as the Chairman and Director of Perpetual Equity Investment Company Limited on 30 June 2017.

Peter is currently a Non-executive Director of Transurban Limited, an advisory board member of Igniting Change, a member of the Prime Minister's Community Business partnership, and a Fellow of the Senate of the University of Sydney.

Peter has more than 20 years of senior business experience in publicly listed companies and extensive knowledge of the wealth management industry. Peter was formerly the Chairman and a Non-executive Director of Perpetual Limited, and Chairman of Perpetual Limited's Nomination Committee, the Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and he held a number of senior positions with Lendlease.

Listed company directorships held during the past three financial years:

• Transurban Limited (from March 2016 to the present)
• Perpetual Limited (from July 2005 to May 2017)
• Stockland Corporation Limited (from August 2005 to August 2016)

Virginia Malley, Non-executive Director
BA, MAppFin, Juris Doctor, GradDipEnvLaw, LLM University of Sydney, FAICD

Appointed Director on 25 August 2014. Virginia is a member of the Company's Nomination and Corporate Governance Committee and the Audit and Risk Committee. She is a Non-executive Director of Perpetual Superannuation Limited, a member of several Perpetual Compliance Committees and the Sydney Airport Trust Compliance Committee. Virginia is a member of the Board of The Nature Conservation Trust of New South Wales, and Morphic Ethical Equities Limited, and a member of the Clean Energy Regulator.

Virginia has 31 years of experience in the investment and banking sectors, including 16 years as a company director. Her areas of expertise are financial and environmental markets and governance, risk management and regulatory compliance. Virginia was formerly a Non-executive Director of 1-Page Limited, the Chief Risk Officer and member of the Clean Technology, Asia/Pacific, Private Equity and Global/Advisory Investment Committees at Macquarie Funds Management Group.

Listed company directorship held during the past three financial years:

• 1-Page Limited (from June 2016 to December 2016)

Directors' Report

Directors (continued)

John Edstein, Non-executive Director
BEc, LLB, LLM (Hons)

Appointed Director on 26 September 2014. John is the Chairman of the Nomination and Corporate Governance Committee and a member of the Audit and Risk Committee of the Company. He is currently a Director of Macquarie Investment Management Limited (appointed 1 July 2013) and Retail Employees Superannuation Pty Limited (Trustee of the Retail Employees Superannuation Trust, appointed 4 October 2013). He is also the Independent Member of the Australian Defence Forces Financial Services Consumer Centre (appointed 2008) and is a part time Special Counsel for Carroll & O'Dea Lawyers.

John has more than 35 years of experience as a legal practitioner. His primary practice areas have been superannuation, life insurance and trusts and the tax aspects of those areas. That experience has included extensive consideration of corporate law, corporate governance and the legal aspects of investment structures. John was formerly a partner in the Tax and Superannuation Group of King & Wood Mallesons (formerly Mallesons Stephen Jaques) from 1990 to 2012 and was National Practice Team Leader of that group from 2006 to 2011. He was a member of the Law Council of Australia Superannuation Committee from 1988 to 2008 and is now an Emeritus Member, is a member of the Tax Institute of Australia and is a Chartered Tax Adviser.

Christine Feldmanis, Non-executive Director
FAICD, SFFin, TFASFA, CPA, CSA, BComm, MAppFin, JP

Appointed Director on 26 September 2014. Christine is the Chairman of the Audit and Risk Committee and a member of the Nomination and Corporate Governance Committee of the Company. She is currently a Non-executive Director and Chair of the Audit and Risk Committees of Hunter Water Corporation and Netball NSW. She is also a Director of Uniting Financial Service, NSW Crown Holiday Parks Trust and Bell Asset Management Limited, an independent member of the Audit and Risk Committees for a number of government agencies and an independent compliance committee member for AFS licensees in the boutique funds management sector.

Christine has more than 30 years of experience in the financial arena, both government and private sectors. She has extensive experience in investment management, finance, accounting and risk management, legal & regulatory compliance, governance and business building in both the listed and unlisted financial products markets. Christine formerly held senior executive and C suite positions with firms including Deloitte, Elders Finance, Bankers Trust, NSW TCorp and Treasury Group.

Geoff Lloyd, Executive Director
Barrister at Law, LLM (Distinction) (UTS), Adv. Mgt Program (Harvard)

Appointed Director on 23 September 2016. Geoff is the CEO and Managing Director of Perpetual Limited. He is currently the Chair of the Financial Services Council and an advisory board member of The Big Issue. Geoff is also the patron of the Financial Industry Community Aid Program, a patron of the Emerge Foundation and sits on the University of Technology Sydney Law Advisory Board.

Before commencing at Perpetual in August 2010, Geoff held a number of senior roles at BT Financial Group and St. George's Wealth Management business including General Manager, Advice and Private Banking and Group Executive Wealth Management.

Former Director

David Kiddie, Executive Director
BA (Hons)

Resigned on 23 September 2016.

Directors' Report

Company secretary

Sylvie Dimarco
LLB (University of Sydney), GIA (Cert), MAICD

Appointed Company Secretary on 25 August 2014. Sylvie joined Perpetual in March 2014 as an Assistant Company Secretary. Sylvie earned a Bachelor of Laws from the University of Sydney and has practised as a commercial lawyer. She has over ten years of experience in company secretariat practice and administration.

Former company secretary

Joanne Hawkins
BCom, LLB, Grad Dip CSP FGIA, GAICD

Resigned on 24 February 2017.

Directors' meetings

The following table sets out the number of meetings held and attended by the Company's Directors during the year ended 30 June 2017:

	Board		Audit and Risk Committee		Nomination and Corporate Governance Committee	
	Held	Attended	Held	Attended	Held	Attended
Directors						
Peter Scott	5	5	-	-	-	-
Virginia Malley	5	5	4	4	4	4
John Edstein	5	5	4	4	4	4
Christine Feldmanis	5	5	4	4	4	4
Geoff Lloyd	4	4	-	-	-	-
Former Director						
David Kiddie	1	1	-	-	-	-

Corporate Governance Statement

The Company's Corporate Governance Statement, which meets the requirements of Australian Securities Exchange Listing Rule 4.10.3, is provided on the Company's website at www.perpetualequity.com.au.

