

23 August 2023

ASX Announcement

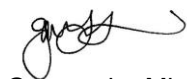
**Perpetual Equity Investment Company Limited
2023 Annual Financial Results**

Please find attached the following announcements for release to the market:

- FY23 Appendix 4E
- ✓ **2023 Annual Report to Shareholders**
- 2023 Corporate Governance Statement
- Appendix 4G
- FY23 Results Summary
- FY23 Results Presentation

This release has been authorised by the Board of Directors of Perpetual Equity Investment Company Limited.

Yours faithfully,



Gananatha Minithantri
Company Secretary

PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

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ANNUAL REPORT 30 JUNE 2023

ACN 601 406 419

Perpetual 

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

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Perpetual Equity Investment
Company Limited will hold its
Annual General Meeting and
Investment Manager Update at
3:00pm (Sydney time) on
Thursday 19 October 2023

For more details visit
www.perpetualequity.com.au

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FY23 HIGHLIGHTS

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Income for our shareholders

\$138.1 million or 41.8 cps

Dividends paid since inception

7.3 cps

Total FY23 fully franked dividend

6.3%¹

Annual dividend yield

9.0%¹

Grossed up dividend yield

\$112.9 million²

Profit reserve

3.7 years²

Dividend coverage

Investment portfolio performance

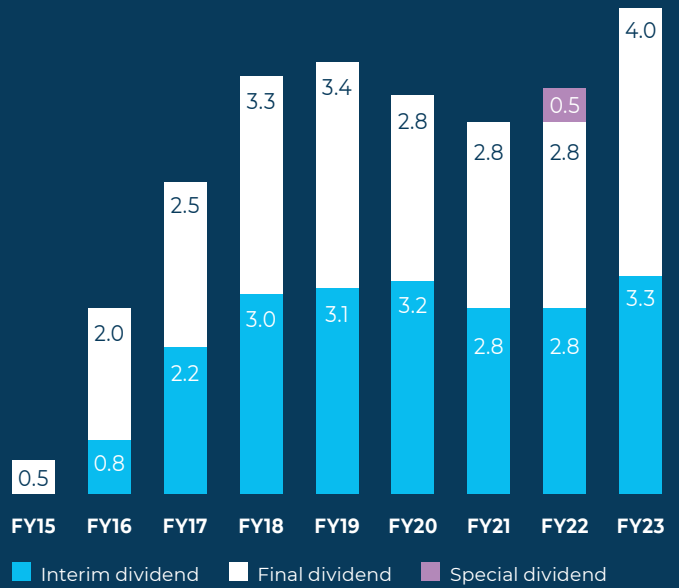
+16.2%³ for 12 months to 30 June 2023

+1.8% outperformance of benchmark

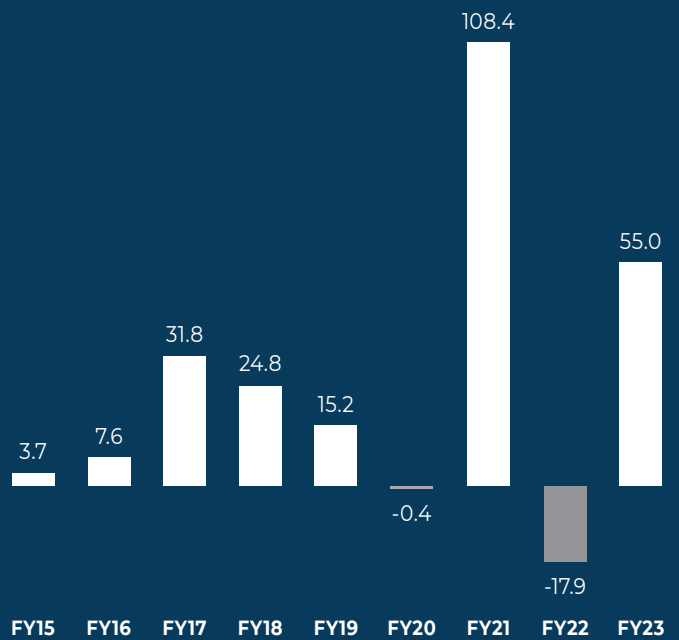
+9.7%³ p.a. over 5 years to 30 June 2023

+2.6% outperformance of benchmark

Fully franked dividends since inception in cents per share (cps)



Net profit after tax (\$ million)



1 Yield is calculated based on the total dividend of 7.3 cents per share and the closing share price of \$1.165 as at 30 June 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

2 Profit reserve of \$112.9 million as at 30 June 2023 after taking into account the estimated payment of the final dividend. This equates to 29.8 cents per share and provides for 3.7 years dividend coverage based on total dividend payments of 8.0 cents per share per annum. This does not take into account any changes to share capital. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company's Board

3 The benchmark is the S&P/ASX 300 Accumulation Index. Returns have been calculated on the growth of NTA after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends and excluding tax paid. Any provisions for deferred tax on unrealised gains and losses are excluded. Past performance is not indicative of future performance.

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am pleased to present the 2023 financial year (FY23) Annual Report for Perpetual Equity Investment Company Limited (the Company). Together with the Company's Board of Directors, Virginia Malley, Independent Non-Executive Director, John Edstein, Independent Non-Executive Director and Amanda Gillespie, Executive Director, I would like to welcome all the new shareholders that joined in FY23 and thank our long-term shareholders for their support.

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“In a volatile and uncertain market environment, we are pleased to again provide shareholders with a consistent income stream through a strong dividend payment for FY23.”

Nancy Fox AM
Chairman

Macroeconomic factors and actions of governments drove the direction of markets in FY23 with volatility in markets creating opportunity and risk for our Portfolio Manager, Vince Pezzullo and the team at Perpetual Investment Management Limited (the **Manager**).

The Manager demonstrated skill to deliver investment portfolio performance of 16.2%¹ for the 12 months to 30 June 2023, outperforming the benchmark by 1.8%.

This contributed to the Company's net operating profit after tax of \$55.0 million, which is a strong contrast to the FY22 net operating loss after tax of -\$17.9 million.

The strength of the Company's profit reserves and ability to pay a stream of fully franked dividends remains a priority for the Board and we are pleased to declare a fully franked final dividend for FY23 of 4.0 cents per share. This is an increase of 21.2% to the interim dividend for FY23 and the highest dividend since inception in 2014.

FY23 dividend and profit reserve

The Company's full year dividend for FY23 was 7.3 cents per share fully franked, equating to an annual cash dividend yield of 6.3%² and a grossed up dividend yield of 9.0%². We believe this is attractive for shareholders seeking a consistent income stream and reflects the strength of the Manager who generates profit and franking credits from dividends received from underlying companies and tax paid on realised gains and income.

The market volatility we have experienced since March 2020 and the challenging environment we believe to be ahead demonstrates the importance of prudent capital management and active investment management. The Company's profit reserve is \$112.9 million after the payment of the final dividend which provides for 3.7 years dividend coverage³. Having regard to a portion of the profit reserve being unrealised gains and subject to market volatility, we believe the size of the profit reserve strikes the right balance between returning capital to shareholders through an increased dividend whilst retaining capital to deliver a sustainable long-term income stream for shareholders.

Investment performance

The Manager is an active, value investment style manager, with a bottom-up investment process. It has consistently applied its investment process through the market's many ups and downs and due to the discipline and skill of the investment management team, has delivered long-term investment performance for shareholders. This includes investment portfolio outperformance of the benchmark over 1, 3, 5 and 7 years periods⁴. In line with the Company's investment objective, the investment portfolio has returned 9.7% p.a.¹ over 5 years, outperforming the benchmark by 2.6%.

1 The benchmark is the S&P/ASX 300 Accumulation Index. Returns have been calculated on the growth of NTA after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends and excluding tax paid. Any provisions for deferred tax on unrealised gains and losses are excluded. Past performance is not indicative of future performance.

2 Yield is calculated based on the total dividends of 7.3 cents per share and the closing share price of \$1.165 as at 30 June 2023. Grossed up yield takes into account franking credits at a tax rate of 30%.

3 Profit reserve of \$112.9 million as at 30 June 2023 after taking into account the estimated payment of the final dividend. This equates to 29.8 cents per share and represents 3.7 years dividend coverage based on a total dividend payment of 8.0 cents per share per annum. This does not take into account any changes to share capital. No representation is made in relation to the payment of future dividends, which will be at the discretion of the Company's Board.

