

26 August 2024

ASX Announcement

**Perpetual Equity Investment Company Limited
2024 Annual Financial Results**

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

- FY24 Appendix 4E
- ✓ **2024 Annual Report to Shareholders**
- 2024 Corporate Governance Statement
- Appendix 4G
- FY24 Results Summary

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

Yours faithfully,



Sylvie Dimarco
Company Secretary



PERPETUAL
EQUITY
INVESTMENT
COMPANY
LIMITED

ANNUAL REPORT 30 JUNE 2024

ACN 601 406 419

Perpetual 

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

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YOUR BOARD OF DIRECTORS



Left to right: Amanda Gillespie (Apted), Michael Clarke, Virginia Malley, Nancy Fox (Chairman), John Edstein

FY24 HIGHLIGHTS

\$28.6 million

Net profit after tax

7.7%²

Investment portfolio performance for 12 months to 30 June 2024

\$1.272 per share¹

Net tangible assets after tax

10.4% p.a.²

Investment portfolio performance over 5 years to 30 June 2024

INCOME FOR OUR SHAREHOLDERS

8.0 cents per share

Total FY24 fully franked dividend

6.5%³

Annual dividend yield

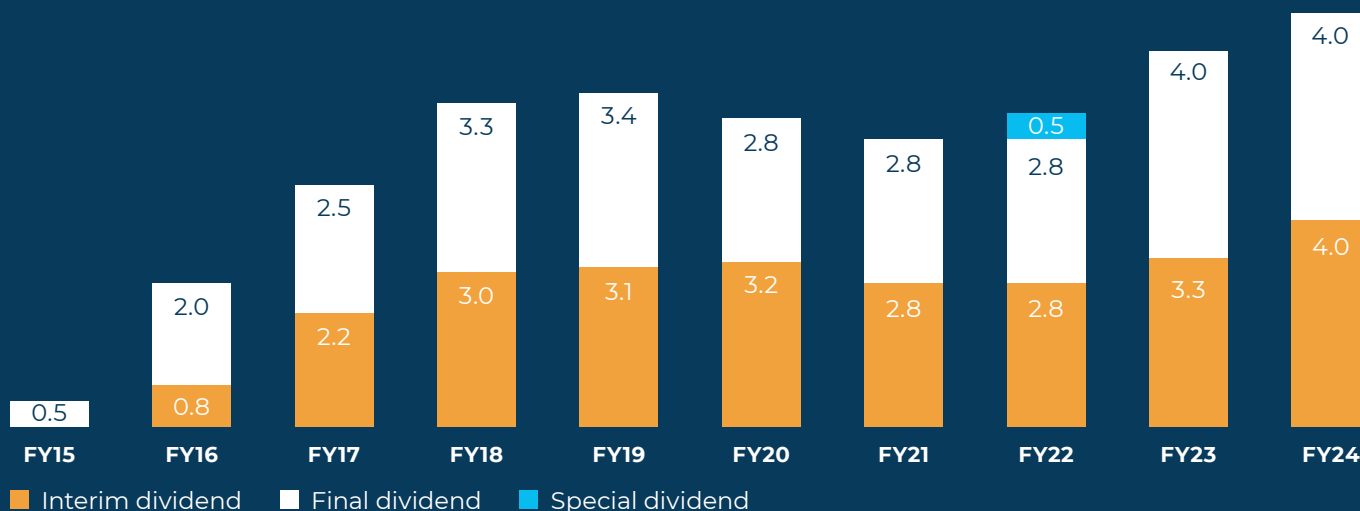
2.7 years dividend coverage⁴

Based on \$82.5 million profit reserve

9.3%³

Grossed up dividend yield

FULLY FRANKED DIVIDENDS SINCE INCEPTION IN CENTS PER SHARE (CPS)



1 'After tax' refers to tax paid and provisions for deferred tax on unrealised gains and losses in the Company's investment portfolio as at 30 June 2024

2 Returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends and excluding tax paid. Any provisions for deferred tax on unrealised gains and losses are excluded. Past performance is not indicative of future performance. For details of the Company's investment performance, please visit <https://www.perpetualequity.com.au/tools-and-resources/research-reports>

3 Yield is calculated based on the total dividends of 8.0 cents per share and the closing share price of \$1.235 as at 30 June 2024. Grossed up yield takes into account franking credits at a tax rate of 30%.

4 Profit reserve of \$82.5 million as at 30 June 2024 after taking into account the estimated payment of the final dividend. This equates to 21.7 cents per share and provides for 2.7 years dividend coverage assuming 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.



