PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

ANNUAL REPORT 30 JUNE 2016

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CHAIRMAN'S REPORT
AUGUST 2016

Dear Fellow Shareholders,

Firstly I would like to welcome all new shareholders to the Company, and to thank existing shareholders for your continued support of Perpetual Equity Investment Company Limited ('the Company').

HIGHLIGHTS

I am pleased to report the following highlights for the financial year ending 30 June 2016:

- The portfolio, as measured by the growth of the net assets per share, delivered **a return of 3.1%** in the 12 months to 30 June 2016, outperforming the benchmark by 2.2%.[1]
- **Net profit after tax was $7.6 million.** This represents an increase of 106% compared to net profit after tax for the period ending 30 June 2015.
- The Company has **declared a fully franked final dividend of 2.0 cents per share**. This brings the total dividends declared for the 2016 financial year to 2.8 cents per share and represents a significant increase from our dividend of 0.5 cent per share declared in the 2015 financial year.
- **The Net Tangible Assets (NTA) per ordinary security was $1.014** as at 30 June 2016.[2]
- In the second half of financial year 2016 the portfolio was fully invested[3], this has improved our capacity to deliver a growing dividend.

YEAR IN REVIEW

During the year, equity markets globally were volatile. As macroeconomic risks still exist – the UK and EU negotiations, US elections and potentially slower Chinese growth – it is likely that further volatility will continue. Furthermore, economic growth in Australia is lacklustre and interest rates are forecast to stay at record lows in the near future.

In such an uncertain environment, the Company remains committed to investing your capital in accordance with our disciplined investment philosophy. If recent volatility has a silver lining, it has reinforced the value of companies we have in the portfolio, those with sound management, recurring earnings, conservative debt and sustainable long-term businesses.

While short-term volatility can be uncomfortable, it can provide opportunities to purchase assets at prices below their true value. I suggest you read the Portfolio Manager's Report for a detailed illustration of how the Manager is implementing its investment philosophy.

MANAGER'S PERFORMANCE

One year ago the Manager had invested 36% of the portfolio. By contrast as at 30 June 2016, the Company held a high quality portfolio of 20 Australian and global listed securities and the Company's portfolio is invested in the following asset classes:

- 55% in Australian listed securities
- 23% in global listed securities
- 22% in cash.

The investment portfolio delivered a return of 3.1% in the 12 months to 30 June 2016. The portfolio outperformed the benchmark by 2.2%.[1] Since inception, 18 December 2014, the Manager delivered a return of 3.3% per annum, underperforming the benchmark by 2.0%. The Manager is comfortable with the construction of the portfolio and the quality of the assets in the portfolio. The Manager continues to exercise its disciplined investment process and further information can be found in the Portfolio Manager's Report.

DIVIDEND DETAILS

The Board has an objective to pay a regular and growing dividend and remains 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.

Important dates for this dividend payment are as follows:

- Ex-dividend date 25 August 2016
- Record date 26 August 2016
- Payment date 12 September 2016.

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

The Company takes an active approach to shareholder communication and I would suggest that you visit the Company's website at www.perpetualequity.com.au to view the daily Net Tangible Asset statements, monthly investment updates, share price information and more.
I am pleased to report that the website has been recently optimised for viewing on all devices, including tablet and mobile.

We recently launched a monthly email newsletter which I encourage you to subscribe to, if you have not already, as it is a great way to receive relevant information direct to your email inbox. You can find further information on how to subscribe on the website.

The Board values the opportunity to meet shareholders, and I invite you to attend our second Annual General Meeting on 3 November 2016 at Perpetual's Sydney office (Level 18, 123 Pitt Street, Sydney NSW 2000) at 2:00pm. Further information will be posted to the website soon.

Thank you for your support.

Yours sincerely,

Peter Scott
Chairman

1 Returns shown for the Company have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees and any income tax on realised gains) and assuming reinvestment of dividends. Any 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/ASX 300 Accumulation Index.

2 All figures are unaudited and approximate.

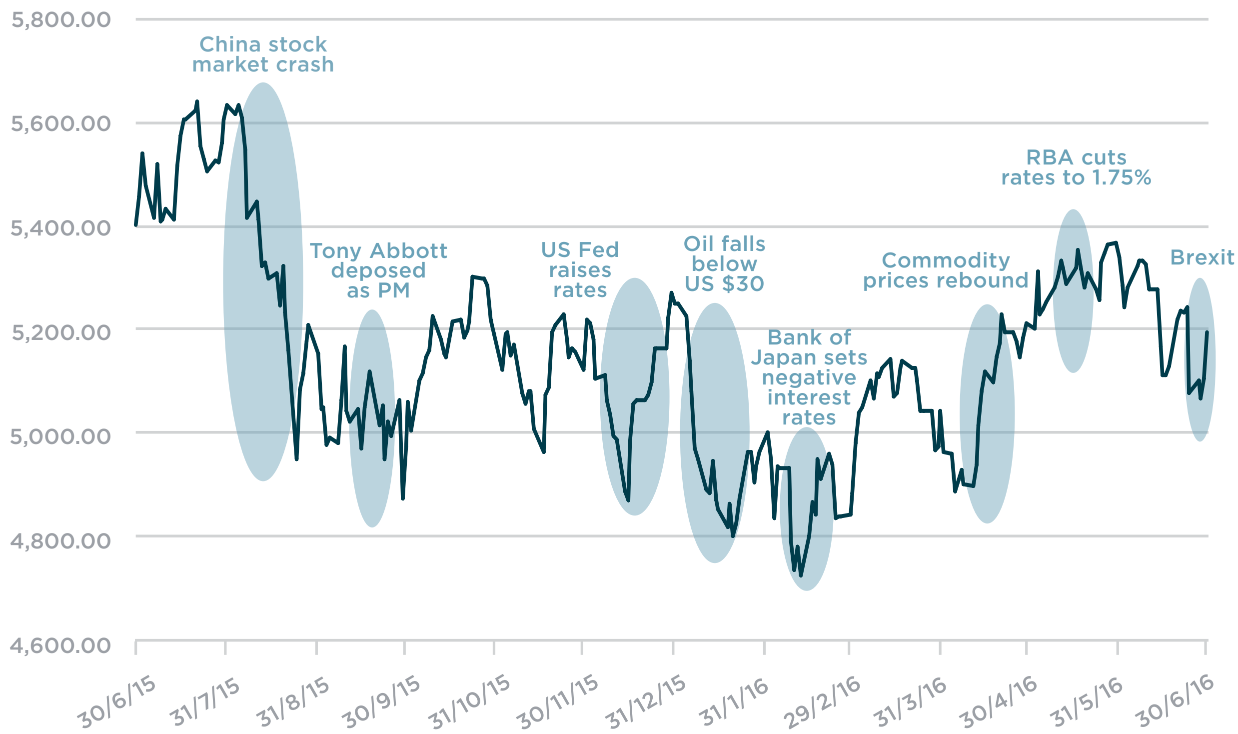
3 Under the Company's investment guidelines the Manager may hold up to 25% of the portfolio in cash.