4 Please see PIC's investment performance details: www.perpetualequity.com.au/tools-and-resources/research-reports

CHAIRMAN'S REPORT

CONTINUED

In December 2022, the Company had its 8 year anniversary of listing on the ASX. Since listing on the ASX, total investment portfolio performance (growth and dividend return based on pre-tax net tangible assets) was 87.4%, of which 57.8% was dividend return and 29.7% was growth return.

PIC has been structured to give the Manager a flexible investment universe to generate returns while aiming to effectively manage risk. 50 – 100% of the portfolio comprises Australian securities, up to 35% can be invested in global securities and up to 25% can be invested in cash. These investment guidelines are intended to increase the ability for the Manager to generate superior returns, mitigate potential market and security risk and provide for further diversification of the portfolio. For example, the allocation to global listed securities has fluctuated over the last couple of years based on what opportunities the Manager is seeing. While global securities comprised more than 25% in 2020, it has decreased recently given geopolitical tensions and economic risks around the world to 10.7% as at 30 June 2023.

As at 30 June 2023 the portfolio held 81.8% in Australian listed securities, 10.7% in global listed securities and 7.5% in cash.

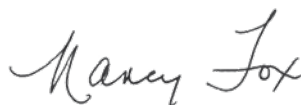
I encourage you to read the Portfolio Manager's Report for a more detailed update on how the portfolio is being managed in the current environment. The Company also publishes an estimate of the Net Tangible Assets (NTA) of the portfolio daily to the ASX to provide transparency of the portfolio's value.

Looking ahead

The Board is committed to the growth of the Company and this includes monitoring the capital position of the Company and where the share price is trading relative to the net tangible assets of the Company. In addition to investment performance and the payment of dividends being key drivers of this, we have also increased our marketing efforts and shareholder communications to generate further interest from both existing and new shareholders.

The non-executive Directors of the Board and the Portfolio Manager are all current shareholders in PIC, which we believe aligns with shareholders' interests. Thank you for trusting us to manage your investment in PIC and I look forward to updating you again soon, including at the Annual General Meeting (AGM) in October 2023. In the meantime, please visit our website, www.perpetualequity.com.au to access a range of information including Monthly Investment Updates, Portfolio Manager insights, dividend history and educational resources.

Yours sincerely,



Nancy Fox AM
Chairman

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PORTFOLIO MANAGER'S REPORT



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Dear Fellow Shareholders,

The 2023 financial year was one defined by rising interest rates and inflation, which were catalysts for fears and increased risks in many markets. Having navigated through FY23, the team at Perpetual Investment Management Limited and I are pleased that the PIC portfolio has delivered 16.2%¹ for the 12 months to 30 June 2023, outperforming the S&P/ASX 300 Accumulation Index (benchmark) by 1.8%.

Importantly, the Company's investment strategy is flexible and provides shareholders with the opportunity to gain exposure to Australian listed securities with typically a mid cap focus, as well as global listed securities. We remained disciplined in our investment process to identify quality companies (based on our criteria of quality of business, conservative debt, sound management and recurring earnings) that we consider are trading at prices below their intrinsic value. We believe equity markets are semi-efficient and that value can be added through fundamental research and active stock selection.

Our investment process has been applied over Perpetual's long history and across multiple market cycles. We continue to evolve our integration of environmental, social and governance (ESG) risks into our investment analysis and decision-making through the internal and external quantitative and qualitative research we conduct to assess ESG exposures at companies. We consider what ESG factors the company may be exposed to, if these factors present risks to investment, what the impact of its ESG factors are likely to have on the company's current and/or future financial performance and how they are being managed by the company. This drives our ESG stewardship activities where we may engage with our investee companies on how they consider ESG matters.

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

As the Portfolio Manager for PIC and the Head of Australian Equities for Perpetual Asset Management Australia, I am supported by a large team of 15 people including portfolio managers and equity analysts. The team has an average of 20 years industry experience and an average tenure at Perpetual of 8 years. We are further supported by a Responsible Investment Team and an experienced dealing and trading team. I am confident that together, we will be able to manage the risks ahead as well as identify the opportunities to generate returns for the PIC portfolio. I hope you find our reflections of FY23 insightful.

Market Overview

The S&P/ASX300 Accumulation Index (ASX300; benchmark) delivered a solid return of +14.4% over the year ended 30 June 2023. This came despite a succession of rate hikes by the Reserve Bank of Australia (RBA) as central banks around the world rushed to unwind stimulatory monetary settings and battled to contain rising rates of consumer price inflation. Amongst the larger sectors, Materials stocks (+21.5%) and Energy stocks (+16.9%) led the charge in a year defined by the rising inflation challenge whilst sectors we consider expensive like Consumer Staples (+5.8%) and Healthcare (+6.2%) underperformed as rising rates negatively impacted their valuations. The Information Technology sector rose the most however over the year, up +30.1%, highlighting the return of appetite for growth and momentum.

The start to the financial year was turbulent. The ASX300 had fallen -9.0% in June 2022 as the scale of the shift from policymakers resonated throughout markets. The RBA had slashed the official cash rate to just 0.10% in 2020 and embraced Quantitative Easing as COVID-19 raged. The RBA had also implied that rates would remain low until around 2024. The sudden reversal of this position in early 2022 was the catalyst for an outsized market reaction. Growth stocks briefly bounced back in July 2022 as the market embraced a

“bad news is good news” narrative driven by hope that imminent recession would necessitate a policy easing. This proved premature however and central banks had to make up for widespread fears that they were raising interest rates too little too late to contain inflation arising from the booming economy.

The RBA raised rates by 0.50% at four successive meetings in June, July, August and September 2022. Value stocks performed particularly strongly in the second half of 2022 as the market began to focus on fundamental valuations in a normalising interest rate environment instead of growth and momentum narratives nourished by years of policy stimulus. Early 2023 was a more nuanced environment though as markets rallied on the hope of central banks slowing down rate hikes, the market re-rating once again to higher levels in anticipation, and the prospect of a soft economic landing saving equities from a larger drawdown. The risks of a downturn in the economy and corporate earnings remains high. We continue to position our portfolio in good quality businesses trading at reasonable valuations which we think are well placed to weather any storm.

Portfolio composition²

The Company's investment objective is to provide shareholders with an income stream and long-term capital growth in excess of the benchmark over minimum 5 year periods. Investment portfolio performance was 16.2%¹ for the 12 months to 30 June 2023, compared to 14.4% for the benchmark. Over 5 years, the PIC portfolio has returned 9.7% p.a.¹, outperforming the benchmark by 2.6%.

Crucially, as an active manager, we are not fixated on one single valuation methodology or pre-set notion of investment opportunities. We are attracted to any quality business that meets our investment criteria which can include erstwhile growth companies, which are temporarily trading at discounted valuations.

² This is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. References to securities in this report are for illustrative purposes only and are not recommendations. The securities may or may not be currently held by the Company. Past performance is not indicative of future performance.

Our investment in global listed securities remains opportunistic in nature and in places we believe can add significant value to investors when we assess there is a limited opportunity set in Australia. As an example, we regard CSL to be a high quality stock but is trading at a price well above its value. On the other hand, we see companies like Flutter Entertainment Plc (Flutter) which is listed on London Stock Exchange and La Francaise Des Jeux which is listed on Paris Stock Exchange offering better value for investors as they are dominant in their market segments, have growing margins and excellent balance sheets. Both Flutter and La Francaise Des Jeux are long term positions in the portfolio that we have held since 2018 and they continue to be amongst the largest positions in the portfolio.

Flutter and Insurance Australia Group Limited (IAG) were the top contributors to absolute portfolio performance over the year. These two positions represent the quality growth at reasonable prices and cyclical value that are two of the mainstays of the portfolio and highlight Perpetual's nuanced quality and value approach. Both stocks are also examples of where Perpetual's approach to active ownership is important. We aren't just passive investors waiting for stocks to turn around. When we see opportunities to engage and encourage companies to unlock value faster for our clients we certainly embrace them.