Nancy Fox AM
Chairman

Dear Fellow Shareholders,

I am pleased to present the 2024 financial year (**FY24**) Annual Report for Perpetual Equity Investment Company Limited (ASX: PIC; the **Company**).

In December 2024, the Company will celebrate 10 years since it was first listed on the ASX. Reflecting on the Company's maturity and track record of paying dividends, the Board has maintained its focus on the management of shareholder capital to ensure the overall position of the Company remains strong for the years ahead. At the centre of this is our strong partnership with Perpetual Investment Management Limited (**Manager**) who manages the investment portfolio and day-to-day operations of the Company.

Financial results and dividend

The Company reported net profit after tax of \$28.6 million in FY24, a decrease of 48% on the prior year, primarily due to softer overall investment performance which is the main contributor to the Company's financial results. Notably, while 1H24 investment performance was -8.9% under the S&P/ASX 300 Accumulation Index (**benchmark**), the Manager outperformed the benchmark by 5.0% in 2H24.¹ The recovery in the second half of FY24 reflects the return to market fundamentals we observed and stronger opportunities presented for value investors.

The Board determined to declare a fully franked final dividend of 4.0 cents per share which is consistent with the FY23 final dividend and 1H24 interim dividend. This brings the FY24 full year dividend to 8.0 cents per share which is the highest full year dividend paid and equates to an annual dividend yield of 6.5% and grossed-up dividend yield of 9.3%.² This compares favourably to the trailing 12 month dividend yield of the S&P/ASX 300 Accumulation Index which was 3.7% as at 30 June 2024.

In 2021, the Board made a conscious decision to consolidate the Company's profit by retaining more capital for investment opportunities and building a healthy profit reserve and franking account to position shareholders well for dividends over the long-term. Since then, we have prudently and closely managed the Company's balance sheet which we believe has served us well. The record fully franked interim dividend announced in February despite posting a net operating loss for 1H24 illustrates the importance of this approach.

After the payment of the 2H24 dividend, the profit reserve for the Company sits at \$82.5 million which provides for 2.7 years dividend coverage³. The franking account balance is \$12.7 million, also after the payment of the final dividend and provides for one year of fully franked dividend coverage. Notably this does not include any additional franking credits that may be generated.

Despite the challenges that the external environment may provide, this means we are well poised to continue our trajectory of paying dividends in the long run, adding to the \$183.6 million or 53.8 cents per share that has been paid in dividends since the Company listed in 2014⁴.

Investment performance

The Australian share market experienced a notable rally throughout FY24 despite fluctuations in macroeconomic indicators including inflation and interest rates. For the 12 months to 30 June 2024, the PIC portfolio returned 7.7%¹ whereas the benchmark returned 11.9%. Although relative performance for the PIC portfolio was under the benchmark, the Board believes the Manager's focus on quality and value will deliver over the long-term, including generating dividend income and capital growth for shareholders. The Company is designed as a long-term proposition and in line with the Company's investment objective, the PIC portfolio has returned 10.4% p.a.¹ over five years, outperforming the benchmark by 3.2% p.a.

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.

- 1 Returns have been calculated on the growth of Net Tangible Assets (NTA) after taking into account all operating expenses (including management fees) and assuming reinvestment of dividends 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 8.0 cents per share and the closing share price of \$1.235 as at 30 June 2024. Grossed up yield takes into account franking credits at a tax rate of 30%.
- 3 Profit reserve of \$82.5 million as at 30 June 2024 after taking into account the estimated payment of the final dividend. This equates to 21.7 cents per share and provides for 2.7 years dividend coverage assuming 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 Includes the fully franked 2H24 dividend of 4.0 cents per share declared by the Board on 26 August 2024 and to be paid on 8 October 2024

Governance

In September 2023, we were delighted to welcome Michael Clarke to the PIC Board as an Independent Non-Executive Director. Michael has deep experience in Australian and global asset management with a skillset that is complementary to the existing Board and valuable for the Company's growth.

Michael's appointment forms part of the Board renewal process and means the Board is now majority independent. The Board comprises five Directors, 60% women and 40% men, which meets the Company's objective related to gender diversity under the Company's Diversity and Inclusion Policy.

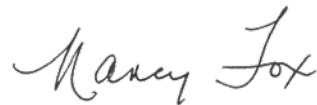
During the year, we commissioned an independent review of the Manager ahead of the Management Agreement expiring in December 2024. The independent Non-Executive Directors are currently leading discussions with the Manager over its re-appointment and more details regarding the Management Agreement will be outlined in the Notice of Meeting for the Annual General Meeting on 7 November 2024.