Principal activities

The Company is a listed investment company established to invest predominantly in Australian listed securities with typically a mid-cap bias and cash, deposit products and senior debt, together with opportunistic allocations to global listed securities. The investment objective of the Company is to provide investors with a growing income stream and long term capital growth in excess of its benchmark (the S&P/ASX 300 Accumulation Index) over minimum 5 year investment periods.

Directors' Report

Review of operations

	30 June 2017 $'000	30 June 2016 $'000
Profit/(loss) before income tax	**43,462**	8,588
Income tax benefit/(expense)	**(11,648)**	(975)
Profit/(loss) for the year attributable to shareholders	**31,814**	7,613

For the year ended 30 June 2017, the Company's Net Tangible Asset (NTA) after tax increased by 8.2% to $1.097 per share. In addition, the Company paid two fully franked dividends totalling 4.2 cents per share during the year. The Company is subject to 30% tax on its earnings and any tax payments contribute to its ability to pay fully franked dividends.

As at 30 June 2017, seventy nine percent of the Company's portfolio was invested in equity securities with 57% in Australian listed securities and 22% in global listed securities. Twenty one percent of the portfolio was in cash.

The Manager's investment process targets companies with sound management, conservative debt levels, quality businesses and recurring earnings, that are trading at attractive prices. The Manager focuses on identifying quality companies that can deliver strong absolute returns for the portfolio, with the objective of providing shareholders with a growing income stream and long term capital growth.

Further information on the operating and financial review of the Company and its prospects is contained in the Chairman's Report and Portfolio Manager's Report.

Dividends

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

	Cents per share	Total amount $'000	Payment date
Declared and paid during the financial year 2017			
Final 2016 dividend	**2.0**	**5,047**	**12 September 2016**
Interim 2017 dividend	**2.2**	**5,560**	**17 March 2017**
Declared after the end of financial year 2017			
On 21 August 2017, the Directors declared :			
Final 2017 dividend	**2.5**	**6,334**	**8 September 2017**

All dividends are fully franked at a tax rate of 30%.

The financial effect of dividends declared after year end is not reflected in the financial report for the year ended 30 June 2017 and will be recognised in the subsequent financial report.

The issue price for the Dividend Reinvestment Plan (DRP) has been set at a 2.5% discount to the average market price.

State of affairs

There were no significant changes in the state of affairs of the Company during the financial year other than the matter previously disclosed under the review of operations.

Directors' Report

Events subsequent to reporting date

The Directors are not aware of any other 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 Company, the results of these operations or the state of affairs of the Company in the subsequent financial years.

Likely developments

The Company will continue to be managed in accordance with the investment objectives and guidelines as set out in the Replacement Prospectus dated 14 October 2014 and in accordance with the provisions of the Company's Constitution.

Environmental regulation

The operations of the Company are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Indemnification of directors and officers

The Company indemnifies, to the extent permitted by law, each Director in respect of certain liabilities which the Director may incur as a result of being or acting as an officer of the Company, including legal expenses.

Insurance

The Company has a directors and officers' liability policy of insurance which covers all Directors for the period that they are officers and for seven years after they cease to act as officers.

Remuneration report

This report sets out the remuneration arrangements for all Key Management Personnel, being the Non-executive Directors and the Executive Directors of Perpetual Equity Investment Company Limited for the year ended 30 June 2017.

The information in this Remuneration report has been audited by the Company's auditor, KPMG, as required by section 308(3C) of the *Corporations Act 2001*.

(a) Key management personnel

Below are the Company's Key Management Personnel for the year ended 30 June 2017.

Name	Position	Term
Directors		
Peter Scott*	Chairman and Non-executive Director	Full year
Virginia Malley	Non-executive Director	Full year
John Edstein	Non-executive Director	Full year
Christine Feldmanis	Non-executive Director	Full year
Geoff Lloyd**	Executive Director	Appointed 23 September 2016
Former Director		
David Kiddie	Executive Director	Resigned 23 September 2016

* Peter Scott retired from the Perpetual Equity Investment Company Limited Board on 30 June 2017 (this being his last day), with Nancy Fox appointed as Chairman and Non-executive Director effective 1 July 2017.

** Geoff Lloyd was appointed to the Perpetual Equity Investment Company Board, succeeding David Kiddie.

Remuneration report (continued)

(b) Remuneration of directors

Remuneration policy

The Board, with the recommendation of the Nomination and Corporate Governance Committee, determines the size and composition of the Board and its Committees. The Company has not established a remuneration committee as the Board has determined it is not necessary to establish a separate remuneration committee given there are no paid employees.

The Board reviews and approves the remuneration of individual Board members. Remuneration paid to the Non-executive Directors aims to ensure the Company can attract and retain suitably skilled, experienced and committed individuals.

Non-executive Directors do not receive performance-related remuneration and are not entitled to participate in equity-based incentive plans.

The Executive Director, Geoff Lloyd, is not entitled to Directors' fees or any other form of remuneration from the Company for his services. He is the Chief Executive Officer and Managing Director of Perpetual Limited, the parent company of the Manager. His remuneration is governed by the remuneration policy of Perpetual Limited.

Fee framework

Non-executive Directors receive a base fee. They do not receive additional fees for participating in Board Committees.

Total remuneration available to the Directors is a maximum of $250,000 as set out in the Company's Constitution (excluding the Executive Director). The aggregate amount of Directors' remuneration has been set initially at $170,000 per annum (including superannuation). Any increase in the aggregate amount of Directors' fees over $250,000 must be approved by a resolution of the shareholders as required by the Company's Constitution.