Flutter

Flutter was easily our best performer this year, rising 106.4% over the 12 months to 30 June 2023. In May, the company reported total revenue for Q1 of more than £2.4 billion. In the US, revenues rose an astonishing 92% overall and sports book revenue soared 147% over the period from 2022. Flutter holds a 50% share of the US sporting gambling market, up 14% year on year, reinforcing its rising dominance in this emerging gaming market. Flutter bought FanDuel, its most successful US brand, for US\$158 million in 2018. It was valued at US\$22 billion in November 2022, a return of 140x its original investment.

Flutter is also finding growth in new markets with India the latest to show potential as it emerges as the new global middle class giant. Jungle Games, a desktop and mobile skills games business in India, grew revenue 80% in the first half of last year.

IAG

IAG was a significant contributor over the year with the stock rising +33.5%. IAG is our largest domestic overweight position and the stock has been a beneficiary of rising insurance premiums. Rising interest rates is also a tailwind for the business as it translates into higher investment returns on their balance sheet. Whilst insurance margins have been improving, we believe there is more upside here. When comparing to other insurers, we consider Suncorp's focus on cost efficiencies to have delivered superior profitability. We think there is a substantial upside to IAG if it was able to target a similar level of operating efficiency to Suncorp. IAG's renewed focus on capital management, re-instating the share buyback at the end of May, has also helped bolster the share price. IAG is one of a number of companies which we have sought to be active owners, engaging with management to help improve returns for our investors.

Brambles

Brambles operates the world's largest pool of reusable pallets, crates and containers placing it at the centre of global logistics. The stock rose 38.1% over the financial year. A key event at the start of the year was Brambles' decision not to proceed with the rollout of plastic pallets for Costco. It was estimated that Brambles would need to invest as much as \$1 billion in the post COVID-19 world, particularly with the soaring cost of resin. In the end, presented with the full cost of developing the product, Costco decided not to proceed, reducing execution and operational risks for Brambles. Brambles has also used its dominant position and pricing power to put through price increases over the year to help boost profitability.

Jervois Global

Jervois Global aims to become the leading global supplier of responsibly sourced cobalt and nickel materials to serve both the battery and chemicals markets. It was the top detractor to absolute performance for FY23 and was a frustrating stock for a number of reasons. Firstly the cobalt market underwent significant upheaval as the consumer electronics market in China slowed and the industry went through a period of destocking raw materials. At the same time, cobalt supply increased from Indonesia as production of nickel pig iron increased (cobalt produced as a by-product). This saw the cobalt price fall from a peak of US\$40/lb in 2022 to <US\$15/lb in 1H23. At a company specific level, Jervois was caught with excess inventory as this market downturn started. This inventory had to be written down, which was in part built up due to disruptions to the raw material supply chain in late-2021/early-2022. The other issue affecting the stock was the suspension of the construction of the Idaho Cobalt mine due to cost increases in an inflationary US labour environment and a downturn in the market.

Investment themes and Outlook

Central banks consistently underestimated inflation over the past year and have had to play catch-up. But core inflation is now embedding at higher levels and will now take time to bring down. The RBA itself does not see inflation returning to below the upper end of its 2-3% target until mid-2025, still two years away.

Some systemic risks emerged earlier this year, especially the US regional banks, many of whom were caught with unhedged exposures to bonds. As interest rates rose the value of these fixed income securities fell, inflicting large capital losses on the balance sheets of the banks. In the case of some US regional banks, most famously SVB (Silicon Valley Bank) the losses overwhelmed their capital base and contributed to their collapse.

Concerns that the challenges facing the banks would result in a credit contraction have faded however, given the underlying boom in economic activity and employment has continued.

We are also conscious of the creation of the US CHIPS Act³ and Inflation Reduction Act, both signed into law in August 2022 by US President Joe Biden. Both have had the effect of encouraging, through subsidies, a reindustrialisation of large parts of the US through new investment in microchip manufacturing and clean energy. This has helped accelerate the process of deglobalisation and decarbonisation through industrial policy but may also act as a spur to more sustained structural inflation.

Bond and equity markets ended the financial year in disagreement once again. Australian and US bond markets continue to ratchet upwards towards 4% but equities have also wanted to rally. In the US, the earnings yield on US stocks has now fallen below the 10-year bond yield for the first time since 2001. Normally investors demand around 2-3% more earnings yield than bonds – known as the “equity risk premium” – to compensate for owning equities. This does not seem like a sustainable proposition and either bond yields or equities would need to fall to re-establish some sort of premium for equity risk. Mostly when equity markets and bonds disagree, the bond market is right, so this is not a time to be taking heroic levels of investment risk, something we are always mindful of when building the portfolio.

The US Fed is also once again withdrawing liquidity from markets. Such withdrawal is usually associated with softness in equity markets. Indeed, after helping boost markets in recent months the gap between liquidity withdrawal and the irrational exuberance of some equities, especially in the tech sector, is quite stark. Whilst the developments around Artificial Intelligence are exciting, market history shows that the biggest risks are in over-estimating the short term benefits they will bring to companies.

3 Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act)

We would also argue that many of the greatest beneficiaries of any coming AI productivity gains lie in the many companies outside IT (even though those stocks have been flat) not the IT companies themselves (which have been booming).

The economic and market outlook remains uncertain as central banks around the world continue to tighten monetary policy to bring “stickier” core inflation back down to lower levels. At the same time aggressive rate rises run the risk of tipping the economy into recession. Despite this, equity market indices remain relatively sanguine and we think there are risks to the downside, especially in cyclical sectors with markets yet to fully price any downturn in earnings over the year ahead. There is still the possibility of a “soft landing” or even “no landing” economic scenario due to the resilience of consumers and strength of labour markets, buttressed by years of stimulus of emerging structural shortages. The challenge to this thinking is that it would likely come at the cost of core inflation embedding even more. This would necessitate even higher interest rates. So far during this cycle central banks have consistently underestimated the extent of underlying inflation. Furthermore, in a world of rising geopolitical risks, de-globalisation and pressure to decarbonise through higher cost renewable energy, we still believe the risks of higher structural inflation remain. Our quality and value process continues to point us towards a range of reasonably priced businesses with solid balance sheets and good prospects able to deliver long term returns with lower than market risk.

Through these times, we remain focused on investing for the long term, seeking value across the broad spectrum of Australian and global listed securities, with our active investing approach well placed to take advantage of the opportunities ahead.

Thank you for your continued support and trust. I look forward to updating you in the future.



Vince Pezzullo

PIC Portfolio Manager
Head of Australian Equities
Perpetual Asset Management Australia

INVESTMENT PORTFOLIO

Market value
\$'000

List of investments held at 30 June 2023

Australian listed securities

A2 Milk Company Limited	11,855
AGL Energy Limited	11,673
ARN Media Limited	2,606
Bapcor Limited	14,843
BHP Group Limited	27,078
Bluescope Steel Limited	1,805
Brambles Limited	19,731
Cobram Estate Olives Limited	3,807
Coles Group Limited	9,787
Commonwealth Bank of Australia	26,577
Deterra Royalties Limited	10,200
Goodman Group	18,136
GrainCorp Limited	4,983
GWA Group Limited	8,497
Healius Limited	14,584
IGO Limited	2,377
Iluka Resources Limited	16,698
Insurance Australia Group Limited	36,398
LGI Limited	4,883
Mirvac Group	7,923
National Australia Bank Limited	12,363
Newcrest Mining Limited	13,920
Orica Limited	13,592
Origin Energy Limited	5,730
Orora Limited	4,935
Premier Investments Limited	1,769
QV Equities Limited	1,729
Ramsay Health Care Limited	10,632
Rio Tinto Limited	10,259
Santos Limited	25,494
Select Harvests Limited	6,297
Star Entertainment Group Limited	5,940
Westpac Banking Corporation	16,414
Whitehaven Coal Limited	15,472
Total Australian listed securities	398,987

Global listed securities

Ferguson Plc	4,090
Flutter Entertainment Plc	27,938
La Francaise des Jeux SA	15,798
Light & Wonder, Inc.	4,273
Total global listed securities	52,099

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Investment Portfolio (continued)

List of investments held at 30 June 2023 (continued)	Market value \$'000
Derivatives	
Foreign currency forward contracts	<u>(839)</u>
Total derivatives	<u>(839)</u>
Cash and deposit products	
Cash at bank	<u>36,607</u>
Total cash and deposit products	<u>36,607</u>
Total	<u>486,854</u>

The total number of transactions entered during the year was 962.

The total brokerage paid during the year was \$1,115,028 (GST inclusive).