PORTFOLIO MANAGER'S REPORT
AUGUST 2016

Reflecting on the past year I note that the Australian share market, as measured by the ASX300 Accumulation Index, ended the financial year only slightly higher than where it began. This does not however, tell the story of the year that we have experienced. Investors faced an exceptional number of global events resulting in uncertainty and heightened market volatility.

In December 2015, the US Federal Reserve raised interest rates for the first time since 2006. The Federal Reserve Chair Janet Yellen has remained cautious, but open about the pace and direction of future interest rate movements. Iron ore also came under pressure bottoming in December 2015 at $US38.39 per tonne. Weak commodity prices put miners, and those exposed to those industries at risk, which has been reflected in their weaker share prices. In June 2015, Chinese stocks (as measured by the Shanghai Composite Index) ended a 12-month 280% rally with a panic sell off, causing a global rout in share markets. The price of crude oil touched $US27 a barrel in January 2016, a thirteen year low. In June 2016, the surprise "Brexit" vote caused further market gyrations due to concerns about its impact on global growth and uncertainty around the European Union exit process. Finally, in August the ASX 300 had one of its worst months since the Global Financial Crisis. What does seem certain is that this period of heightened uncertainty and volatility is likely to continue.

S&P/ASX 300 ACCUMULATION INDEX
30 JUNE 2015 TO 30 JUNE 2016



Source: Factset, Perpetual

The performance of the Perpetual Equity Investment Company Limited portfolio, as measured by the growth of the net assets per share, was 3.1% for the year ending 30 June 2016. This exceeded the benchmark return by 2.2%.

Perpetual Investment's investment approach focuses on buying high quality companies at prices below what we perceive as their fair value, given company fundamentals and the prevailing market conditions. We expect a company's share price will rise once the mispricing is recognised by the market. Intensive research is conducted by our investment team to determine both the quality and value of a company. Key to our investment process is the use of a quality filter to refine the universe of securities. Our quality filter has four components:

- **Sound management.** An assessment of the track record of a company's management is made looking to see that they are disciplined, deliver on promises and are overseen by an effective board.
- **Conservative debt.** We invest in companies that have a conservative debt to equity ratio.
- **Quality of business.** We undertake a qualitative assessment that focuses on the markets in which a company operates, its products and their positioning, and any issues such as social and environmental impacts which may affect the future share price of the company.
- **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 we focus on gaining an in-depth understanding of the underlying risks and opportunities for every company that we own in the portfolio. In this way we aim to minimise downside risk and protect the portfolio when markets are volatile. We have a long track record of outperforming the share market when it is down, which has been beneficial for our investors.

An ongoing theme in the market for some time has been the hunt for yield and "growth at any price". Over the long term, a high dividend yield is worthless if you are putting your capital at risk. Low interest rates have led investors to substitute the traditional sources of yield (cash, term deposits and bonds) with high dividend paying stocks – which we are referring to as the "HIPP" trade. Healthcare, Infrastructure, Property and Pizza stocks have rallied substantially with investors seemingly ignoring the stocks' valuations in their quest for higher income returns. We believe that buying a company based on what dividend the company is going to pay next year and ignoring the equity risk premium can be dangerous; when you pay high multiples to earnings or premiums to Net Tangible Assets (NTA) a lot has to go right to generate a return over the long term. A company can either reinvest its earnings back into the business for growth, or return the earnings to shareholders. The proportion of earnings paid out in dividends is subject to many factors such as current capital structure, future capital requirements and growth opportunities.

For these reasons, basing long term investment decisions on a one-year dividend expectation can be dangerous. By example, in February 2016 BHP announced they would be cutting their dividend payment by 74%. Despite this move being largely expected, the BHP share price fell 11 per cent in the three days following the announcement. Australian banks, long time investor favourites for their high dividend yields, have seen their share prices fall on the back of higher capital requirements and concerns over the security of dividends. The financial sector as a whole fell by 19.1% during the 2016 financial year.

Not owning the in favour "HIPP" stocks has detracted from our performance but we remain true to our value and quality investment approach. This means we will continue to invest your funds in well run, high quality but attractively-priced companies, rather than chase companies where expectations have risen so high that any little misstep will put your capital at risk. When the market is looking expensive we are patient and may hold higher levels of cash, knowing we will have the opportunity to buy excellent businesses at more rational valuations when the market corrects. This disciplined approach, together with our conservative attitude towards managing money, has enabled us to navigate many different market cycles with a proven record of success over the long-term.

The companies that made the largest contribution to performance for Perpetual Equity Investment Company Limited (PIC) in the 2016 financial year were BlueScope Steel Ltd (ASX code:BSL), Bapcor (ASX code:BAP, previously Burson Group) and Monash IVF (ASX code:MVF). All three stocks are still held in the portfolio. BlueScope has just announced its third profit upgrade in six months and the share price has rallied 153 per cent over the past 12 months. BlueScope Steel has been a corporate turnaround story. It was spun out of BHP Billiton in 2002 and produces steel and flat steel products (for example, Colorbond). The stock was unloved by the market due to industry headwinds, including competition from China, but this gave management the impetus to restructure and reduce costs, delivering strong cash flow at bottom-of-cycle margins.