	30 June 2017 $	30 June 2016 $
Non-executive Directors' fees		
Chairman	**50,000**	50,000
Directors	**40,000**	40,000
Audit and Risk Committee	**-**	-
Nomination and Corporate Governance Committee	**-**	-

The fees above are inclusive of superannuation contributions, capped at the maximum prescribed under Superannuation Guarantee legislation. Non-executive Directors may also salary-sacrifice superannuation contributions out of their base fees if they so wish.

Directors' Report

Remuneration report (continued)

(b) Remuneration of directors (continued)

Remuneration of directors

The following table sets out the Directors’ remuneration paid and accrued by the Company for the years ended 30 June 2017 and 30 June 2016.

Name	Directors' fees $	Superannuation $	Total $
Directors			
Peter Scott			
2017	**45,662**	**4,338**	**50,000**
2016	45,662	4,338	50,000
Virginia Malley			
2017	**32,877**	**7,123**	**40,000**
2016	32,877	7,123	40,000
John Edstein			
2017	**36,530**	**3,470**	**40,000**
2016	36,530	3,470	40,000
	-		
Christine Feldmanis		-	
2017	**36,530**	**3,470**	**40,000**
2016	36,530	3,470	40,000
Geoff Lloyd			
2017	**-**	**-**	**-**
Former Director			
David Kiddie			
2017	**-**	**-**	**-**
2016	-	-	-
Total 2017	**151,599**	**18,401**	**170,000**
Total 2016	151,599	18,401	170,000

Non-executive Directors do not receive any non-cash benefits as part of their remuneration.

Geoff Lloyd and David Kiddie were not entitled to Directors' fees or any other form of remuneration from the Company for their services. They are remunerated by Perpetual Limited, the parent company of the Manager.

(c) Retirement policy

Directors who have been in office for three years since their last election must retire and may seek re-election at the Company's next annual general meeting of shareholders.

The Company's Board Tenure and Performance Policy provides that in order to revitalise the Board, Directors should not seek re-election after three elected terms of three years (i.e. a total of 9 years on the Board) unless the Board (through the Nomination and Corporate Governance Committee) requests them to do so.

Directors' Report

Remuneration report (continued)

(d) Key Management Personnel shareholdings held directly or indirectly

The relevant interests in ordinary shares of the Company that each Director held (in number of shares) at the reporting date were:

Name	Balance at 1 July 2016	Quantity acquired	Quantity disposed	Balance at 30 June 2017
Directors				
Peter Scott	206,879	9,096	-	215,975
Virginia Malley	67,163	27,291	-	94,454
John Edstein	50,268	48,000	-	98,268
Christine Feldmanis	101,421	106,682	-	208,103
Geoff Lloyd	-	-	-	-
Former Director				
David Kiddie	-	-	-	-

Non-audit services

There were no fees paid to KPMG for non-audit services for the year ended 30 June 2017 and 30 June 2016.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Rounding of amounts to the nearest thousand dollars

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the Directors' report and annual financial report have been rounded to the nearest thousand dollars in accordance with the Legislative Instrument, unless otherwise indicated.

Signed on behalf and in accordance with a resolution of the Directors:

Nancy Fox

Chairman

Director

Sydney
21 August 2017

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

To the Directors of Perpetual Equity Investment Company Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Perpetual Equity Investment Company Limited for the financial year ended 30 June 2017 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

KPMG

Martin McGrath
Partner

Sydney

21 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**30 June 2017 $'000**	30 June 2016 $'000
Investment income			
Dividends/distributions		**6,767**	8,177
Interest		**830**	629
Net gains/(losses) on financial instruments held at fair value through profit or loss	3(c)	**40,323**	4,081
Net foreign exchange gains/(losses)		**(99)**	(370)
Other operating income		**2**	6
Total investment income		**47,823**	12,523
Expenses			
Management fees	4(a)	**2,830**	2,634
Other expenses	4(b)	**1,531**	1,301
Total expenses		**4,361**	3,935
Profit/(loss) before income tax		**43,462**	8,588
Income tax benefit/(expense)	5(a)	**(11,648)**	(975)
Profit/(loss) after income tax		**31,814**	7,613
Other comprehensive income		**-**	-
Total comprehensive income for the year		**31,814**	7,613
Earnings per share			
Basic earnings per share - cents per share	6	**12.58**	3.03
Diluted earnings per share - cents per share	6	**12.58**	3.03

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2017 $'000	30 June 2016 $'000
Assets			
Cash and cash equivalents	12(c)	**61,421**	58,350
Financial assets held at fair value through profit or loss	9	**227,151**	199,798
Receivables	10	**3,372**	301
Deferred tax asset	5(c)	**-**	1,410
Total assets		**291,944**	259,859
Liabilities			
Current tax payable		**5,680**	1,262
Payables	11	**5,735**	2,838
Deferred tax liability	5(c)	**2,569**	-
Total liabilities		**13,984**	4,100
Net assets		**277,960**	255,759
Equity			
Contributed equity	8(a)	**248,712**	247,718
Retained earnings		**6,541**	(1,635)
Profit reserve		**22,707**	9,676
Total equity		**277,960**	255,759

The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

	Notes	Contributed Equity $'000	Retained Earnings $'000	Profit Reserve $'000	Total $'000
Balance at 1 July 2016		**247,718**	**(1,635)**	**9,676**	**255,759**
Total comprehensive income for the year		**-**	**31,814**	**-**	**31,814**
Transfers to profit reserve		**-**	**(23,638)**	**23,638**	
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	8(a)	**994**	**-**	**-**	**994**
Dividends paid	7(a)	**-**	**-**	**(10,607)**	**(10,607)**
Balance at 30 June 2017		**248,712**	**6,541**	**22,707**	**277,960**