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DIRECTORS' REPORT

The Directors present their report together with the financial statements of Perpetual Equity Investment Company Limited (the Company) for the year ended 30 June 2023 and the auditor's report thereon.

Directors

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

Nancy Fox AM, Chairman and Non-Executive Director **BA, JD (Law), FAICD**

Appointed Chairman and Director on 1 July 2017. Nancy Fox is a member of the Company's Nomination and Corporate Governance Committee and the Audit and Risk Committee from 16 October 2020.

Nancy Fox is currently a Non-Executive Director of Perpetual Limited, the Chairman of Perpetual People and Remuneration Committee and a member of Perpetual Audit, Risk and Compliance Committee. She is also the Chairman of Mission Australia Housing and a Non-Executive Director of Lawcover Pty Ltd, Mission Australia, Aspect Studios Pty Ltd and the Rural Fire Benevolent Fund.

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

Listed company directorship held during the past three financial years:

- Perpetual Limited (from September 2015 to present)

Virginia Malley, Non-Executive Director **BA, MAppFin, Juris Doctor, GradDipEnvLaw, LLM, FAICD**

Appointed Director on 25 August 2014. Virginia Malley is the Chairman of the Audit and Risk Committee and a member of the Nomination and Corporate Governance Committee of the Company.

Virginia Malley is currently a Non-Executive Director of icare, Chair of the Review Panel of the Australian Carbon Industry Code Of Conduct, Chair of the Pinnacle Fund Services and Bell Asset Management Compliance Committees, and member of the Future Super Investment and Risk Committees.

Virginia Malley has over 30 years of experience in financial services and environmental markets, corporate governance, risk management and regulatory compliance. Virginia has previously served on the boards of the Clean Energy Regulator, the Biodiversity Conservation Trust, Morphic Ethical Equities Fund Ltd, Macquarie Investment Management Ltd, Perpetual Superannuation Limited, and the Nature Conservation Trust of NSW. In her executive career, she was the Chief Risk Officer at Macquarie Funds Management Group, overseeing risk management of portfolios worth more than \$85 billion and invested in clean technologies, publicly traded debt securities, listed equities, derivatives, currencies and private equity.

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Directors' report (continued)

Directors (continued)

John Edstein, Non-Executive Director **BEC, LLB, LLM (Hons), MAICD**

Appointed Director on 26 September 2014. John Edstein is the Chairman of the Nomination and Corporate Governance Committee and a member of the Audit and Risk Committee of the Company.

John Edstein is currently a Director of Macquarie Investment Management Limited (MIML) (appointed 1 July 2013) and the Chairman of that board (appointed 16 November 2017). MIML is the trustee of Macquarie's publicly offered superannuation fund and operator of Macquarie's investment platform business. John is a Director and shareholder of, and Special Counsel for, Walsh Bay Partners Pty Ltd (a boutique financial advisory business for high net worth individuals, families and foundations).

John Edstein has over 40 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 a Director of Retail Employees Superannuation Pty Ltd (Trustee of the Retail Employees Superannuation Trust (REST)) from 2013 to 2020. He was 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 and is a member of the Tax Institute of Australia and is a Chartered Tax Adviser.

Amanda Apted (Gillespie), Executive Director **BEco/Econ (Hons), GAICD**

Appointed Director on 13 May 2021.

Amanda Apted (Gillespie) is a Director of Perpetual Investment Management Limited (the Manager). Amanda is also the Chief Executive of Perpetual Asset Management Australia. She is responsible for leading the Australian Asset Management division of Perpetual, which includes the Australian Equities, Credit & Fixed Income, Global Innovation Share and Multi Asset investment management teams. Amanda joined Perpetual in February 2018 and has held the prior roles of General Manager Client Solutions & Strategy and more recently, General Manager Perpetual Investments.

Amanda Apted (Gillespie) has more than 21 years of experience in asset management and investment research. Prior to joining Perpetual, Amanda was Chief Executive Officer of Lonsec where she played a key role in building out Lonsec's investment and superannuation research and consulting capabilities.

Company Secretaries

Sylvie Dimarco **LLB, GradDipAppCorpGov, FGIA, GAICD**

Appointed Company Secretary on 25 August 2014.

Sylvie Dimarco joined Perpetual Limited in 2014 and is currently Global Head of Governance and Company Secretary. She is also Company Secretary of Perpetual Limited and all of Perpetual's subsidiary boards.

Sylvie Dimarco has over 16 years of experience in company secretariat practice and administration for listed and unlisted companies. Before Perpetual, she practiced as a commercial lawyer in Sydney and Canberra for 11 years, working in predominantly mid-sized law firms.

Directors' report (continued)

Company Secretaries (continued)

Gananatha Minithantri
 LLB (1st Hons), LLM, Grad Dip ACG, MAICD

Appointed Company Secretary on 25 November 2022.

Gananatha Minithantri is currently the Assistant Company Secretary at Perpetual Limited. Gananatha is responsible for the administration of governance and company secretarial activities for Perpetual's subsidiaries.

Gananatha is a lawyer with experience in company secretarial and governance practice across listed and unlisted entities in the real estate, aviation and financial services sectors. Prior to joining Perpetual, he was the Assistant Company Secretary at ASX-listed Mirvac Group.

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 2023:

	Board		Audit and Risk Committee		Nomination and Corporate Governance Committee	
	Held	Attended	Held	Attended	Held	Attended
Directors						
Nancy Fox	5	5	4	4	3	3
Virginia Malley	5	5	4	4	3	3
John Edstein	5	5	4	4	3	3
Amanda Apted (Gillespie)	5	5	-	4	-	3

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 in a concentrated and actively managed portfolio of Australian listed securities with typically a mid-cap focus 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 an 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.

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Directors' report (continued)

Review of operations

	30 June 2023 \$'000	30 June 2022 \$'000
Profit/(loss) before income tax	73,553	(32,367)
Income tax benefit/(expense)	<u>(18,546)</u>	<u>14,461</u>
Profit/(loss) for the year attributable to shareholders	<u>55,007</u>	<u>(17,906)</u>

As at 30 June 2023, the Company's Net Tangible Assets (NTA) after tax were \$1.277 per share. This represents an increase of 7.2% compared to NTA after tax of \$1.191 per share as at 30 June 2022.

The increase in NTA was predominantly attributable to the investment return of the Company's portfolio after the deduction of fees and taxes, and after the payment of two fully franked dividends totaling to 6.6 cents per share during the year.

The Manager has remained disciplined in following its investment philosophy and process which focuses on quality and value. The Manager's investment process aims to identify quality businesses with recurring earnings, conservative debt and sound management, that are trading at attractive valuations. This is underpinned by the Manager's thorough research and analysis on securities held in the portfolio.

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

Dividends

Dividends paid or provided by the Company to shareholders were:

	Cents per share	Total amount \$'000	Franking	Payment date
Declared and paid during the financial year 2023				
Final 2022 dividend	3.3	12,426	100%	19 October 2022
Interim 2023 dividend	3.3	12,456	100%	18 April 2023

Declared after the end of financial year 2023

On 23 August 2023, the Directors declared:

Final 2023 dividend	4.0	15,136	100%	18 October 2023
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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 statements for the year ended 30 June 2023 and will be recognised in the subsequent financial statements.

State of affairs

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

Events subsequent to reporting date

The Directors are not aware of any event or circumstance since the end of the financial year not otherwise dealt with in this report that has significantly affected or may significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in the subsequent financial years.

Directors' report (continued)

Likely developments and expected results of operations

The Company will continue to be managed in accordance with its investment objective and guidelines (as amended) and in accordance with the provisions of the Company's Constitution.

The results of the Company's operations will be affected by a number of factors, including the performance of investment markets in which the Company invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Environmental regulation

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

Remuneration report: Audited

This report sets out the remuneration arrangements for all Key Management Personnel, being the Non-Executive Directors and the Executive Director of Perpetual Equity Investment Company Limited for the year ended 30 June 2023. The information in this Remuneration report has been audited by the Company's auditor, KPMG, as required by section 308(3C) of the *Corporations Act 2001*.

(a) Key management personnel

Below are the Company's Key Management Personnel for the year ended 30 June 2023:

Name	Position	Term
Nancy Fox	Chairman and Non-Executive Director	Full year
Virginia Malley	Non-Executive Director	Full year
John Edstein	Non-Executive Director	Full year
Amanda Apted (Gillespie)	Executive Director	Full year

(b) Remuneration of directors

Remuneration policy

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

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

Non-Executive Directors do not receive performance-related remuneration.

