# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

## CONDENSED INTERIM FINANCIAL REPORT

FOR THE PERIOD FROM 1 JULY 2016 TO 31 DECEMBER 2016

Perpetual

# Perpetual Equity Investment Company Limited

ACN 601 406 419

# Condensed Interim Financial Report
# For the half-year ended 31 December 2016

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## Directors' Report

The Directors present their report together with the condensed interim financial report of Perpetual Equity Investment Company Limited ("the Company") for the half-year ended 31 December 2016 and the auditor's report thereon.

### Directors

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

| Current Directors | Position | Appointment date |
|---|---|---|
| Peter Scott | Chairman and Non-executive Director | 25 August 2014 |
| Virginia Malley | Non-executive Director | 25 August 2014 |
| John Edstein | Non-executive Director | 26 September 2014 |
| Christine Feldmanis | Non-executive Director | 26 September 2014 |
| Geoff Lloyd | Executive Director | 23 September 2016 |

| Former Director | Position | Resignation date |
|---|---|---|
| David Kiddie | Executive Director | 23 September 2016 |

### 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.

### Review of operations

| | **31 December 2016 $'000** | 31 December 2015 $'000 |
|---|---|---|
| Profit/(loss) before income tax | **31,538** | 17,342 |
| Income tax benefit/(expense) | **(8,805)** | (4,399) |
| Profit/(loss) for the half-year attributable to shareholders | **22,733** | 12,943 |

The Company's performance during the half-year, as measured by the growth of the pre-tax Net Tangible Asset (NTA) plus dividends, was 11.2% (2015: 6.7%). The Company outperformed its benchmark (the S&P/ASX 300 Accumulation Index) by 0.8% (2015: 7.1%).

As at 31 December 2016, eighty one percent of the Company's portfolio was invested in equity securities with 67% in Australian securities and 14% in global securities. Nineteen percent of the portfolio was in cash.

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

## Directors' Report (continued)

### Dividends

On 20 February 2017, the Directors declared a fully franked interim dividend payment of 2.2 cents per share (2015: 0.8 cents per share).

### Events subsequent to reporting date

The Directors are not aware of any other event or circumstance since the end of the half-year end 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.

### 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 4.

### Rounding of amounts to the nearest thousand dollars

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Amounts in the Directors' report and the condensed interim 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:

Peter Scott
Chairman

Geoff Lloyd
Director

Sydney
20 February 2017

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

## To the Directors of Perpetual Equity Investment Company

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

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

KPMG

KPMG

Martin McGrath

Partner

Sydney

20 February 2017

## Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

| | Notes | **31 December 2016 $'000** | 31 December 2015 $'000 |
|---|---|---|---|
| **Investment income** | | | |
| Dividends/distributions | | **2,747** | 3,884 |
| Interest | | **389** | 208 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | | **30,493** | 15,496 |
| Net foreign exchange gains/(losses) | | **12** | (259) |
| Other operating income | | **-** | 1 |
| **Total investment income** | | **33,641** | 19,330 |
| **Expenses** | | | |
| Management fees | 7 | **1,382** | 1,332 |
| Other expenses | | **721** | 656 |
| **Total expenses** | | **2,103** | 1,988 |
| **Profit/(loss) before income tax** | | **31,538** | 17,342 |
| **Income tax benefit/(expense)** | | **(8,805)** | (4,399) |
| **Profit/(loss) after income tax** | | **22,733** | 12,943 |
| **Other comprehensive income** | | **-** | - |
| **Total comprehensive income for the half-year** | | **22,733** | 12,943 |
| **Earnings per share** | | | |
| Basic earnings per share - cents per share | 3 | **9.00** | 5.16 |
| Diluted earnings per share - cents per share | 3 | **9.00** | 5.16 |

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

## Condensed Interim Statement of Financial Position

| | Notes | **31 December 2016 $'000** | 30 June 2016 $'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | **52,676** | 58,350 |
| Financial assets held at fair value through profit or loss | 6 | **227,880** | 199,798 |
| Receivables | | **500** | 301 |
| Deferred tax assets | | **-** | 1,410 |
| **Total assets** | | **281,056** | 259,859 |
| **Liabilities** | | | |
| Current tax payables | | **2,501** | 1,262 |
| Payables | | **358** | 2,838 |
| Deferred tax liabilities | | **4,369** | - |
| **Total liabilities** | | **7,228** | 4,100 |
| **Net assets** | | **273,828** | 255,759 |
| **Equity** | | | |
| Contributed equity | 5 | **248,101** | 247,718 |
| Retained earnings | | **11,456** | (1,635) |
| Profit reserve | | **14,271** | 9,676 |
| **Total equity** | | **273,828** | 255,759 |