	Notes	Contributed Equity $'000	Retained Earnings $'000	Profit Reserve $'000	Total $'000
Balance at 1 July 2015		246,157	692	2,999	249,848
Total comprehensive income for the year		-	7,613	-	7,613
Transfers to profit reserve		-	(9,940)	9,940	**-**
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	8(a)	213	-	-	213
Shares issued from options exercised	8(a)	1,348	-	-	1,348
Dividends paid	7(a)	-	-	(3,263)	(3,263)
Balance at 30 June 2016		247,718	(1,635)	9,676	255,759

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Notes	30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities			
Dividends/distributions received		**6,547**	9,043
Interest received		**911**	565
Other income received		**216**	258
Management fees paid		**(3,011)**	(2,836)
Income tax paid		**(3,251)**	(669)
Other expenses paid		**(1,617)**	(1,341)
Net cash from operating activities	12(a)	**(205)**	5,020
Cash flows from investing activities			
Proceeds from sale of investments		**271,650**	323,038
Payments for purchase of investments		**(258,761)**	(288,113)
Net cash from investing activities		**12,889**	34,925
Cash flows from financing activities			
Dividends paid - net of dividend reinvestment plan		**(9,613)**	(3,050)
Proceeds from exercise of options		**-**	1,348
Net cash from financing activities		**(9,613)**	(1,702)
Net increase/(decrease) in cash and cash equivalents		**3,071**	38,243
Cash and cash equivalents held at the beginning of the year		**58,350**	20,107
Cash and cash equivalents at the end of the year	12(c)	**61,421**	58,350

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

Perpetual Equity Investment Company Limited ("the Company") is domiciled in Australia. The Company was incorporated on 25 August 2014. The address of the Company's registered office is at Level 18, 123 Pitt Street, Sydney NSW 2000.

The Company is a listed investment company established to invest predominantly in Australian listed securities with typically a mid-cap bias and cash, deposit products and senior debt, together with opportunistic allocations to global listed securities. The investment objective of the Company is to provide investors with a growing income stream and long term capital growth in excess of its benchmark (the S&P/ASX 300 Accumulation Index) over minimum 5 year investment periods. The investment activities of the Company are managed by Perpetual Investment Management Limited ("the Manager").

The annual financial report for the year ended 30 June 2017 was authorised for issue by the Directors on 21 August 2017.

2 Basis of preparation

The annual financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the annual financial report.

The annual financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

Compliance with International Financial Reporting Standards

The annual financial report also complies with International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board.

Use of estimates

Management makes estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Estimates and associated assumptions are continuously evaluated and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Functional and presentation currency

The annual financial report is presented in Australian dollars, which is the Company's functional currency.

3 Investment income

(a) Dividend/distribution income

Dividend income is recognised on the ex-dividend date. Distributions (including distributions from cash management trusts) are recognised on a present entitlements basis.

(b) Interest income

Interest income is recognised as it accrues in profit or loss based on nominated interest rates available on the bank accounts held.

(c) Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) arising from changes in the fair value measurement comprise:

	30 June 2017 $'000	30 June 2016 $'000
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	**12,155**	(2,735)
Net realised gains/(losses) on financial instruments held for trading	**(623)**	(9)
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	**28,791**	6,825
Net gains/(losses) on financial instruments held at fair value through profit or loss	**40,323**	4,081

(d) Other income

Other income is brought to account on an accruals basis.

(e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as net foreign exchange gains/(losses).

Translation differences on financial assets and liabilities carried at fair value are reported as part of their fair value gain or loss.

4 Expenses

All expenses are recognised, net of the amount of Goods and Services Tax ("GST") recoverable from the taxation authority, in profit or loss on an accruals basis.

(a) Management fees

The Manager, Perpetual Investment Management Limited, receives a management fee of 1.00% per annum (plus GST) for the first $1 billion of the Portfolio Net Asset Value, and 0.85% per annum (plus GST) of the Portfolio Net Asset Value in excess of $1 billion. In accordance with the Replacement Prospectus dated 14 October 2014, the Portfolio Net Asset Value means the market value of the assets of the Portfolio, reduced by any accrued but unpaid expenses of the Company, but not provisions for tax payable or unpaid dividends of the Company, and after subtracting any borrowings drawndown and adding back borrowings repaid. The management fees are calculated and accrued daily and paid monthly in arrears.

	30 June 2017 $'000	30 June 2016 $'000
Management fees	**2,830**	2,634

The Manager is appointed for an initial term of five years unless terminated earlier. The Management Agreement will be automatically extended for a further five-year term on the expiry of the initial term unless terminated earlier in accordance with its terms.

If the Management Agreement is terminated during the extended term, then in certain circumstances the Manager is also entitled to a termination payment equal to 5.0%, reduced by one sixtieth (1/60) for each whole calendar month elapsed between the commencement of the extended term and the termination date, of the net tangible asset backing of each security in each class of shares in the Company, as calculated under the ASX Listing Rules.

(b) Other expenses

	30 June 2017 $'000	30 June 2016 $'000
Directors' remuneration	**170**	170
Auditors' remuneration	**79**	76
ASX fees	**83**	70
Registry services	**143**	125
Custody administration fees	**54**	64
Brokerage	**749**	591
Other operating expenses	**253**	205
Total other expenses	**1,531**	1,301

4 Expenses (continued)

(c) Auditors' remuneration

	30 June 2017 $	30 June 2016 $
Amount received or due and receivable by KPMG:		
Audit and review of financial statements	**78,587**	76,104

5 Income tax

Under current legislation, the Company is subject to income tax at 30% on taxable income.

(a) Income tax benefit/(expense)

	30 June 2017 $'000	30 June 2016 $'000
Current tax		
Current income tax provision	**(7,691)**	(1,384)
Adjustment for prior years	**22**	-
Deferred tax		
Temporary differences	**(3,979)**	409
Total income tax benefit/(expense)	**(11,648)**	(975)

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and, where applicable, any adjustment to tax payable in respect of previous periods. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is explained in note 5(c).