Bapcor distributes auto parts to mechanics and service shops in Australia. The auto parts industry is consolidating and Bapcor has made some successful acquisitions, is growing its store numbers prudently and continues to experience solid growth in sales and profits. Bapcor has an excellent management team – which has demonstrated solid execution skills and this has been recognised by the market.

Monash IVF Group is a leader in the field of assisted reproductive services in Australia and Malaysia. Monash is conservatively geared, has strong recurring cash flows and competent management. It is a quality provider of assisted reproductive services and it has shown dedication to staying at the forefront of reproductive technologies. By positioning itself as a premium provider utilising leading industry technology, Monash is able to offer superior outcomes and service experiences to its customers and is benefitting from a growing market share.

One of the stocks that detracted value from the portfolio during the year is Woolworths (ASX code:WOW). Our investment is based on our belief that Woolworths is a corporate turnaround story. Woolworths has put in place a new Board, a new Chief Executive Officer and a new Chief Executive for Big W. The new management team is committed to delivering structural change across the business by divesting non-core businesses like Masters, which impeded cashflow and distracted management. We believe that Woolworths had lost focus on its core food and liquor business and the market punished them accordingly. Pleasingly, the new management team have implemented positive changes such as improving logistics for fresh food and empowering store managers. Store managers can once again send back poor quality stock – essential to be recognised as the local "fresh food" providers. We believe that a return to basics will deliver upside relative to where the stock is currently trading.

The Company's investment strategy allows up to 25% of the portfolio to be invested in global securities. This allocation has allowed us to buy securities in sectors that are more attractively priced than in Australia. For example we have held Bank of America rather than any of the four major domestic banks. Throughout the year we have also held companies that operate in industries that don't exist in Australia. An example of this is ICON Plc – a medical research testing company for large pharmaceutical companies. They have a growing market share and are benefiting from the increasing trend to outsource medical testing. We believe ICON has sound management, low levels of debt and strong cashflow. They are a healthcare company but are trading at more attractive valuations than Australian healthcare companies. We like their business model. Developing a new drug is a risky process, however using a mining analogy; ICON is "selling shovels to the miners", rather than digging for gold themselves.

As at the end of June 2016 the portfolio held 55% in Australian securities, 23% in global securities and 22% in cash. We remain cautious but we are confident that our in-depth, fundamental analysis will continue to identify quality companies for the portfolio and we are committed to delivering a growing income stream and long-term capital growth for shareholders.

Thank you for your continued support.

Vince Pezzullo
Portfolio Manager
Perpetual Investments

INVESTMENT PORTFOLIO

List of investments held at 30 June 2016	Market value $'000
Australian listed securities	
AMP Limited	5,898
Automotive Holdings Group Limited	7,074
Bapcor Limited	3,921
Bluescope Steel Limited	14,876
Caltex Australia Limited	12,155
Graincorp Limited Class A	14,623
Henderson Group PLC	8,659
Monash IVF Group Limited	1,092
SAI Global Limited	6,523
Sky Network Television Limited	15,436
Southern Cross Media Group Limited	2,244
Suncorp Group Limited	14,814
Super Retail Group Limited	2,850
Tegel Group Holdings Limited	3,566
Woolworths Limited	26,560
Total Australian listed securities	140,291
Global listed securities	
ANSYS, Inc.	7,313
Bank of America Corporation	14,558
Globus Medical, Inc. Class A	5,601
ICON PLC	14,104
Royal Philips NV	17,931
Total global listed securities	59,507
Cash and deposit products	
Cash at bank	58,350
Total cash and deposit products	58,350
Total	258,148

The total number of securities transactions entered during the year was 699.

The total brokerage paid during the year was $620,327 (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 2016 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:

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

Appointed Chairman and Director on 25 August 2014. Peter is the Chairman and a Non-executive Director of Perpetual Limited and Chairman of Perpetual Limited's Nomination Committee. He is a Non-executive Director of Transurban Limited. Peter is also an advisory board member of Igniting Change and a member of the Prime Minister's Community Business partnership. Peter was recently appointed as a member 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 Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and held a number of senior positions with Lend Lease.

Listed company directorships held during the past three financial years:

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

Virginia Malley, Non-executive Director
BA, MAppFin, Juris Doctor, GradDipEnvLaw, 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, a member of the board of The Nature Conservation Trust of New South Wales, and a member of the Clean Energy Regulator.

Virginia has 30 years of experience in the investment and banking sectors, including 15 years as a company director. Her areas of expertise are financial and environmental markets and governance, risk management and regulatory compliance. Virginia was formerly the Chief Risk Officer and member of the Clean Technology, Asia/Pacific, Private Equity and Global/Advisory Investment Committees at Macquarie Funds Management Group.

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

Appointed Director on 26 September 2014. John is the Chairperson 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.

Directors' report

Directors (continued)

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

Appointed Director on 26 September 2014. Christine is the Chairperson 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 Delta Electricity 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 the 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.

David Kiddie, Executive Director
BA (Hons)

Appointed Director on 12 May 2016. David is the Group Executive of Perpetual Investments (a division of Perpetual Limited) and a Director of Perpetual Investment Management Limited since February 2016.

With an investment management career spanning more than 30 years in Australia and overseas, David is a strategic investment management leader. He has managed investment teams and clients' portfolios across multiple geographies, is experienced across asset classes and investment market cycles and has a deep understanding of the Australian market. He was formerly Chief Executive Officer of BNP Paribas Investment Partners' Institutional Business, where he oversaw the development of the institutional franchise globally. Prior to BNP Paribas, David was Chief Investment Officer for the Multi-Asset, Equity and Fixed Income investment teams at AMP Capital.

Former Director

Michael Gordon, Executive Director
BBus, GAICD

Ceased directorship on 12 May 2016.

Company secretaries

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

Appointed Company Secretary on 25 August 2014. Joanne is currently also Company Secretary of Perpetual Limited and the Head of Perpetual's Legal, Compliance and Company Secretariat teams. Previously Joanne was Assistant Company Secretary of Macquarie Bank and Ord Minnett and was Company Secretary of National Bank of the Solomon Islands. She has also worked as a solicitor and legal adviser in New Zealand.

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 nine years of experience in company secretariat practice and administration.