The Executive Director, Amanda Apted (Gillespie) is not entitled to Directors' fees or any other form of remuneration from the Company for her services. She is a Director of Perpetual Investment Management Limited (the Manager) and the Chief Executive of Perpetual Asset Management Australia. Her remuneration is governed by the remuneration policy of Perpetual Limited, the parent 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). 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.

Directors' report (continued)

Remuneration report: Audited (continued)

(b) Remuneration of directors (continued)

Fee framework (continued)

	From 1 July 2023 \$	30 June 2023 \$	30 June 2022 \$
Non-Executive Directors' fees			
Chairman	70,000	65,000	65,000
Directors	59,000	55,000	55,000
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.

Remuneration of directors

The following table sets out the Directors' remuneration for the years ended 30 June 2023 and 30 June 2022.

Name	Directors' fees \$	Superannuation \$	Total \$
Directors			
Nancy Fox			
2023	60,368	4,632	65,000
2022	63,523	1,477	65,000
Virginia Malley			
2023	52,387	2,613	55,000
2022	49,943	5,057	55,000
John Edstein			
2023	49,774	5,226	55,000
2022	49,943	5,057	55,000
Amanda Apted (Gillespie)			
2023	-	-	-
2022	-	-	-
Total 2023	<u>162,529</u>	<u>12,471</u>	<u>175,000</u>
Total 2022	<u>163,409</u>	<u>11,591</u>	<u>175,000</u>

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

Amanda Apted (Gillespie) is not entitled to Directors' fees or any other form of remuneration from the Company for her services. She is remunerated by Perpetual Limited, the parent company of the Manager. The Manager has been compensated in management fees of \$4,908,688 (inclusive of GST and net of Reduced Input Tax Credit) for the year ended 30 June 2023 (2022: \$5,339,667).

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Directors' report (continued)

Remuneration report: Audited (continued)

(b) Remuneration of directors (continued)

Link between the Directors' remuneration and the Company's performance

	2023	2022	2021	2020	2019
Profit/(loss) after tax (\$'000)	55,007	(17,906)	108,356	(434)	15,219
Dividends paid (cents per share)	6.6	5.6	5.6	6.6	6.4
NTA after tax (\$ per share)	1.277	1.191	1.299	1.046	1.117
Directors' remuneration (\$)	175,000	175,000	155,808	187,000	187,000
Shareholder's equity (\$'000)	482,565	449,551	484,486	363,822	385,225
Closing share price (\$)	1.165	1.160	1.300	0.905	1.040
Closing option price (\$)	-	0.001	0.011	-	-

The Directors are considered the Key Management Personnel of the Company. The Company does not have any paid employees.

The Directors' remuneration is fixed.

(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. Directors are not entitled to any termination benefits.

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 unless the Board (through the Nomination and Corporate Governance Committee) requests them to do so.

(d) Key Management Personnel shareholdings and optionholdings held directly or indirectly

The number of ordinary shares and options of the Company that each Director held at the reporting date were:

Name	Instrument	Balance at 1 July 2022	Quantity acquired	Quantity disposed	Quantity expired*	Balance at 30 June 2023
Directors						
Nancy Fox	Shares	324,981	-	-	-	324,981
	Options	317,970	-	-	(317,970)	-
Virginia Malley	Shares	156,082	4,403	-	-	160,485
	Options	149,567	-	-	(149,567)	-
John Edstein	Shares	130,648	-	-	-	130,648
	Options	130,648	-	-	(130,648)	-
Amanda Apted (Gillespie)	Shares	-	-	-	-	-
	Options	-	-	-	-	-

*Options expired on 2 September 2022.

End of Remuneration Report: Audited

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Directors' report (continued)

Indemnity 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. The auditor of the Company is in no way indemnified out of the assets of the Company.

Insurance

In accordance with the provisions of the *Corporations Act 2001*, the Company has a directors and officers' liability policy of insurance which covers all Directors and officers of the Company. The insurance policy covers the Directors for the period that they are officers and for seven years after they cease to act as officers. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Non-audit services

Fees for non-audit services paid to KPMG for the year ended 30 June 2023 were nil (2022: \$11,385).

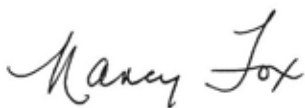
Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

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 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

Sydney
23 August 2023



Director

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 of Perpetual Equity Investment Company Limited for the financial year ended 30 June 2023 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 contravention of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

K Hopkins

Karen Hopkins

Partner

Sydney

23 August 2023

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		30 June 2023	30 June 2022
	Notes	\$'000	\$'000
Investment income			
Dividend income		15,610	20,691
Interest income		809	12
Net gains/(losses) on financial instruments at fair value through profit or loss	5(c)	64,307	(44,471)
Net foreign exchange gains/(losses)		273	(117)
Other income		116	-
Total investment income/(loss)		81,115	(23,885)
Expenses			
Management fees	6(a)	4,909	5,340
Other expenses	6(b)	2,653	3,142
Total expenses		7,562	8,482
Profit/(loss) before income tax		73,553	(32,367)
Income tax benefit/(expense)	7(a)	(18,546)	14,461
Profit/(loss) after income tax		55,007	(17,906)
Other comprehensive income		-	-
Total comprehensive income		55,007	(17,906)
Earnings per share			
Basic earnings per share (cents per share)	4	14.58	(4.78)
Diluted earnings per share (cents per share)	4	14.58	(4.78)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 \$'000	30 June 2022 \$'000
Assets			
Cash and cash equivalents	11(c)	36,607	22,311
Financial assets at fair value through profit or loss	8	451,086	424,231
Receivables	9	1,977	1,273
Current tax receivable		3,079	-
Deferred tax asset	7(c)	-	10,082
Total assets		492,749	457,897
Liabilities			
Financial liabilities at fair value through profit or loss	8	839	513
Payables	10	1,229	954
Current tax payable		-	6,879
Deferred tax liability	7(c)	8,116	-
Total liabilities		10,184	8,346
Net assets		482,565	449,551
Equity			
Contributed equity	12(a)	392,464	389,575
Retained earnings		(37,929)	(37,936)
Profit reserve		128,030	97,912
Total equity		482,565	449,551

The above statement of financial position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Profit Reserve \$'000	Total \$'000
Balance at 1 July 2022		389,575	(37,936)	97,912	449,551
Total comprehensive income for the year		-	55,007	-	55,007
Transfers to profit reserve		-	(55,000)	55,000	-
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	12(a)	2,180	-	-	2,180
Shares issued from exercise of options	12(a)	709	-	-	709
Dividends paid	3(a)	-	-	(24,882)	(24,882)
Balance at 30 June 2023		<u>392,464</u>	<u>(37,929)</u>	<u>128,030</u>	<u>482,565</u>

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Profit Reserve \$'000	Total \$'000
Balance at 1 July 2021		385,637	1,970	96,879	484,486
Total comprehensive income for the year		-	(17,906)	-	(17,906)
Transfers to profit reserve		-	(22,000)	22,000	-
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	12(a)	1,849	-	-	1,849
Shares issued from exercise of options	12(a)	2,089	-	-	2,089
Dividends paid	3(a)	-	-	(20,967)	(20,967)
Balance at 30 June 2022		<u>389,575</u>	<u>(37,936)</u>	<u>97,912</u>	<u>449,551</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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STATEMENT OF CASH FLOWS

		30 June 2023	30 June 2022
	Notes	\$'000	\$'000
Cash flows from operating activities			
Dividends received		15,506	20,274
Interest received		675	-
Other income received		568	452
Management fees paid		(5,258)	(5,757)
Income tax paid		(10,306)	(30,340)
Other expenses paid		(2,779)	(3,382)
Net cash inflow/(outflow) from operating activities	11(a)	(1,594)	(18,753)
Cash flows from investing activities			
Proceeds from sale of investments		466,014	573,945
Payments for purchase of investments		(428,131)	(554,705)
Net cash inflow/(outflow) from investing activities		37,883	19,240
Cash flows from financing activities			
Proceeds from exercise of options	12(a)	709	2,089
Payments for transaction costs		-	(256)
Dividends paid - net of dividend reinvestment plan		(22,702)	(19,118)
Net cash inflow/(outflow) from financing activities		(21,993)	(17,285)
Net increase/(decrease) in cash and cash equivalents		14,296	(16,798)
Cash and cash equivalents at the beginning of the year		22,311	39,109
Cash and cash equivalents at the end of the year	11(c)	36,607	22,311

The above statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

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

The Company is a listed investment company established to invest in a concentrated and actively managed portfolio of Australian listed securities with typically a mid-cap focus 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 an 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 financial statements for the year ended 30 June 2023 were authorised for issue by the Directors on 23 August 2023.