5 Income tax (continued)

(b) Reconciliation of income tax benefit/(expense) to prima facie tax payable

	30 June 2017 $'000	30 June 2016 $'000
Profit/(loss) before income tax	**43,462**	8,588
Prima facie income tax calculated at Company's tax rate of 30%	**(13,039)**	(2,576)
(Increase)/decrease tax payable		
Franking credits	**1,098**	1,350
Foreign income tax offsets	**271**	251
Adjustment for prior years	**22**	-
Income tax benefit/(expense)	**(11,648)**	(975)

(c) Deferred tax asset/(liability)

The balance comprises temporary differences attributable to:

	30 June 2017 $'000	30 June 2016 $'000
Net unrealised (gains)/losses	**(3,380)**	158
Auditors' remuneration	**15**	15
Dividends receivable	**(29)**	-
Transaction costs on the IPO - future tax deductions	**825**	1,237
Total deferred tax asset/(liability)	**(2,569)**	1,410

Deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

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

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

A deferred tax liability is recognised when there is a taxable temporary difference between the tax base of an asset or liability and its corresponding carrying amount in the statement of financial position. This arises when the carrying amount of an asset exceeds its tax base.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset deferred tax assets and liabilities and the deferred tax balances relate to the same taxation authority.

6 Earnings per share

	30 June 2017	30 June 2016
Basic earnings per share - cents per share	**12.58**	3.03
Diluted earnings per share - cents per share	**12.58**	3.03
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	**252,846,517**	251,206,280
	$'000	$'000
Earnings used in the calculation of basic and diluted earnings per share	**31,814**	7,613

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares on issue and ordinary shares that the Company expects to issue. There have been no new subscriptions for ordinary shares other than those issued under the dividend reinvestment plan, therefore diluted earnings per share equals basic earnings per share.

7 Dividends

The Company currently intends to pay a dividend twice a year. The amount of the dividend will be at the discretion of the Board and will depend on a number of factors, including future earnings, capital requirements, financial conditions, future prospects and other factors that the Board deems relevant. It is the Board's intention that all dividends paid will be franked to 100% or to the maximum extent possible.

(a) Dividends paid

	Cents per share	Total amount $'000	Franking	Payment date
30 June 2017				
Final 2016 ordinary	**2.0**	**5,047**	**100%**	**12 September 2016**
Interim 2017 ordinary	**2.2**	**5,560**	**100%**	**17 March 2017**
Total	**4.2**	**10,607**		

	Cents per share	Total amount $'000	Franking	Payment date
30 June 2016				
Final 2015 ordinary	0.5	1,254	100%	10 September 2015
Interim 2016 ordinary	0.8	2,009	100%	21 March 2016
Total	1.3	3,263		

All dividends declared or paid during the year were fully franked at a tax rate of 30% and paid out of the profit reserve.

7 Dividends (continued)

(b) Subsequent events

On 21 August 2017, the Directors declared the following dividend.

	Cents per share	Total amount $'000	Franking	Payment date
Final 2017 ordinary	**2.5**	**6,334**	**100%**	**8 September 2017**

The final dividend is fully franked based on a tax rate of 30%.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in the subsequent financial statements.

Dividends are recognised as a liability in the year in which they are declared.

(c) Franking account

	30 June 2017 $'000	30 June 2016 $'000
The available balance in the franking account at the reporting date	**7,223**	2,530
Impact on franking account of the final dividend declared after the reporting date but not recognised as a liability at the reporting date	**(2,715)**	(2,163)
The available balance in the franking account after the adjustment for the final dividend declared	**4,508**	367

The available balance in the franking account includes the adjustments for franking credits that will arise from the payment of current tax liabilities, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which eligible shareholders may elect to have all or part of their dividend entitlements satisfied by the issue of ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 2.5% discount to the average market price.

8 Equity

(a) Share capital

Ordinary shares entitle the holders to receive dividends as declared and one vote per share at shareholders' meetings.

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

	30 June 2017 Number of shares	**30 June 2017 $'000**	30 June 2016 Number of shares	30 June 2016 $'000
Opening balance	**252,341,662**	**247,718**	250,760,778	246,157
Shares issued from dividend reinvestment plan	**1,024,558**	**994**	233,384	213
Shares issued from options exercised	**-**	**-**	1,347,500	1,348
Shares on issue	**253,366,220**	**248,712**	252,341,662	247,718

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

(b) Options

Options issued under the Initial Public Offering expired on 10 June 2016.

	30 June 2017 Number of options	30 June 2016 Number of options
Opening balance	**-**	250,027,777
Options exercised	**-**	(1,347,500)
Options expired	**-**	(248,680,277)
Options on issue	**-**	-

(c) Profit reserve

The profit reserve represents profit, transferred from accumulated retained earnings, available for distribution as a dividend. Dividends declared subsequent to the reporting date will be paid out of the profit reserve and any outstanding balance is available for future dividend payments.

(d) Capital risk management

The Company's objective in managing capital is to provide shareholders with a growing income stream and long-term capital growth, by investing in a portfolio of typically 20 to 40 quality securities, underpinned by the Manager’s fundamental, in-depth, bottom-up research. The Company considers its capital to comprise ordinary share capital, profit reserve and accumulated retained earnings. Borrowing does not form part of the investment strategy of the Manager, however, the Company retains the right to leverage up to 10% of the investment portfolio at the Board’s discretion.

9 Financial assets and liabilities held at fair value through profit or loss

The Company's investments are classified at fair value through profit or loss.

	Fair value 30 June 2017 $'000	Fair value 30 June 2016 $'000
Designated at fair value through profit or loss		
Listed equities	**227,151**	199,798
Total financial assets held at fair value through profit or loss	**227,151**	199,798

Recognition/derecognition

The Company recognises financial assets and liabilities on the date it becomes party to the purchase contractual agreement (trade date). Financial assets and liabilities are derecognised on the date the Company becomes party to the sale contractual agreement (trade date).