Directors' report

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 2016:

	Board		Audit and Risk Committee		Nomination and Corporate Governance Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Current Directors						
Peter Scott	**5**	**4**	**-**	**-**	**-**	**-**
Virginia Malley	**5**	**5**	**4**	**4**	**3**	**3**
John Edstein	**5**	**5**	**4**	**4**	**3**	**3**
Christine Feldmanis	**5**	**5**	**4**	**4**	**3**	**3**
David Kiddie	**1**	**1**	**-**	**-**	**-**	**-**
Former Director						
Michael Gordon	**4**	**4**	**-**	**-**	**-**	**-**

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 years investment periods.

Review of operations

	30 June 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Profit before income tax	**8,588**	5,210
Income tax expense	**(975)**	(1,519)
Profit for the period attributable to equity holders	**7,613**	3,691

The Company's performance during the year, as measured by the growth of the pre-tax Net Tangible Asset (NTA) plus dividends, was 3.1% (2015: 2%). The Company outperformed its benchmark (the S&P/ASX 300 Accumulation Index) by 2.2% (2015: 5.4%). Since listing, the Company has returned 3.3% per annum.

Directors' report

Review of operations (continued)

As at 30 June 2016, seventy eight percent of the Company's portfolio was invested in equity securities with 55% in Australian securities and 23% in global securities. Twenty two percent of the portfolio was in cash. The Company achieved full deployment (at least 75% of capital invested in equity securities) during the year.

Perpetual Equity Investment Company Limited options expired on 10 June 2016. In total, 1,714,000 options were exercised.

The Manager's investment process continues to target companies with sound management, conservative debt levels, quality businesses and recurring earnings and trading at an attractive price. This 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.

Dividends

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

	Cents per share	Total amount $'000	Franked/ Unfranked	Date of payment
Declared and paid during the financial year 2016				
Final 2015 ordinary	**0.5**	**1,254**	**Franked**	**10 September 2015**
Interim 2016 ordinary	**0.8**	**2,009**	**Franked**	**21 March 2016**
Declared after the end of financial year 2016				
On 19 August 2016, the Directors declared the following dividend:				
Final 2016 ordinary	**2.0**	**5,047**	**Franked**	**12 September 2016**

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 2016 and will be recognised in subsequent financial reports.

The dividend reinvestment plan (DRP) issue price 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 review of operations.

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 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.

Directors' report

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.

Non-audit services

There were no fees paid to KPMG for non-audit services for the year ended 30 June 2016 (2015: $41,036 was paid in relation to the preparation of the Investigating Accountant's Report for inclusion in the Replacement Prospectus dated 14 October 2014).

Remuneration report

This report sets out the remuneration arrangements for all Key Management Personnel ("KMP"), being the Non-executive Directors and the Executive Director of Perpetual Equity Investment Company Limited for the year ended 30 June 2016.

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 KMP for the year ended 30 June 2016.

Name	Position	Term
Current 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
David Kiddie*	Executive Director	Commenced 12 May 2016
Former Director		
Michael Gordon	Executive Director	Ceased directorship 12 May 2016

* David Kiddie was appointed to the Perpetual Equity Investment Company Board, succeeding Michael Gordon.

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 is responsible for reviewing and approving the remuneration of the Board members. Remuneration paid to the Non-executive Directors aims to ensure we 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, David Kiddie, is not entitled to Directors' fees or any other form of remuneration from the Company for his services. He is a Director of Perpetual Investment Management Limited (the Manager) and the Group Executive of Perpetual Investments (a division of Perpetual Limited). His remuneration is governed by the remuneration policy of Perpetual Limited, the holding Company of the Manager.

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 2016 $	30 June 2015 $
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 from 1 July 2015 to 30 June 2016.

Name	Director fees $	Superannuation $	Total* $
Current Directors			
Peter Scott			
2016	**45,662**	**4,338**	**50,000**
2015	38,844	3,690	42,534
Virginia Malley			
2016	**32,877**	**7,123**	**40,000**
2015	27,968	6,060	34,028
John Edstein			
2016	**36,530**	**3,470**	**40,000**
2015	27,873	2,648	30,521
	-		
Christine Feldmanis		-	
2016	**36,530**	**3,470**	**40,000**
2015	27,873	2,648	30,521
David Kiddie**			
2016	**-**	**-**	**-**
Former Director			
Michael Gordon**			
2016	**-**	**-**	**-**
2015	-	-	-
Total 2016	**151,599**	**18,401**	**170,000**
Total 2015***	122,558	15,046	137,604

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

** David Kiddie and Michael Gordon are not entitled to Directors' fees or any other form of remuneration from the Company for their services. During the year they were remunerated by Perpetual Limited, the holding company of the Manager.

*** For the period from the appointment date to 30 June 2015.

(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) KMP shareholdings and optionholdings held directly or indirectly

Name	Instrument	Balance at 1 July 2015	Quantity Acquired during the year*	Other changes during the year**	Balance at 30 June 2016
Current Directors					
Peter Scott	Shares	100,000	106,879	-	206,879
	Options	100,000	-	(100,000)	-
Virginia Malley	Shares	40,000	27,163	-	67,163
	Options	40,000	-	(40,000)	-
John Edstein	Shares	50,000	268	-	50,268
	Options	50,000	-	(50,000)	-
Christine Feldmanis	Shares	100,000	1,421	-	101,421
	Options	100,000	-	(100,000)	-
David Kiddie	Shares	-	-	-	-
	Options	-	-	-	-
Former Director					
Michael Gordon	Shares	100,000	1,420	-	101,420
	Options	100,000	-	(100,000)	-

* Shares issued from dividend reinvestment plan and bought on the market.
** Options expired on 10 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:

Chairman

Director

Sydney
19 August 2016

LEAD AUDITOR'S INDEPENDENCE DECLARATION

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 for the financial year ended 30 June 2016 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