2 Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

Compliance with International Financial Reporting Standards

The financial statements also comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

Use of estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. Estimates and associated assumptions are reviewed regularly and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the current changing market conditions are assessed and estimated. Actual results may differ from these estimates.

For the majority of the Company's financial instruments, quoted market prices are readily available. However, when certain financial instruments are fair valued using valuation techniques (for example, pricing models), observable data is used to the extent practicable. The use of estimates and critical judgements in fair value measurement is described in notes 8 and 13(d).

Functional and presentation currency

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

New standards, amendments and interpretations adopted by the Company

There are no new accounting standards, amendments and interpretations that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the financial statements of the Company.

New standards, amendments and interpretations effective after 1 July 2023 and have not been early adopted

A number of new accounting standards, amendments and interpretations have been published that are not mandatory for the 30 June 2023 reporting period and have not been early adopted in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Company.

Rounding of amounts

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

3 Dividends

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

(a) Dividends paid

30 June 2023	Cents per share	Total amount \$'000	Franking	Payment date
Final 2022 dividend	3.3	12,426	100%	19 October 2022
Interim 2023 dividend	3.3	12,456	100%	18 April 2023
Total	6.6	24,882		

30 June 2022	Cents per share	Total amount \$'000	Franking	Payment date
Final 2021 dividend	2.8	10,459	100%	20 October 2021
Interim 2022 dividend	2.8	10,508	100%	29 April 2022
Total	5.6	20,967		

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

(b) Subsequent events

On 23 August 2023, the Directors declared the following dividend.

	Cents per share	Total amount \$'000	Franking	Payment date
Final 2023 dividend	4.0	15,136	100%	18 October 2023

The final dividend will be 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 2023 and will be recognised in the subsequent financial statements.

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.

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3 Dividends (continued)

(c) Franking account

	30 June 2023 \$'000	30 June 2022 \$'000
The available balance in the franking account at the reporting date	<u>28,485</u>	<u>33,899</u>
Impact on franking account of the final dividend declared after the reporting date but not recognised as a liability at the reporting date	<u>(6,487)</u>	<u>(5,318)</u>
The available balance in the franking account after the adjustment for the final dividend declared after the reporting date	<u>21,998</u>	<u>28,581</u>

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

4 Earnings per share

	30 June 2023	30 June 2022
Basic earnings per share (cents per share)	<u>14.58</u>	<u>(4.78)</u>
Diluted earnings per share (cents per share)	<u>14.58</u>	<u>(4.78)</u>
Profit/(loss) after income tax attributable to shareholders (\$'000)	<u>55,007</u>	<u>(17,906)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	<u>377,284,818</u>	<u>374,386,549</u>

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

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares on issue and ordinary shares that the Company expects to issue.

5 Investment income

(a) Dividend income

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Company's right to receive payment is established.

(b) Interest income

Interest income includes interest from cash and cash equivalents and is recognised using the effective interest rate method.

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

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

	30 June 2023	30 June 2022
	\$'000	\$'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	60,869	(137,255)
Net realised gains/(losses) on financial instruments at fair value through profit or loss	3,438	92,784
Net gains/(losses) on financial instruments at fair value through profit or loss	64,307	(44,471)

(d) Other income

Other income is brought to account on an accruals basis.

(e) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations 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.

6 Expenses

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

(a) Management fees

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

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6 Expenses (continued)

(a) Management fees (continued)

	30 June 2023	30 June 2022
	\$'000	\$'000
Management fees	4,909	5,340

The Manager was appointed in 2014 for an initial term of five years. The Management Agreement was extended in 2019 for a further five-year term (extended 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 will be 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 assets backing of each share in each class of shares in the Company as calculated under the ASX Listing Rules multiplied by the number of shares on issue in that class of shares as at the termination date.

The Manager paid for the costs incurred in raising capital under and in accordance with the Prospectus dated 20 August 2018. If the Management Agreement is terminated during the extended term, then in certain circumstances the Manager will be entitled to be reimbursed for these costs, multiplied by the number of days in the period from the date of termination to the last day of the extended term and divided by the number of days in the period from the date of issue of the new shares to the last day of the extended term.

(b) Other expenses

	30 June 2023	30 June 2022
	\$'000	\$'000
Directors' remuneration	175	175
Auditors' remuneration	88	96
ASX fees	126	102
Registry services	120	151
Custody administration fees	104	106
Insurance fees	369	385
Brokerage	1,050	1,575
Other operating expenses	621	552
Total other expenses	2,653	3,142

(c) Auditor's remuneration

	30 June 2023	30 June 2022
	\$	\$
Amount received or due and receivable by KPMG:		
Audit and review of financial statements	87,824	84,556
Other regulatory assurance services	-	11,385

7 Income tax

In accordance with the *Treasury Laws Amendment (Enterprise Tax Plan) Act 2017*, the Company is subject to 30% tax on its earnings and any tax payments for the year ended 30 June 2023 (2022: 30%).

(a) Income tax benefit/(expense)

	30 June 2023 \$'000	30 June 2022 \$'000
Current tax		
Current income tax expense	(322)	(27,524)
Adjustment for prior years	(26)	(60)
Deferred tax		
Temporary differences	<u>(18,198)</u>	<u>42,045</u>
Total income tax benefit/(expense)	<u>(18,546)</u>	<u>14,461</u>

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

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

Deferred tax is explained in note 7(c).

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

	30 June 2023 \$'000	30 June 2022 \$'000
Profit/(loss) before income tax	73,553	(32,367)
Prima facie income tax calculated at Company's tax rate of 30%	(22,066)	9,710
<i>(Increase)/decrease tax payable</i>		
Franking credits	3,427	4,689
Foreign income tax offsets	63	198
Non-assessable income	56	(76)
Adjustment for prior years	<u>(26)</u>	<u>(60)</u>
Income tax benefit/(expense)	<u>(18,546)</u>	<u>14,461</u>

7 Income tax (continued)

(c) Deferred tax asset/(liability)

The balance comprises temporary differences attributable to:

	30 June 2023	30 June 2022
	\$'000	\$'000
Net unrealised (gains)/losses	(8,168)	10,004
Transaction costs available for future tax deductions	<u>52</u>	<u>78</u>
Total deferred tax asset/(liability)	<u>(8,116)</u>	<u>10,082</u>

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 the carrying amount of an asset exceeds its tax base.

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

8 Financial assets and liabilities at fair value through profit or loss

	30 June 2023	30 June 2022
	\$'000	\$'000
Equity securities	<u>451,086</u>	<u>424,231</u>
Total financial assets at fair value through profit or loss	<u>451,086</u>	<u>424,231</u>
Derivatives		
Foreign currency forward contracts	<u>839</u>	<u>513</u>
Total financial liabilities at fair value through profit or loss	<u>839</u>	<u>513</u>

Classification

The Company classifies its investments based on its business model for managing those investments and their contractual cash flow characteristics. The Company's investment portfolio is managed and its performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company evaluates the information about its investments on a fair value basis together with other related financial information.

Equity securities and derivatives are classified as financial assets at fair value through profit or loss. Derivative contracts that have negative values are presented as financial liabilities at fair value through profit or loss.

8 Financial assets and liabilities at fair value through profit or loss (continued)

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 recognised in profit or loss in the period in which they arise.

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. Equity securities and exchange traded derivatives are valued at the last traded price.

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

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

The fair value of derivatives that are not exchange traded is estimated at the amount that would be received or paid to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. Foreign currency forward contracts are valued at the prevailing market rates at the end of the reporting period.