Fair value measurement

At initial recognition, the Company measures the financial assets and liabilities at fair value. Transaction costs are expensed in profit or loss as incurred. Subsequently, all financial assets and liabilities are measured at fair value without any deduction for estimated future selling costs. Gains and losses arising from changes in the fair value measurement are included in profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the end of the reporting date without any deductions for the estimated future selling cost. Listed securities and exchange traded derivatives are valued at the last traded price.

(ii) Fair value in an inactive market or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm’s length market transactions, reference to current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to and forming part of the financial statements for the year ended 30 June 2017

10 Receivables

	30 June 2017 $'000	30 June 2016 $'000
Dividends/distributions receivable	**347**	127
Interest receivable	**2**	83
GST receivable	**96**	79
Withholding tax receivable	**57**	12
Proceeds from sales of financial assets	**2,870**	-
Total receivables	**3,372**	301

Receivables are recognised when a right to receive payment is established. Due to the short term nature of the receivables, their carrying value is considered to approximate fair value.

Receivables are stated inclusive of the amount of GST.

11 Payables

	30 June 2017 $'000	30 June 2016 $'000
Payables for securities purchased	**5,355**	2,467
Accrued expenses comprising:		
Management fees	**259**	233
Directors' remuneration	**42**	42
Other payables	**79**	96
Total payables	**5,735**	2,838

Payables are recognised when the Company becomes liable. Due to the short term nature of the payables, their carrying value is considered to approximate fair value.

Payables are stated inclusive of the amount of GST.

Notes to and forming part of the financial statements for the year ended 30 June 2017

12 Notes to the statement of cash flows

	30 June 2017 $'000	30 June 2016 $'000
(a) Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after income tax	**31,814**	7,613
(Increase)/decrease in dividends/distributions receivable	**(220)**	866
(Increase)/decrease in interest receivable	**81**	(64)
(Increase)/decrease in other receivables	**(62)**	6
(Increase)/decrease in deferred tax asset	**1,410**	(409)
Increase/(decrease) in deferred tax liability	**2,569**	-
Increase/(decrease) in current tax payable	**4,418**	715
Increase/(decrease) in accrued expenses	**9**	4
Net (gains)/losses on financial instruments held at fair value through profit or loss	**(40,323)**	(4,081)
Net foreign exchange (gains)/losses	**99**	370
Net cash flows from operating activities	**(205)**	5,020

Cash flows are presented on a gross basis. The GST components of cash flows arising from operating and investing activities, which are recovered from the taxation authority, are recognised separately as other income received in the operating cash flows.

(b) Non-cash financing activities

During the year, the following dividend payments were satisfied by the issue of shares under the dividend reinvestment plan	**994**	213

(c) Components of cash and cash equivalents

Cash at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash at bank	**61,421**	58,350

Cash and cash equivalents include cash at bank, deposits held at call and other short term deposits with a maturity period of three months or less from the date of acquisition, which are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

13 Financial risk management

This note presents information about the Company's objectives, policies and processes for measuring and managing risks.

The Company's activities expose it to a variety of financial risks. These risks include market risk (including price risk, currency risk and interest rate risk), credit risk and liquidity risk.

The Manager has been given the discretionary authority to manage and undertake investments in line with the Company's investment objective, investment strategy and guidelines detailed in the Replacement Prospectus dated 14 October 2014.

The Manager is required to act in accordance with the Management Agreement and to report to the Board quarterly on the portfolio's performance, material actions of the Manager during the quarter and an explanation of the Manager's material proposed actions for the upcoming quarter. The Manager is also responsible for designing and implementing day to day risk management and internal control systems which identify material risks for the Company.

The oversight and management of the Company's risk management program has been conferred upon the Audit and Risk Committee. The Committee is responsible for reviewing that the Company maintains effective risk management and internal control systems and processes and providing regular reports to the Board. The Board will review the effectiveness of the Company's risk management and internal control system annually.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices such as equity prices, foreign exchange rates, interest rates and credit spreads.

The Company is predominantly exposed to market risk from its investment activities. The Company seeks to reduce the risk by a policy of diversification of investments across industries and companies operating in various sectors of the market. The Company's market risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place.

The Company may use derivative instruments to manage its exposure to market risk. Derivatives are not permitted to be used for gearing purposes.

(i) Price risk

Market prices fluctuate due to a range of factors specific to the individual investment or factors affecting the market in general. Price risk exposure arises from the Company's investment portfolio which comprises predominantly Australian listed securities with some opportunistic allocation to global securities.

The Manager's securities selection process is fundamental to the management of price risk. The Manager undertakes fundamental, in-depth, bottom-up research to identify high quality and attractively valued securities using a disciplined investment process. The investment process first assesses companies on four key quality filters: sound management, conservative debt, quality business and recurring earnings. The companies are then valued according to the differing natures of their business and ranked on a scale of one (strong overweight) to five (sell). Price risk is also managed on the basis that the Company is limited to a maximum holding in any individual security to 15% of the portfolio's net asset value. The Company's investment strategy allows the flexibility to invest up to 25% of its investment portfolio in cash and deposit products to manage the downward risk.

13 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Price risk sensitivity analysis

An increase of 15% in market prices applicable at the reporting date would have increased the Company's profit and net assets by $34,072,720 (2016: $29,969,772). A decrease of 15% in market prices would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

The sensitivity of the Company's profit and net asset to price risk is estimated based on the historical levels of movements of the Company's benchmark (S&P/ASX 300 Accumulation Index). The analysis assumes that the Company's investments move in correlation with the index. The actual movement in security prices may vary significantly to the movement in the index.

(ii) Currency risk

The Company is exposed to the movements in exchange rates that may have an adverse effect on the fair value or future cash flows of the Company's financial assets or financial liabilities denominated in currencies other than Australian dollars. This exposure arises from its investments in global listed securities and any transactions that are denominated in foreign currency. The Company's investment strategy allows up to 25% of its investment portfolio in global listed securities.

The Manager considers currency valuations at the entity level when analysing securities, however the Company's investment portfolio is typically unhedged. Currency exposure may be hedged defensively where the Manager sees a significant risk of currency weakness.