19 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30 June 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Investment income			
Dividends/distributions		**8,177**	3,089
Interest		**629**	227
Net gains/(losses) on financial instruments held at fair value through profit or loss	3	**4,081**	4,330
Net foreign exchange gains/(losses)		**(370)**	(188)
Other operating income		**6**	-
Total investment income		**12,523**	7,458
Expenses			
Management fees	4	**2,634**	1,360
Other expenses	4	**1,301**	888
Total expenses		**3,935**	2,248
Profit before income tax		**8,588**	5,210
Income tax expense	5	**(975)**	(1,519)
Profit after income tax		**7,613**	3,691
Other comprehensive income		**-**	-
Total comprehensive income for the year		**7,613**	3,691
Earnings per share			
Basic earnings per share - cents per share	6	**3.03**	1.47
Diluted earnings per share - cents per share	6	**3.03**	1.47

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 2016 $'000	30 June 2015 $'000
Assets			
Cash and cash equivalents	12	**58,350**	20,107
Financial assets held at fair value through profit or loss	9	**199,798**	231,173
Receivables	10	**301**	1,109
Deferred tax asset	5	**1,410**	1,001
Total assets		**259,859**	253,390
Liabilities			
Current tax payable		**1,262**	547
Payables	11	**2,838**	2,995
Total liabilities		**4,100**	3,542
Net assets		**255,759**	249,848
Equity			
Contributed equity	8	**247,718**	246,157
Retained earnings		**(1,635)**	692
Profit reserve		**9,676**	2,999
Total equity		**255,759**	249,848

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 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	**213**	**-**	**-**	**213**
Shares issued from options exercised	8	**1,348**	**-**	**-**	**1,348**
Dividends paid	7	**-**	**-**	**(3,263)**	**(3,263)**
Balance at 30 June 2016		**247,718**	**(1,635)**	**9,676**	**255,759**

	Notes	Contributed Equity $'000	Retained Earnings $'000	Profit Reserve $'000	Total $'000
Balance on date of incorporation (25 August 2014)		-	-	-	-
Total comprehensive income for the period		-	3,691	-	3,691
Transfers to profit reserve		-	(2,999)	2,999	-
Transactions with members in their capacity as shareholders:					
Shares issued under IPO	8	250,394	-	-	250,394
Transaction costs on the IPO, net of tax	8	(4,604)	-	-	(4,604)
Shares issued from options exercised	8	367	-	-	367
Balance at 30 June 2015		246,157	692	2,999	249,848

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

STATEMENT OF CASH FLOW

	Notes	30 June 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Cash flows from operating activities			
Dividends/distributions received		**9,043**	2,096
Interest received		**565**	208
Other income received		**258**	52
Management fees paid		**(2,836)**	(1,217)
Income tax paid		**(669)**	-
Other expenses paid		**(1,341)**	(813)
Net cash from operating activities	12	**5,020**	326
Cash flows from investing activities			
Proceeds from sale of investments		**323,038**	122,699
Payments for purchase of investments		**(288,113)**	(347,102)
Net cash from investing activities		**34,925**	(224,403)
Cash flows from financing activities			
Dividends paid - net of dividend reinvestment plan		**(3,050)**	-
Proceeds from issue of shares under IPO		**-**	250,394
Proceeds from exercise of options		**1,348**	367
Payments for transaction cost on the IPO		**-**	(6,577)
Net cash from financing activities		**(1,702)**	244,184
Net increase/(decrease) in cash and cash equivalents		**38,243**	20,107
Cash and cash equivalents held at the beginning of the year		**20,107**	-
Cash and cash equivalents at the end of the year	12	**58,350**	20,107

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

NOTES TO THE FINANCIAL STATEMENTS

Notes to and forming part of the financial statements for the year ended 30 June 2016

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 years 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 2016 was authorised for issue by the Directors on 19 August 2016.

2 Basis of preparation

The annual financial report is a general purpose financial report prepared in accordance with Australian Accounting Standards adopted by Australian Accounting Standard 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 ("IFRS") and interpretations as issued by the International Accounting Standards Board ("IASB").

Use of estimates and judgement

The preparation of the annual financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Functional and presentation currency

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

Notes to and forming part of the financial statements for the year ended 30 June 2016

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 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Net unrealised gains/(losses) on financial instruments designated at fair value through profit or loss	**(2,735)**	2,211
Net realised gains/(losses) on financial instruments held for trading	**(9)**	33
Net realised gains/(losses) on financial instruments designated at fair value through profit or loss	**6,825**	2,086
Net gains/(losses) on financial instruments held at fair value through profit or loss	**4,081**	4,330

(d) Other income

Other income (including Goods and Services Tax refund) is brought to account on an accrual 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 accrual 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 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Management fees	**2,634**	1,360
	2,634	1,360

The Manager was 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 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Directors' remuneration	**170**	138
Auditor's remuneration	**76**	74
ASX fees	**70**	392
Registry services	**125**	104
Custody administration fees	**64**	47
Brokerage	**591**	90
Others	**205**	43
Total other expenses	**1,301**	888

4 Expenses (continued)

(c) Auditor's remuneration

	30 June 2016 $	Period from 25 August 2014 to 30 June 2015 $
KPMG		
Audit and review of financial statements	**76,104**	73,700
Investigating accountant fees	**-**	41,036
Total remuneration for audit and audit related services	**76,104**	114,736

The investigating accountant fees were included in the transaction costs on the Initial Public Offering.

5 Income tax

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

(a) Income tax expense

	30 June 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Current tax		
Current income tax provision	**1,384**	547
Deferred tax		
Temporary differences	**(409)**	(1,001)
Transaction costs on the IPO - recognised in equity	**-**	1,973
Total income tax expense	**975**	1,519

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 substantially enacted at reporting date and, where applicable, any adjustment to tax payable in respect of previous periods. Deferred tax is explained in more detail in note 5(c).

5 Income tax (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	30 June 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
Profit before income tax	**8,588**	5,210
Prima facie income tax calculated at Company's tax rate of 30%	**2,576**	1,563
Increase/(decrease) tax payable		
Franking credits	**(1,350)**	(27)
Foreign income tax offsets	**(251)**	(17)
Income tax expense	**975**	1,519

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

	30 June 2016 $'000	30 June 2015 $'000
Net unrealised (gains)/losses	**158**	(663)
Audit fee	**15**	15
Transaction costs on the IPO - future tax deductions	**1,237**	1,649
Total deferred tax assets	**1,410**	1,001

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. 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.