Offsetting financial instruments

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

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9 Receivables

	30 June 2023 \$'000	30 June 2022 \$'000
Dividends receivable	1,018	976
Withholding tax receivable	177	115
Interest receivables	146	12
GST receivable	156	164
Receivables from securities sold	480	6
Total receivables	1,977	1,273

Receivables are recognised when a right to receive payment is established.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

The carrying amount of receivables is a reasonable approximation of fair value due to their short term nature.

Receivables are stated inclusive of the amount of GST.

10 Payables

	30 June 2023 \$'000	30 June 2022 \$'000
Payables for securities purchased	731	425
Accrued expenses comprising:		
Management fees	436	426
Directors' remuneration	44	44
Other payables	18	59
Total payables	1,229	954

Payables are recognised when the Company becomes a party to the contractual provisions of the agreement.

The carrying amount of payables is a reasonable approximation of fair value due to their short term nature.

Payables are stated inclusive of the amount of GST.

11 Notes to the statement of cash flows

(a) Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	30 June 2023 \$'000	30 June 2022 \$'000
Profit/(loss) after income tax	55,007	(17,906)
(Increase)/decrease in dividends receivable	(42)	(417)
(Increase)/decrease in withholding tax receivable	(62)	(33)
(Increase)/decrease in interest receivable	(134)	(12)
(Increase)/decrease in GST receivable	8	(5)
(Increase)/decrease in current tax receivable	(3,079)	-
(Increase)/decrease in deferred tax asset	10,082	(10,082)
Increase/(decrease) in payables	(31)	(177)
Increase/(decrease) in current tax payable	(6,879)	(2,756)
Increase/(decrease) in deferred tax liability	8,116	(31,963)
Net (gains)/losses on financial instruments at fair value through profit or loss	(64,307)	44,471
Net foreign exchange (gains)/losses	(273)	117
Net cash flows from operating activities	(1,594)	(18,753)

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

(b) Non-cash financing activities

	30 June 2023 \$'000	30 June 2022 \$'000
During the year, the following dividend payments were satisfied by the issue of shares under the dividend reinvestment plan	2,180	1,849

(c) Components of cash and cash equivalents

	30 June 2023 \$'000	30 June 2022 \$'000
Cash at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	36,607	22,311
Total cash and cash equivalents	36,607	22,311

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.

12 Equity

(a) Share capital

	30 June 2023 Number of shares	30 June 2023 \$'000	30 June 2022 Number of shares	30 June 2022 \$'000
Opening balance	376,007,767	389,575	373,036,670	385,637
Shares issued from dividend reinvestment plan	1,855,435	2,180	1,423,917	1,849
Shares issued from exercise of options	525,138	709	1,547,180	2,089
Shares on issue	378,388,340	392,464	376,007,767	389,575

Ordinary shares

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.

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

(b) Options

	30 June 2023 Number of options	30 June 2022 Number of options
Opening balance	371,334,558	372,881,738
Options exercised	(525,138)	(1,547,180)
Options expired	(370,809,420)	-
Options on issue	-	371,334,558

The Perpetual Equity Investment Company Limited options (ASX code: PICOA) were issued on 29 June 2021 to eligible shareholders for no initial consideration, with an exercise price of \$1.35 to acquire one ordinary share per option. These options have since expired on 2 September 2022.

(c) Profit reserve

The profit reserve represents profit available for distribution as a dividend. The Board must pass a resolution to transfer profit amount from retained earnings to the profit reserve. Dividends declared subsequent to the reporting date will be paid out of the profit reserve and any outstanding balance is available for future dividend payments.

(d) Capital risk management

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

13 Financial risk management

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

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

The Manager has been given the discretionary authority to manage and undertake investments in line with the Company's investment objective, investment strategy and guidelines (as amended).

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 have 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 reviews the effectiveness of the Company's risk management and internal control system annually.

(a) Market risk

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

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

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

(i) Price risk

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

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

The Company is permitted to use derivatives for hedging purposes.

13 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Price risk sensitivity analysis

An increase of 10% in market prices applicable at the reporting date would have increased the Company's profit and net assets by \$45,108,550 (2022: \$42,423,071). A decrease of 10% in market prices would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

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

(ii) Currency risk

The Company is exposed to the movements in exchange rates that may have an adverse effect on the fair value or future cash flows of the Company's financial assets or financial liabilities denominated in currencies other than Australian dollars. This exposure arises from its investments in global listed securities and any transactions that are denominated in foreign currency. The Company's investment strategy allows up to 35% of its investment portfolio in global listed securities.

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

The Company held foreign currency forward contracts to manage its exposure to currency risk at the reporting date.

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

	30 June 2023 \$'000	30 June 2022 \$'000
British Pound	817	2,948
Euro	2,430	1,194
United States Dollar	4,710	602
Total foreign currency exposure	7,957	4,744

13 Financial risk management (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Currency risk sensitivity analysis

The following table analyses the impact on the Company's profit and net assets from possible movements in exchange rates. The analysis measures currency risk from the strengthening of Australian dollar against other currencies using a positive sensitivity rate and the weakening of Australian dollar against other currencies using a negative sensitivity rate. 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.

	Sensitivity rates		Impact on profit/net assets	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	%	%	\$'000	\$'000
British Pound	+5	+10	(41)	(295)
	-5	-10	41	295
Euro	+5	+8	(122)	(96)
	-5	-8	122	96
United States Dollar	+5	+10	(236)	(60)
	-5	-10	236	60

(iii) Interest rate risk

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

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

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

	30 June 2023	30 June 2022
	\$'000	\$'000
Cash at bank	<u>36,607</u>	<u>22,311</u>

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 \$366,074 on an annualised basis (2022: \$223,110). A decrease of 1% in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

13 Financial risk management (continued)

(b) Credit risk

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

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

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a high grade credit rating. The Manager regularly monitors the credit rating of counterparties.

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 Company determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. As cash and cash equivalents are callable on demand and all receivables are due within 30 days, the probability of default is considered low. No loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

(c) Liquidity risk

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

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

30 June 2023	Carrying amount \$'000	At call \$'000	Contractual cash flows		
			less than 6 months \$'000	6-12 months \$'000	more than 12 months \$'000
Non-derivative financial liabilities					
Payables	1,229	-	1,229	-	-
Total	1,229	-	1,229	-	-
Derivative financial liabilities					
Foreign currency forward contracts	839	-	-	-	-
Outflow	-	-	44,339	-	-
Inflow	-	-	(43,500)	-	-
Total	839	-	839	-	-

13 Financial risk management (continued)

(c) Liquidity risk (continued)

30 June 2022	Carrying amount \$'000	At call \$'000	Contractual cash flows		
			less than 6 months \$'000	6-12 months \$'000	more than 12 months \$'000
Non-derivative financial liabilities					
Payables	954	-	954	-	-
Current tax payable	6,879	-	6,879	-	-
Total	7,833	-	7,833	-	-
Derivative financial liabilities					
Foreign currency forward contracts					
Outflow	513	-	71,970	-	-
Inflow	-	-	(71,457)	-	-
Total	513	-	513	-	-

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 by level of the following fair value hierarchy:

- 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 presents the Company's financial assets and liabilities by fair value hierarchy levels:

30 June 2023	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Equity securities	451,086	-	-	451,086
Total	451,086	-	-	451,086
Financial liabilities at fair value through profit or loss				
Derivatives				
Foreign currency forward contracts	-	839	-	839
Total	-	839	-	839

13 Financial risk management (continued)

(d) Fair value measurement (continued)

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Equity securities	424,231	-	-	424,231
Total	424,231	-	-	424,231
Financial liabilities at fair value through profit or loss				
Derivatives				
Foreign currency forward contracts	-	513	-	513
Total	-	513	-	513

Rationale for classification of financial assets as level 1

The equity securities held by the Company are valued using unadjusted quoted prices in active markets at the end of the reporting period.

Rationale for classification of financial assets as level 2

Foreign currency forward contracts are valued at the prevailing market rates of the relevant forward currencies at the end of the reporting period.

Transfer 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 as at 30 June 2023 and 30 June 2022.

14 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the table below:

	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts \$'000	Gross amounts set off in the balance sheet \$'000	Net amounts presented in the balance sheet \$'000	Amounts subject to master netting arrangements \$'000	Net amounts \$'000
30 June 2023					
Financial liabilities					
Derivatives	(839)	-	(839)	-	(839)
Total	(839)	-	(839)	-	(839)

14 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts \$'000	Gross amounts set off in the balance sheet \$'000	Net amounts presented in the balance sheet \$'000	Amounts subject to master netting arrangements \$'000	Net amounts \$'000
30 June 2022					
Financial liabilities					
Derivatives	(513)	-	(513)	-	(513)
Total	(513)	-	(513)	-	(513)

Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreements. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Company does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet, but have been presented separately in this note.