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

## Condensed Interim 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 half-year | | **-** | **22,733** | **-** | **22,733** |
| Transfers to profit reserve | | **-** | **(9,642)** | **9,642** | **-** |
| Transactions with members in their capacity as shareholders: | | | | | |
| Shares issued from dividend reinvestment plan | 5 | **383** | **-** | **-** | **383** |
| Dividends paid | 4 | **-** | **-** | **(5,047)** | **(5,047)** |
| **Balance at 31 December 2016** | | **248,101** | **11,456** | **14,271** | **273,828** |

| | 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 half-year | | - | 12,943 | - | 12,943 |
| Transfers to profit reserve | | - | (6,792) | 6,792 | - |
| Transactions with members in their capacity as shareholders: | | | | | |
| Shares issued from dividend reinvestment plan | 5 | 71 | - | - | 71 |
| Shares issued from options exercised | 5 | 301 | - | - | 301 |
| Dividends paid | 4 | - | - | (1,254) | (1,254) |
| Balance at 31 December 2015 | | 246,529 | 6,843 | 8,537 | 261,909 |

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

## Condensed Interim Statement of Cash Flow

| | Notes | **31 December 2016 $'000** | 31 December 2015 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Dividends/distributions received | | **2,874** | 4,775 |
| Interest received | | **418** | 169 |
| Other income received | | **126** | 141 |
| Management fees paid | | **(1,467)** | (1,428) |
| Income tax paid | | **(1,787)** | (547) |
| Other expenses paid | | **(786)** | (678) |
| **Net cash from operating activities** | | **(622)** | 2,432 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of investments | | **135,872** | 199,683 |
| Payments for purchase of investments | | **(136,260)** | (181,910) |
| **Net cash from investing activities** | | **(388)** | 17,773 |
| **Cash flows from financing activities** | | | |
| Dividends paid - net of dividend reinvestment plan | | **(4,664)** | (1,183) |
| Proceeds from exercise of options | 5 | **-** | 301 |
| **Net cash from financing activities** | | **(4,664)** | (882) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(5,674)** | 19,323 |
| Cash and cash equivalents held at the beginning of the half-year | | **58,350** | 20,107 |
| **Cash and cash equivalents at the end of the half-year** | | **52,676** | 39,430 |

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

## 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 condensed interim financial report for the half-year ended 31 December 2016 was authorised for issue by the Directors on 20 February 2017.

## 2 Basis of preparation

The condensed interim financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting,* IAS 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the condensed interim financial report.

The condensed interim financial report does not include all notes normally included in a full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made in respect of Perpetual Equity Investment Company Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The accounting policies applied in the condensed interim financial report are consistent with those applied in the annual report for the year ended 30 June 2016.

*Use of estimates and judgement*

The preparation of the condensed interim 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 condensed interim financial report is presented in Australian dollars, which is the Company's functional currency.

## 3 Earnings per share

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| Basic earnings per share - cents per share | **9.00** | 5.16 |
| Diluted earnings per share - cents per share | **9.00** | 5.16 |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share | **252,587,082** | 250,984,174 |
| | **$** | $ |
| **Earnings used in the calculation of basic and diluted earnings per share** | **22,733,399** | 12,942,603 |

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 half-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 during the half-year. For the half-year ended 31 December 2016, diluted earnings per share equals basic earnings per share because there have been no subscriptions for ordinary shares other than those issued under the Dividend Reinvestment Plan (2015: options on issue were not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options).

## 4 Dividends

### (a) Dividends paid

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

| | **Cents per share** | **Total amount $'000** | **Franked/ unfranked** | **Date of payment** |
|---|---|---|---|---|
| **31 December 2016** | | | | |
| Final 2016 dividend | 2.0 | 5,047 | Franked | 12 September 2016 |

| | Cents per share | Total amount $'000 | Franked/ unfranked | Date of payment |
|---|---|---|---|---|
| 31 December 2015 | | | | |
| Final 2015 dividend | 0.5 | 1,254 | Franked | 10 September 2015 |

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

## 4 Dividends (continued)

### (b) Subsequent events

On 20 February 2017, the Directors declared the following dividend.

| | Cents per share | Total amount $'000 | Franked/ unfranked | Date of payment |
|---|---|---|---|---|
| Interim 2017 dividend | 2.2 | 5,560 | Franked | 17 March 2017 |

The interim 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 half-year ended 31 December 2016 and will be recognised in subsequent financial statements.