6 Earnings per share

	30 June 2016	Period from 25 August 2014 to 30 June 2015
Basic earnings per share - cents per share	**3.03**	1.47
Diluted earnings per share - cents per share	**3.03**	1.47
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	**251,206,280**	250,672,927
	$	$
Earnings used in the calculation of basic and diluted earnings per share	**7,613,098**	3,691,575

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 for 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 through the exercise of outstanding options for the reporting period. In the calculation of diluted earnings per share for year ended 30 June 2016, options were not considered to have a dilutive effect because they have expired (2015: options were not considered to have a dilutive effect because the average market price of ordinary shares during the period did not exceed the exercise price of options).

7 Dividends

(a) Dividend paid

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

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
30 June 2016				
Final 2015 ordinary	**0.5**	**1,254**	**Franked**	**10 September 2015**
Interim 2016 ordinary	**0.8**	**2,009**	**Franked**	**21 March 2016**
Total	**1.3**	**3,263**		

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

30 June 2015

No dividend was paid in the reporting period from 25 August 2014 to 30 June 2015.

Notes to and forming part of the financial statements for the year ended 30 June 2016

7 Dividends (continued)

(b) Subsequent events

On 19 August 2016, the Directors declared the following dividend. The dividend has not been provided for and there are no tax consequences in respect of the year ended 30 June 2016.

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Final 2016 ordinary	**2.0**	**5,047**	**Franked**	**12 September 2016**

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 2016 and will be recognised in subsequent financial reports.

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

(c) Franking account

The balance of franking credits available for future years is $2,530,179 (2015: $585,848). The available amounts are based on the balance of the dividend franking account at 30 June 2016 adjusted 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.

The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends declared after reporting date, but not recognised as a liability, is to reduce it to $367,250 (2015: $48,503) (calculated based on the number of shares on issue 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 Contributed 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.

		Period from 1 July 2015 to 30 June 2016		Period from 25 August 2014 to 30 June 2015	
		Number of shares	**$'000**	Number of shares	$'000
Opening balance		**250,760,778**	**246,157**	1	-
Shares issued from dividend reinvestment plan		**233,384**	**213**	-	-
Shares issued under IPO	(i)	**-**	**-**	250,394,277	250,394
Less transaction costs on the IPO, net of tax	(ii)	**-**	**-**	-	(4,604)
Shares issued from options exercised		**1,347,500**	**1,348**	366,500	367
Shares on issue		**252,341,662**	**247,718**	250,760,778	246,157

(i) On 12 December 2014, the Company concluded its Initial Public Offering ("IPO") in accordance with the Replacement Prospectus dated 14 October 2014. The Company raised $250,394,277 by the issue of fully paid ordinary shares at an issue price of $1 and free attaching options exercisable at $1 each expiring on 10 June 2016.

(ii) Transaction costs associated with the IPO include joint lead manager fees, broker firm fees, legal and other expenses.

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.

8 Contributed equity (continued)

(b) Options

Options issued under the Initial Public Offering expired on 10 June 2016. The option holders had the right but not the obligation to subscribe for shares in the Company at $1.00 per share prior to the expiry date. Shares issued on exercise of options rank equally with other issued shares of the Company.

	Period from 1 July 2015 to 30 June 2016 Number of options	Period from 25 August 2014 to 30 June 2015 Number of options
Opening balance	**250,027,777**	-
Options issued under IPO	**-**	250,394,277
Options exercised	**(1,347,500)**	(366,500)
Options expired	**(248,680,277)**	-
Options on issue	**-**	250,027,777

(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.

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.

(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 rights 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 2016 $'000	Fair value 30 June 2015 $'000
Designated at fair value through profit or loss		
Listed equities	**199,798**	91,173
Unlisted unit trusts	**-**	140,000
Total financial assets held at fair value through profit or loss	**199,798**	231,173

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. Unlisted unit trusts are valued at the redemption value as reported by the investment manager of such trusts.

(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 technique that provides 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 base, or realise the asset and settle the liability simultaneously.

10 Receivables

	30 June 2016 $'000	30 June 2015 $'000
Dividends/distributions receivable	**127**	993
Interest receivable	**83**	19
GST receivable	**79**	75
Withholding tax receivable	**12**	22
Total receivables	**301**	1,109

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 2016 $'000	30 June 2015 $'000
Payables for securities purchased	**2,467**	2,628
Management fees	**233**	242
Directors' remuneration	**42**	42
Other payables	**96**	83
Total payables	**2,838**	2,995

Payables and trade creditors 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 2016

12 Notes to the statement of cash flow

	30 June 2016 $'000	Period from 25 August 2014 to 30 June 2015 $'000
(a) Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities		
Profit after income tax	**7,613**	3,691
(Increase)/decrease in dividends/distributions receivable	**866**	(993)
(Increase)/decrease in interest receivable	**(64)**	(19)
(Increase)/decrease in other receivables	**6**	(97)
(Increase)/decrease in deferred tax asset	**(409)**	972
Increase/(decrease) in current tax payable	**715**	547
Increase/(decrease) in payables	**4**	367
Net (gains)/losses on financial instruments held at fair value through profit or loss	**(4,081)**	(4,330)
Net foreign exchange (gains)/losses	**370**	188
Net cash inflow/(outflow) from operating activities	**5,020**	326

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.

This note was previously presented as a reconciliation of profit before income tax to net cash flow from operating activities. The profit before income tax of $ 5,210,000 was replaced with profit after income tax of $3,691,000. The difference is reflected in the current tax payable and deferred tax provision items which were not previously included in the note. There is no change to the amount of net cash flow from operating activities. The updated presentation is more appropriate as the Company is a tax paying entity.

(b) Non-cash financing activities

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

(c) Components of cash and cash equivalents

Cash at the end of the year as shown in the Statement of Cash Flow is reconciled to the Statement of Financial Position as follows:

Cash at bank	**58,350**	20,107
Total cash and cash equivalents	**58,350**	20,107

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 investing activities are exposed to a variety of financial risks. These risks include market risk (including currency risk, interest rate risk and price 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 foreign exchange rates, interest rates, equity prices 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) Currency risk

The Company invests in global listed securities and enters into transactions that are denominated in currencies other than its functional currency. Consequently, 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.