The Company did not hold any derivative instruments to manage its exposure to currency risk at the reporting date.

The following table summarises the Company's exposure to currency risk arising from its financial assets and financial liabilities, monetary and non-monetary, at the reporting date:

	30 June 2017 $'000	30 June 2016 $'000
British Pound	**18,282**	-
United States Dollar	**15,114**	41,575
Euro	**32,265**	17,944
Total foreign currency exposure	**65,661**	59,519

13 Financial risk management (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Currency risk sensitivity analysis

The following table analyses the impact on the Company's profit and net assets from possible currency movements. The analysis is based on the assumption that the Australian dollar is strengthened or weakened by the sensitivity rates against the other currencies. The sensitivity rates represent the Manager's estimate of a reasonably possible movement in foreign currency exchange rates given the current exchange rates and the historic volatility.

	AUD strengthened/ (weakened) %	**30 June 2017 $'000**	30 June 2016 $'000
British Pound	**+10**	**(1,828)**	-
	-10	**1,828**	-
United States Dollar	**+10**	**(1,511)**	(4,158)
	-10	**1,511**	4,158
Euro	**+8**	**(2,581)**	(1,435)
	-8	**2,581**	1,435

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company can hold up to 25% of its investment portfolio in cash, deposit products and senior debts with less than one year to maturity (including any exposure to such investments gained by investing into cash management trusts). Consequently, the Company is exposed to the changes in market interest rates that may have a negative impact, either directly or indirectly, on the investment return.

The following table summarises the Company's exposure to interest rate risk at the reporting date:

	30 June 2017 $'000	30 June 2016 $'000
Cash at bank	**61,421**	58,350

Interest rate risk sensitivity analysis

An increase of 1% in interest rates applicable at the reporting date would have increased the Company's profit and net assets by $614,210 (2016: $583,497). A decrease of 1% in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

13 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of a counterparty failing to meet its financial obligations or contractual commitments resulting in a financial loss to the Company.

The maximum exposure to credit risk for derivatives is any unrealised profit and margins paid on the positions that the Company held at the reporting date. The credit risk exposure for cash, deposit holdings and debt securities is the carrying amount at the reporting date.

Transactions in listed securities are entered with approved brokers. The risk of default is considered low because payment is only made once a broker has received the securities and delivery of securities sold only occurs once the broker receives the payment.

The Manager regularly monitors the credit rating of the custodian.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The following tables summarise the contractual maturity of the Company's financial liabilities at the reporting date:

	Carrying amount $'000	**Contractual cash flow $'000**	**At call $'000**	**6 months or less $'000**
30 June 2017				
Non-derivative financial liabilities				
Current tax payable	**5,680**	**5,680**	**-**	**5,680**
Payables	**5,735**	**5,735**	**-**	**5,735**
Total	**11,415**	**11,415**	**-**	**11,415**

	Carrying amount $'000	Contractual cash flow $'000	At call $'000	6 months or less $'000
30 June 2016				
Non-derivative financial liabilities				
Current tax payable	1,262	1,262	-	1,262
Payables	2,838	2,838	-	2,838
Total	4,100	4,100	-	4,100

The Company has sufficient liquidity to meet these liabilities as the majority of its investment portfolio is considered readily realisable.

Notes to and forming part of the financial statements for the year ended 30 June 2017

13 Financial risk management (continued)

(d) Fair value measurement

The Company classifies fair value measurement of its financial assets and liabilities using a fair value hierarchy model that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table analyses within the fair value hierarchy model, the Company's financial assets and liabilities measured at fair value at the reporting date:

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
30 June 2017				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	**227,151**	**-**	**-**	**227,151**
Total	**227,151**	**-**	**-**	**227,151**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2016				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	199,798	-	-	199,798
Total	199,798	-	-	199,798

Rationale for classification of financial asset and liabilities as level 1

All listed equities held by the Company are valued using unadjusted quoted prices in active markets and are classified as level 1 in the fair value hierarchy model.

Transfers between levels

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period.

There were no transfers between levels for the years ended 30 June 2017 and 30 June 2016.

14 Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions.

(a) Total Directors' remuneration paid and payable for the year ended 30 June 2017 was $170,000 (2016: $170,000). Details of remuneration are disclosed in the Directors' report.

(b) Directors' interests in the Company held directly or indirectly are disclosed in the Directors' report.

(c) Geoff Lloyd (Executive Director) is not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. Geoff is the Chief Executive Officer and Managing Director of Perpetual Limited, the parent company of the Manager.

(d) Peter Scott (Chairman and Non-executive Director) was not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. Peter was the Chairman and Director of Perpetual Limited, the parent company of the Manager up to 31 May 2017.

15 Segment information

The Company is organised into one main operating segment with only one key function, being the investment of funds predominantly in Australia together with opportunistic investments globally.

16 Commitments and contingencies

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2017 and 30 June 2016.

17 New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published, but are not yet mandatory and have not been early adopted by the Company for the reporting period ended 30 June 2017. The assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective for period beginning 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has also introduced revised rules around hedge accounting and impairment. The standard is available for early adoption.

Management does not expect this standard to have a significant impact on the recognition and measurement of the Company's financial instruments because they are carried at fair value through profit or loss and the Company does not adopt hedge accounting.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective for period beginning 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

17 New accounting standards and interpretations not yet adopted (continued)

The Company's main sources of income are interest, dividends/distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, management does not expect the adoption of the new revenue recognition rules to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

(iii) AASB 16 *Leases* (effective for period beginning 1 January 2019)

AASB 16 removes the lease classification test for leases and requires all leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for leases.

The Company does not have any lease agreements, therefore the new lease standard is not expected to have any significant impact to the financial statements.

18 Events occurring after the reporting period

Since the end of the financial year, the Directors have declared a fully franked final dividend payment of 2.5 cents per share payable on 8 September 2017 (refer to note 7).