Looking ahead

We see a growing need for high quality investments and a reliable income stream from our shareholders. At the same time, our Company's profits are driven by the performance of the investment portfolio and exposure to equity markets. We have therefore carefully managed the dividend and capital position of the Company to enable us to continue delivering an income stream over the long-term to our shareholders.

Thank you to our long-term shareholders and the new shareholders that joined in FY24 for their support and I look forward to updating you further at our Annual General Meeting.

Yours sincerely,



Nancy Fox AM
Chairman

PORTFOLIO MANAGER'S REPORT



Vince Pezzullo

Head of Australian Equities
Portfolio Manager, PIC

Dear fellow shareholders,

The S&P/ASX 300 Accumulation Index (**benchmark**) rose 11.9% in FY24 with the Australian market experiencing buoyancy and double digit returns for a second consecutive year. It was also a period that saw the market dominated by macroeconomic factors with the US Federal Reserve (Fed) pivoting prematurely to rate cuts which fuelled a savage rotation to growth stocks in November and December 2023. This meant the PIC portfolio struggled in the first half of the year, however, it recovered well as market fundamentals returned in the second half of the year.

The Financials sector, which includes banks and insurance companies, was up 29.0% and was the primary driver of growth in the benchmark. One of the quickest monetary policy tightening cycles in history saw interest rates stabilise in the first half at their highest levels in more than a decade. That lifted net interest margins at the banks, which also benefitted from loan growth and declining fears of defaults. As at 30 June 2024, Financials comprised 15.7% of the PIC portfolio which includes National Australia Bank (ASX: NAB) and Insurance Australia Group (ASX: IAG) in the top 10 holdings. These performed strongly and contributed to portfolio performance.

The strong performance of Financials was followed closely by the Information Technology sector which rose 28.2% in FY24 amid an accelerating global digital transformation and rising excitement about the potential for generative artificial intelligence (AI) to usher in a new wave of growth. While generative AI promises productivity gains, questions remain over its true economic impact given it requires vast amounts of energy to function. While we continue to find many tech stocks to be too expensive or lack earnings, we were able to buy Goodman Group (ASX: GMG) for the PIC portfolio at a good price in 2022 and it offers quality exposure to these themes.

A surprising resilience in consumer spending despite higher rates and rising prices also supported investor confidence. Consumer spending is being supported by Australia's high population growth, a return to rising wages, and the tax cuts that came into play on 1 July for all taxpayers. Consumer discretionary stocks rose 22.3% over FY24, with Premier Investments (ASX: PMV) being the key contributor to the PIC portfolio in this sector.

On the downside, rising costs hampered healthcare, while the materials sector underperformed due to the floundering Chinese economy – impacting some energy and resource names.

Below we highlight some of the stocks in the portfolio that contributed and detracted to performance over FY24.

Contributors

Goodman Group (ASX: GMG) rose 74.9% over the year and was the top contributor to absolute performance for the PIC portfolio. GMG is a developer, owner, and manager of logistics real estate around the world, with a presence in key growth cities globally. It is the largest listed property fund manager in Australia with \$71.8 billion of external assets under management and a strong portfolio of assets in and around large population centres globally. Key to its attraction is leverage to long-term global trends like the digitalisation of the economy (e-commerce and AI), near- and on-shoring, and continued urbanisation. Whilst we have long considered the company a good operator, the stock price came under pressure in late 2022 as concerns rose about rising interest rates and their impact on property valuations. It provided PIC an attractive entry point into a high quality company at a significantly discounted price. GMG's growth is underpinned by the strength of the logistics warehousing market, its development-driven growth model, a solid balance sheet and excellent management. The company's experience in data centre development and ability to secure power commitments from utilities around the globe has allowed it to leverage rising demand for data storage for cloud computing and AI across its extensive landbank. GMG's portfolio of assets is 98% occupied and saw like-for-like net property income growth of 4.9% through 3Q24.

Origin Energy (ASX: ORG) also significantly contributed to portfolio returns during the year, rising 36.4%. While electricity prices have remained volatile (weak during summer before improving afterwards), ORG's portfolio of gas peakers provides the flexibility to manage market instability and optimise exposure.