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.

Notes to and forming part of the financial statements for the year ended 30 June 2016

13 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	Net currency exposure	
	30 June 2016 $'000	30 June 2015 $'000
Australian Dollar	**196,240**	211,445
United States Dollar	**41,575**	26,167
Euro	**17,944**	12,236
	255,759	249,848

Currency risk sensitivity analysis

The following table sets out the impact on the Company's profit and net assets from possible currency movements:

	Sensitivity rates %	**Strengthened 30 June 2016 $'000**	**Weakened 30 June 2016 $'000**	Strengthened 30 June 2015 $'000	Weakened 30 June 2015 $'000
United States Dollar	**10**	**(4,158)**	**4,158**	(2,617)	2,617
Euro	**8**	**(1,435)**	**1,435**	(979)	979

The sensitivity analysis is based on the assumption that the Australian dollar 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.

13 Financial risk management (continued)

(a) Market risk (continued)

(ii) 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:

	Floating interest rate $'000	**Fixed interest rate $'000**	**Total $'000**
30 June 2016			
Financial Assets			
Cash and cash equivalents	**58,350**	**-**	**58,350**

	Floating interest rate $'000	Fixed interest rate $'000	Total $'000
30 June 2015			
Financial Assets			
Cash and cash equivalents	20,107	-	20,107
Cash management trust	140,000	-	140,000

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 $583,497 (2015: $1,601,072). 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)

(a) Market risk (continued)

(iii) Price risk

Market prices fluctuate due to a range of factors specific to the individual investments 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). The additional general control that applies to the Company's investment portfolio is the maximum holding in any individual security is not to exceed 15% of the portfolio net asset value. The Company's investment strategy also allows the flexibility to invest up to 25% of its investment portfolio in cash and deposit products to manage the downward risk.

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 $29,969,772 (2015: $13,675,915). A decrease of 15% in market prices would have an equal but opposite effect. This analysis assumes that all variables remain constant.

The sensitivity of the Company's profit and net asset to price risk is estimated using the historical average return 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.

(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.

13 Financial risk management (continued)

(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 table summarises 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 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**

	Carrying amount $'000	Contractual cash flow $'000	At call $'000	6 months or less $'000
30 June 2015				
Non-derivative financial liabilities				
Current tax payable	547	547	-	547
Payables	2,995	2,995	-	2,995
Total	3,542	3,542	-	3,542

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

(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).

13 Financial risk management (continued)

(d) Fair value measurement (continued)

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 2016				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	**199,798**	**-**	**-**	**199,798**
Total	**199,798**	**-**	**-**	**199,798**

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2015				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	91,173	-	-	91,173
Unlisted unit trusts	140,000	-	-	140,000
Total	231,173	-	-	231,173

Rationale for classification of financial asset and liabilities as level 1

All of the listed equities and unlisted unit trusts 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 as at the end of the reporting period.

There were no transfers between levels for the years ended 30 June 2016 and 30 June 2015.

14 Related party transactions

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

(a) Total Directors' remuneration paid and payable as at 30 June 2016 is $170,000 (2015: $137,604). 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) David Kiddie (Executive Director) is not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. David is an employee of Perpetual Limited, the holding company of the Manager. Details of the Board positions he holds are disclosed in the Directors' report.

(d) Peter Scott (Chairman and Non-executive Director) is not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. Peter is the Chairman and Director of Perpetual Limited, the holding company of the Manager.

15 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding control, and the relevant activities are directed by means of contractual arrangements.

The Company considers all investments in unlisted unit trusts (including cash management trust) to be structured entities.

As at 30 June 2016, the Company did not have any exposure to structured entities.

As at 30 June 2015, the Company was exposed to structured entities through its investment in the Perpetual Institutional Cash Management Trust. The Company invested in the Perpetual Institutional Cash Management Trust for earning investment income during the capital deployment period. The Company's maximum exposure to loss was limited to its carrying value of $140 million at the reporting date. The Company's exposure to any risk from the structured entity ceased when its investment in the entity was disposed of.

The cash management trust was managed in accordance with the investment strategy by the respective investment managers. The investment decisions of the cash management trust were based on the analysis conducted by the investment manager. The return of the cash management trust was exposed to the variability of the performance of the investment strategy. The cash management trust financed its operations by issuing redeemable units which were puttable at the holder's option.

The Responsible Entity of Perpetual Institutional Cash Management Trust is Perpetual Investment Management Limited, the Manager. The structured entity did not charge any management fees and all transactions were conducted on an arms' length basis.

16 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.

17 Commitments and contingencies

There were no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

18 New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Company. 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 from 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 the adoption of AASB 9 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.

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

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 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.

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.

19 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 cents per share payable on 12 September 2016 (refer to note 7).

No other significant events have occurred since the reporting date which would impact on the financial position of the Company disclosed in the statement of financial position as at 30 June 2016 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 41, 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 2016 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 2016.

Signed in accordance with a resolution of the Directors.

Chairman

Director

Sydney
19 August 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

KPMG

Independent auditor's report to the members of Perpetual Equity Investment Company Limited

Report on the financial report

We have audited the accompanying financial report of Perpetual Equity Investment Company Limited (the Company), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Perpetual Equity Investment Company Limited is 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 2016 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 disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Perpetual Equity Investment Company Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Martin McGrath
Partner

Sydney

19 August 2016

SHAREHOLDER INFORMATION

The 2016 Annual General Meeting of the Company will be held at the Company's registered office, Level 18, 123 Pitt Street, Sydney on 3 November 2016 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 29 July 2016 are listed below:

	Number of ordinary shares	**%**
Navigator Australia Limited*	**12,916,053**	**5.12**
Nulis Nominees (Australia) Limited*	**7,222,596**	**2.86**
National Nominees Limited	**5,378,000**	**2.13**
Mrs Anne Marie Thornton & Mr Brian Edmond Thornton	**3,673,961**	**1.46**
Mr Victor John Plummer	**3,000,000**	**1.19**
Netwealth Investments Limited (Wrap Services A/C)	**2,627,103**	**1.04**
Australian Executor Trustees Limited	**2,579,251**	**1.02**
HSBC Custody Nominees (Australia) Limited	**1,243,756**	**0.49**
D E C Investments Pty Limited	**1,202,596**	**0.48**
Boksburg Nominees Pty Ltd	**1,087,932**	**0.43**
RBC Investor Services Australia Pty Ltd	**1,023,119**	**0.41**
Noilly Pty Ltd	**1,000,000**	**0.40**
Magnet Investments Pty Ltd	**838,301**	**0.33**
Lawvan Pty Ltd	**800,000**	**0.32**
Bond Street Custodians Limited (DCOL12 - RT0157 A/C)	**700,000**	**0.28**
Samlar Pty Ltd	**700,000**	**0.28**
SLO Concepts Pty Ltd	**600,000**	**0.24**
Bond Street Custodians Limited (DCOL12 - DD0200 A/C)	**600,000**	**0.24**
Proism Pty Ltd	**585,000**	**0.23**
HSBC Custody Nominees (Oasis Shadforth Street A/C)	**573,031**	**0.23**

* Held in capacity as trustee.

Shareholder Information

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 29 July 2016.

Distribution schedule of holdings - shares **As at 29 July 2016**	**Number of shareholders**	**Number of ordinary shares**
1 - 1,000 shares	**90**	**42,315**
1,001 - 5,000 shares	**1,148**	**4,097,099**
5,001 - 10,000 shares	**1,425**	**11,949,063**
10,001 - 100,000 shares	**3,846**	**130,615,936**
100,001 shares and over	**326**	**105,637,249**
Total	**6,835**	**252,341,662**

Number of shareholders with less than a marketable parcel: 44.

Other information

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

Consistency with business objectives

In accordance with ASX Listing Rule 4.10.19, the Company confirms that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission, in a way consistent with its business objectives, for the whole of the financial year ended 30 June 2016.

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 cents per share will be paid on 12 September 2016 to shareholders entitled to receive dividends and registered on 26 August 2016 being the record date.

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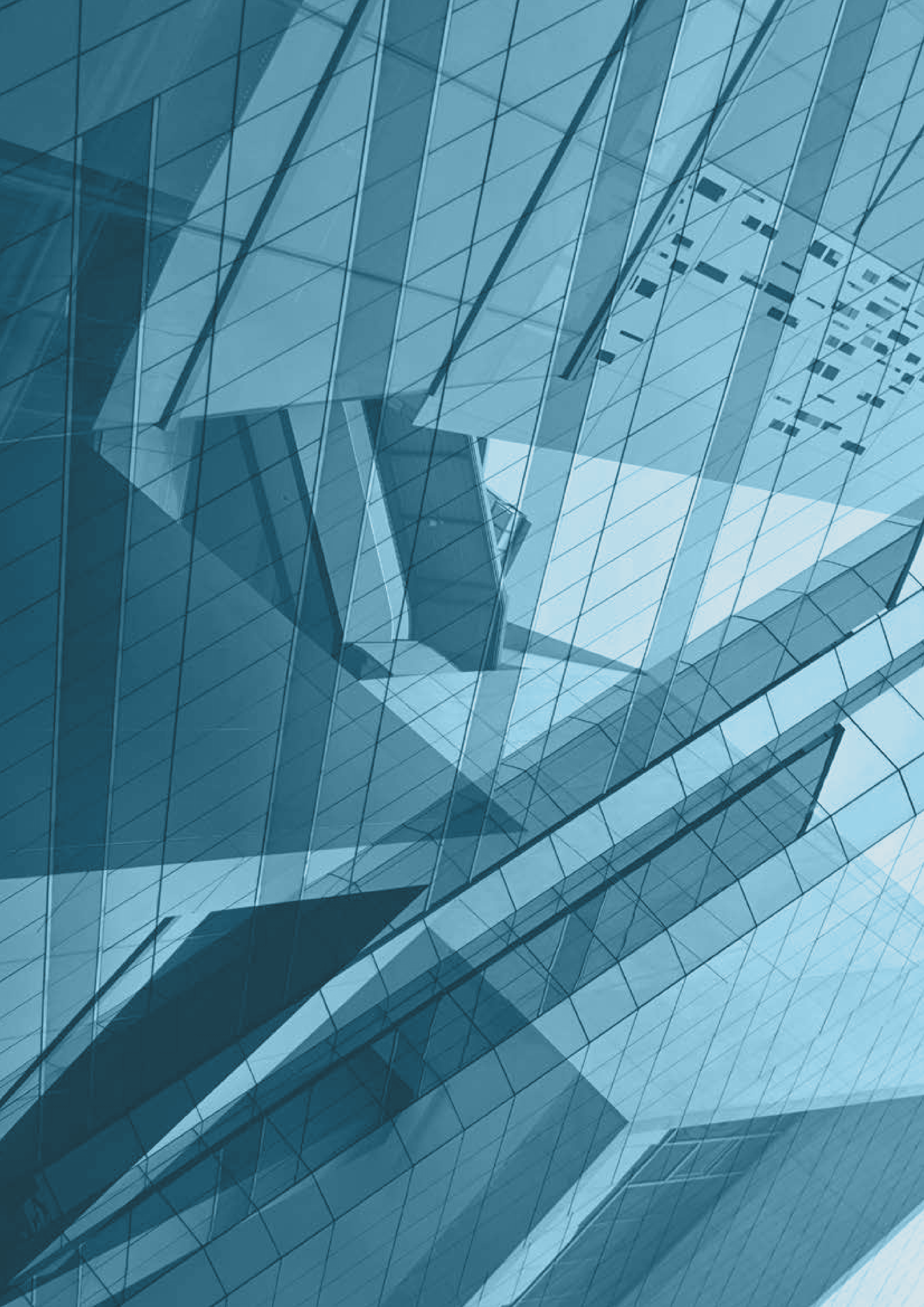

DIRECTORY

COMPANY
Perpetual Equity Investment Company Limited
ACN 601 406 419

DIRECTORS
Peter Scott - Chairman
Virginia Malley
John Edstein
Christine Feldmanis
David Kiddie

COMPANY SECRETARIES
Sylvie Dimarco
Joanne Hawkins

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 CODES
Shares: PIC
Options: PICO (to 10 June 2016)

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

WEBSITE
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