No other significant events have occurred since the reporting date which would have an impact on the financial position of the Company disclosed in the statement of financial position as at 30 June 2017 or on the results and cash flows of the Company for the year ended on that date.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Perpetual Equity Investment Company Limited (the "Company"):

   (a) the financial statements and notes, set out on pages 18 to 39, and the Remuneration Report within the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

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

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

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

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the persons performing the functions of the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

Nancy Fox

Chairman

Director

Sydney
21 August 2017

Independent Auditor's Report

To the shareholders of Perpetual Equity Investment Company Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Perpetual Equity Investment Company Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2017
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period. One key audit matter has been identified in the audit of the Company.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of the financial assets held at fair value through profit or loss ($227,2m)

Refer to Note 9 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Financial assets held at fair value through profit or loss are comprised of listed equities. Valuation of investments in listed equities is a key audit matter due to: - these assets represent 78% of the Company's total assets; and - the importance of the performance of these assets in driving the Company's investment income and capital performance, as reported in the financial report. As a result, valuation of these investments was a focus of our audit team.	Our procedures included: - Read the Company's custodian's GS007 (Guidance Statement 007 Audit Implications of the User of Service Organisations for Investment Management Services) assurance report to assess the custodian's processes to record and value the Company's investments; - Checked the valuation of the investments, as recorded in the general ledger, to externally quoted prices. - Checked the ownership of the investments to custody reports to test existence of investments being valued.

Other Information

Other Information is financial and non-financial information in Perpetual Equity Investment Company Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*.
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Equity Investment Company Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 13 to 16 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Martin McGrath

Partner

Sydney

21 August 2017

SHAREHOLDER INFORMATION

The 2017 Annual General Meeting of the Company will be held at the Company's registered office, Level 18, 123 Pitt Street, Sydney on 2 November 2017 commencing at 2:00 pm.

The ordinary shares of Perpetual Equity Investment Company Limited are listed on the Australian Securities Exchange under the ASX code PIC with Sydney being the home exchange.

Twenty largest shareholders

The names of the twenty largest holders of ordinary shares as at 31 July 2017 are listed below:

	Number of ordinary shares	**%**
Navigator Australia Limited	**10,087,322**	**3.98**
RBC Investor Services Australia Nominees Pty Ltd	**8,173,459**	**3.23**
Nulis Nominees (Australia) Limited	**7,254,778**	**2.86**
National Nominees Limited	**4,720,000**	**1.86**
Netwealth Investments Limited (Wrap Services A/C)	**4,609,689**	**1.82**
Mrs Anne Marie Thornton & Mr Brian Edmond Thornton	**2,769,913**	**1.09**
Mr Victor John Plummer	**2,500,000**	**0.99**
D E C Investments Pty Limited	**1,202,596**	**0.47**
Boksburg Nominees Pty Ltd	**1,167,932**	**0.46**
Netwealth Investments Limited (Super Services A/C)	**1,161,587**	**0.46**
Noilly Pty Ltd	**1,000,000**	**0.39**
Australian Executor Trustees Limited	**992,900**	**0.39**
Magnet Investments Pty Ltd	**838,301**	**0.33**
Lawvan Pty Ltd	**800,000**	**0.32**
Megfam Investment Company Pty Ltd	**600,000**	**0.24**
Proism Pty Ltd	**585,000**	**0.23**
Yalambie Pty Ltd	**578,750**	**0.23**
Daijon Nominees Pty Ltd	**529,405**	**0.21**
Dance Investment Portfolio Pty Ltd	**518,360**	**0.20**
Ahrens Group Pty Ltd	**500,000**	**0.20**
Air Brake Corporation of Australia PL	**500,000**	**0.20**
Gumala Investments Pty Ltd	**500,000**	**0.20**
Keiser Shipping & Transport Pty Ltd	**500,000**	**0.20**
MSAD Super Pty Ltd	**500,000**	**0.20**
Amy Jane Somes	**500,000**	**0.20**
Ms Fiona Williams	**500,000**	**0.20**

Substantial shareholders

No substantial shareholder appeared in the Company's Register of Substantial Shareholders maintained in accordance with section 671B of the *Corporations Act 2001* as at 31 July 2017.

Shareholder Information (continued)

Distribution of securities

Schedule of holdings As at 31 July 2017	Number of shareholders	Number of ordinary shares
1 - 1,000 shares	**107**	**47,044**
1,001 - 5,000 shares	**1,025**	**3,660,788**
5,001 - 10,000 shares	**1,332**	**11,055,398**
10,001 - 100,000 shares	**3,955**	**134,157,429**
100,001 shares and over	**321**	**104,445,561**
Total	**6,740**	**253,366,220**

The number of shareholders holding less than a marketable parcel is 45 and they hold 2,239 securities.

Other information

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

Voting rights

Each share will confer on its holder the right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on shares (at present there are none).

On-market buy back

There is no current on-market buy back.

Final dividend

The final dividend of 2.5 cents per share will be paid on 8 September 2017 to shareholders entitled to receive dividends and registered on 24 August 2017 being the record date.

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DIRECTORY

COMPANY
Perpetual Equity Investment Company Limited
ACN 601 406 419

DIRECTORS
Nancy Fox - Chairman (from 1 July 2017)
Peter Scott - Chairman (to 30 June 2017)
Virginia Malley
John Edstein
Christine Feldmanis
Geoff Lloyd

COMPANY SECRETARY
Sylvie Dimarco

MANAGER
Perpetual Investment Management Limited
Level 18, 123 Pitt Street
Sydney NSW 2000
(AFSL 234426)

REGISTERED OFFICE
Level 18, 123 Pitt Street
Sydney NSW 2000

AUDITOR
KPMG
International Towers Sydney 3
300 Barangaroo Avenue
Sydney NSW 2000

AUSTRALIAN SECURITIES EXCHANGE CODE
Shares: PIC

REGISTRY
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

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Perpetual

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