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 $2,500,211 (31 December 2015: $995,211). The available amounts are based on the balance of the dividend franking account at 31 December 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 to the dividend franking account for dividends declared after reporting date, but not recognised as a liability, is to reduce it to $117,154 (31 December 2015: $134,163) (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.

## 5 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.

## 5 Contributed equity (continued)

### (a) Share capital (continued)

| | **31 December 2016 Number of shares** | **31 December 2016 $'000** | 31 December 2015 Number of shares | 31 December 2015 $'000 |
|---|---|---|---|---|
| Opening balance | **252,341,662** | **247,718** | 250,760,778 | 246,157 |
| Shares issued from dividend reinvestment plan | **406,823** | **383** | 77,096 | 71 |
| Shares issued from options exercised | **-** | **-** | 301,000 | 301 |
| **Shares on issue** | **252,748,485** | **248,101** | 251,138,874 | 246,529 |

### (b) Options

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

| | **31 December 2016 Number of options** | 31 December 2015 Number of options |
|---|---|---|
| Opening balance | **-** | 250,027,777 |
| Options exercised | **-** | (301,000) |
| **Options on issue** | **-** | 249,726,777 |

### (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.

## 6 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.

| **31 December 2016** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | |
| Financial assets held for trading: | | | | |
| Options | **38** | **-** | **-** | **38** |
| Financial assets designated at fair value through profit or loss: | | | | |
| Listed equities | **227,842** | **-** | **-** | **227,842** |
| **Total** | **227,880** | **-** | **-** | **227,880** |

| 30 June 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| 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 assets and liabilities as level 1*

Listed equities and options 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 half-year ended 31 December 2016 and the year ended 30 June 2016.

## 7 Management agreement

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.

| **Fees paid and payable for the half-year** | **31 December 2016 $'000** | 31 December 2015 $'000 |
|---|---|---|
| Management fees | **1,382** | 1,332 |

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.

## 8 Related party transactions

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

There have been no significant changes to the related party transactions disclosed in the previous annual financial report, with the exception of the appointment of Geoff Lloyd to the Perpetual Equity Investment Company Board on 23 September 2016, succeeding David Kiddie.

Geoff Lloyd is the Chief Executive Officer and Managing Director of Perpetual Limited, the holding company of the Manager. He is remunerated by Perpetual Limited and is currently not entitled to Directors' fees or any other forms of remuneration from the Company for his services.

As at 31 December 2016, Geoff Lloyd did not hold any shares in the Company.

## 9 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.

## 10 Commitments and contingencies

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2016 and 30 June 2016.

## 11 New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published, but are not yet mandatory for the reporting period ended 31 December 2016, 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.

(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 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.

## 12 Events occurring after the reporting period

On 20 February 2017, the Directors declared a fully franked interim dividend payment of 2.2 cents per share payable on 17 March 2017.

No other significant events have occurred since the reporting date which would impact the financial position of the Company as at 31 December 2016 or the results and cash flows of the Company for the half-year ended on that date.

## Directors' Declaration

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

(a) the condensed interim financial statements and notes, set out on pages 5 to 15, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

  (ii) complying with AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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 half-year ended 31 December 2016.

Signed in accordance with a resolution of the Directors:

Peter Scott
Chairman

Geoff Lloyd
Director

Sydney
20 February 2017

# Independent Auditor's Review Report

## To the members of Perpetual Equity Investment Company Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Perpetual Equity Investment Company Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Company is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed interim statement of financial position as at 31 December 2016
- Condensed interim statement of profit and loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Perpetual Equity Investment Company Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

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

KPMG

KPMG

Martin McGrath

Partner

Sydney

20 February 2016

## DIRECTORY

**COMPANY**
Perpetual Equity Investment Company Limited
ACN 601 406 419

**DIRECTORS**
Peter Scott - Chairman
Virginia Malley
John Edstein
Christine Feldmanis
Geoff Lloyd

**COMPANY SECRETARIES**
Sylvie Dimarco
Joanne Hawkins

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

**REGISTERED OFFICE**
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Sydney NSW 2000

**AUDITOR**
KPMG
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300 Barangaroo Avenue
Sydney NSW 2000

**AUSTRALIAN SECURITIES EXCHANGE CODES**
Shares: PIC

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