15 Related party transactions

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

(a) Total Directors' remuneration for the year ended 30 June 2023 was \$175,000, comprising a short term employment benefit of \$162,529 and superannuation of \$12,471 (2022: Total Directors' remuneration was \$175,000, comprising a short term employment benefit of \$163,409 and superannuation of \$11,591). 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) Nancy Fox (Chairman and Non-Executive Director) and Amanda Apted (Gillespie) (Executive Director) are not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. Nancy Fox is a Non-Executive Director of Perpetual Limited, the parent company of the Manager. Amanda Apted (Gillespie) is a Director of Perpetual Investment Management Limited (the Manager) and the Chief Executive of Perpetual Asset Management Australia. Amanda Apted (Gillespie) is not entitled to Directors' fees or any other form of remuneration from the Company for her services. She is remunerated by Perpetual Limited, the parent company of the Manager.

(d) The Manager charges management fees pursuant to the Management Agreement (refer to note 6(a)).

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 2023 and 30 June 2022.

18 Events occurring after the reporting period

Since the end of the financial year, the Directors have declared a fully franked final dividend of 4.0 cents per share, payable on 18 October 2023 (refer to note 3).

No other significant events have occurred since the reporting date which would have an impact on the financial position of the Company as at 30 June 2023 or on the results and cash flows of the Company for the year ended on that date.

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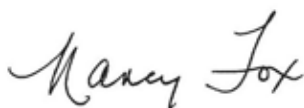
DIRECTORS' DECLARATION

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

- (a) the financial statements and notes, set out on page 23 to 45, 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 2023 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 2023.

Signed in accordance with a resolution of the Directors.



Chairman

Sydney
23 August 2023



Director

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INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

To the shareholders of Perpetual Equity Investment Company Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

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

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

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

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Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

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

Valuation and existence of financial assets (\$451.1m) and financial liabilities (\$0.8m) at fair value through profit or loss	
Refer to Note 8 and Note 13 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Financial assets and liabilities at fair value through profit or loss comprise investments in equity securities and derivatives (collectively "investments").</p> <p>The Company outsources certain processes and controls relevant to:</p> <ul style="list-style-type: none"> Recording and valuing investments to the investment administrator; Maintaining custody and underlying records of investments to the custodian; Initiating and executing the purchase and sale of investments to the investment manager. <p>Valuation and existence of investments in equity securities and derivatives is a key audit matter due to the:</p> <ul style="list-style-type: none"> Size of the Company's portfolio of equity securities and derivatives. These represent 93.3% of the Company's net assets at year end; and Importance of the performance of these investments in driving the Company's investment income and capital performance, as reported in the Financial Report. <p>As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> We assessed the appropriateness of the accounting policies applied by the Company, including those relevant to the fair value of investments, against the requirements of the accounting standards. We obtained and read the Company's custodian's and investment administrator's SOC1 (<i>System and Organisation Controls 1</i>) assurance reports for the period 1 April 2022 to 31 March 2023 to understand the processes and assess the controls relevant to the: <ul style="list-style-type: none"> Custodian – to maintain custody and underlying records of the Company's investments; and Investment Administrator – to record and value the Company's investments. We obtained and read the Company's custodian's and investment administrator's bridging letters over the period not covered by the SOC1 assurance reports. We compared the information presented in the bridging letter for consistency with those in the SOC1 assurance reports. We obtained and read the Company's investment manager's GS007 (<i>Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services</i>) assurance reports for the period 1 July 2022 to 30 June 2023 to understand the processes and assess the controls relevant to the investment managers initiation and execution of the purchase and sale

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	<p>of the Company's investments.</p> <ul style="list-style-type: none"> • We assessed the reputation, professional competence and independence of the auditors of the GS007 and SOC1 assurance reports. • We checked the valuation of the investments, as recorded in the general ledger, to independently sourced prices from relevant stock exchanges and currency markets as at 30 June 2023. • We checked the existence of a sample of investments, being the ownership and quantity held to external custody reports as at 30 June 2023. • We evaluated the Company's disclosures of investments, using our understanding obtained from our testing, against the requirements of the accounting standards.
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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.aasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Equity Investment Company Limited for the year ended 30 June 2023, complies with Section 300A of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 18 to 20 of the Directors' report for the year ended 30 June 2023.

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

KPMG

Karen Hopkins

Partner

Sydney

23 August 2023

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SHAREHOLDER INFORMATION

The 2023 Annual General Meeting of the Company will be held online and in-person on 19 October 2023 commencing at 3:00 pm (Sydney time).

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

Twenty largest shareholders

The names of the twenty largest holders of ordinary shares as at 31 July 2023 are listed below:

	Number of ordinary shares	%
Navigator Australia Ltd (MLC Investment Sett A/C)	11,051,561	2.92
Netwealth Investments Limited (Wrap Services A/C)	9,873,671	2.61
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett A/C)	8,890,598	2.35
Citicorp Nominees Pty Limited	5,207,906	1.38
Netwealth Investments Limited (Super Services A/C)	4,321,343	1.14
HSBC Custody Nominees (Australia) Limited	3,906,308	1.03
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	3,858,845	1.02
Mr John Charles Plummer	3,125,000	0.83
D E C Investments Pty Limited	2,124,052	0.56
Walmsley Developments Pty Ltd	1,859,545	0.49
Boksburg Nominees Pty Ltd (The Meggitt Super Fund A/C)	1,400,000	0.37
Megfam Investment Company Pty Ltd	1,125,000	0.30
Lawvan Pty Ltd (Vanlaws Super Fund A/C)	1,023,438	0.27
Black Nile Investments Pty Ltd (Mark Fahim Superfund A/C)	850,000	0.22
Merck Investment Corporation Pty Ltd (Merck Superfund A/C)	850,000	0.22
IAIN Livingstone Investments Pty Ltd (IAIN Livingstone S/F A/C)	772,438	0.20
Dance Investment Portfolio Pty Ltd (Dance Investment A/C)	770,866	0.20
Fergfam Nominees Pty Ltd	735,194	0.19
Basil Ladyman Pty Ltd (Woodlat Super Fund A/C)	719,212	0.19
Bugle Range Farm Pty Ltd (Nikanko A/C)	713,438	0.19
Montrose Super Pty Ltd (Mark & Angela Pittman SF A/C)	680,000	0.18

Substantial shareholders

No substantial shareholder appeared in the Company's Register of Substantial Shareholders maintained in accordance with section 671B of the *Corporations Act 2001* as at 31 July 2023.

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Shareholder information (continued)

Distribution of securities

Schedule of holdings - shares As at 31 July 2023	Number of shareholders	Number of ordinary shares
1 - 1,000 shares	295	112,606
1,001 - 5,000 shares	904	3,022,547
5,001 - 10,000 shares	1,148	9,247,504
10,001 - 100,000 shares	5,576	199,063,495
100,001 shares and over	578	166,942,188
Total	8,501	378,388,340

The number of shareholders holding less than a marketable parcel is 155 and they hold 10,474 shares.

Other information

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

Voting rights

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

On-market buy back

There is no current on-market buy back.

Final dividend

The final dividend of 4.0 cents per share will be paid on 18 October 2023 to shareholders entitled to receive dividends and registered on 27 September 2023 being the record date.

DIRECTORY

COMPANY

Perpetual Equity Investment Company Limited
ACN 601 406 419

DIRECTORS

Nancy Fox - Chairman
Virginia Malley
John Edstein
Amanda Apted (Gillespie)

COMPANY SECRETARIES

Sylvie Dimarco
Gananatha Minithantri

INVESTMENT 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
Phone 1800 022 033

AUDITOR

KPMG
International Towers Sydney 3
300 Barangaroo Avenue
Sydney NSW 2000

AUSTRALIAN SECURITIES EXCHANGE CODE

Shares: PIC

SHARE REGISTRY

Link Market Services Limited
Building 6 & 8 Parramatta Square
10 Darcy Street
Parramatta NSW 2150
Phone 1800 421 712

WEBSITE

www.perpetualequity.com.au

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