While pure upstream energy plays have shown inconsistent operational performance, Origin's Australia Pacific Liquefied Natural Gas (APLNG) demonstrated solid volumes and favourable capital expenditure outcomes. Performance was also strong despite a private equity bid from Brookfield failing in late 2023 on concerns that it significantly undervalued the business. The stock temporarily sold off but then strongly recovered from December 2023 and soon exceeded the price of the private equity bid as investors came to understand the business provides solid management, balance sheet strength and sustainable yield from a combination of genuine utility defensiveness, cyclical growth via a mature LNG asset as well as a free option on a growth utility customer management software investment. Towards the end of the financial year the New South Wales government also announced a deal to extend the lifespan of the Eraring power station, which was previously scheduled to shut down next year. This agreement enhances electricity supply security in the grid, with the government largely underwriting the asset, allowing Origin to potentially realise value if the transition to cleaner energy sources does not proceed efficiently.

Detractors

PIC's overweight position in Iluka Resources (ASX: ILU) was the top detractor to absolute performance over the year. The stock fell -40.5% as rare earth pricing continued to be volatile and the market remained in limbo as to the funding of the rare earths refinery. Iluka is a major producer of rutile and synthetic rutile that is used to produce pigment (paint) and the largest producer of zircon that is used to produce ceramics (tiles). A recovery in these markets can be met by releasing excess inventory and reducing working capital before production is restarted. Iluka has a very strong balance sheet (net cash) and also owns a valuable stake in Deterra Royalties, which was spun-off in an IPO so is able to buffer these periods of demand distortion that is a feature of these markets.

The next catalyst for the company is the update on the funding for the increased capex of the fully integrated rare earths refinery being built in WA to break China's stronghold on these markets. The project is largely funded from a non-recourse loan of more than \$1 billion from the Federal Government that has a \$200 million overrun facility, but there remains uncertainty between how much of the increased capex is funded by debt versus equity.

Healius (ASX: HLS) fell -49.0% over the year as the company was slow to adjust to the post COVID environment of lower pathology tests and higher healthcare costs. However, changes in management in March helped to put a floor under the price and the stock has begun to recover as the company responds to its changed circumstances. With the first quarter under the new CEO Paul Anderson's belt, we have seen progress across operational improvements and a focus to bringing the balance sheet back to a net cash position. Looking forward we continue to see upside in the stock from the rationalisation of the company's portfolio (sale of Lumus imaging for a favourable price) with a potential return of some capital as well as a reduction in overhead costs. We also anticipate a recalibration of the pathology operating model. This is already in train and quite a detailed process, encapsulating everything from the authorised collection centre (ACC) footprint, opening hours, staff rostering, lab scheduling, and looking for efficiencies in middle management layers. Our view is that sustainable pathology margins are in excess of consensus expectations.

Outlook

The prospect of interest rate cuts over the next twelve months and nascent signs of a recovery in China auger well for Australian shares, while long-term themes like the global transition to renewable energy remain in play.

Australian valuations are not significantly overstretched, especially when compared with the US, although pockets of excess valuation and downside risk remain.

The portfolio's focus on investing in quality businesses trading at reasonable valuations is well placed for the coming year, as we see a global rotation away from growth stocks likely with valuations among leading technology stocks peaking.

Thank you for your support in PIC and I look forward to updating you in the future



Vince Pezzullo

Head of Australian Equities
Portfolio Manager, PIC

INVESTMENT PORTFOLIO

List of investments held at 30 June 2024	Market value \$'000
Australian listed securities	
A2 Milk Company Limited	11,183
Bapcor Limited	12,555
BHP Group Limited	31,042
Bluescope Steel Limited	8,606
Champion Iron Limited	4,403
Coast Entertainment Holdings Limited	1,777
Cobram Estate Olives Limited	9,720
Commonwealth Bank of Australia	8,446
EVT Limited	9,517
Goodman Group	24,060
GrainCorp Limited	19,108
GWA Group Limited	17,752
Healius Limited	14,783
IDP Education Limited	6,593
Iluka Resources Limited	13,675
Insurance Australia Group Limited	21,666
LGI Limited	5,700
McMillan Shakespeare Limited	5,890
Myer Holdings Limited	3,724
National Australia Bank Limited	47,071
News Corporation	9,477
Origin Energy Limited	28,363
Premier Investments Limited	14,514
Ramsay Health Care Limited	14,977
Redox Limited	3,543
Santos Limited	14,055
Select Harvests Limited	3,692
Sigma Healthcare Limited	11,877
Star Entertainment Group Limited	10,183
Vicinity Centres	9,849
Whitehaven Coal Limited	9,622
Total Australian listed securities	407,423
Global listed securities	
Flutter Entertainment Plc	31,276
Howden Joinery Group Plc	9,713
La Francaise des Jeux SA	5,268
Light & Wonder, Inc.	11,333
Mainfreight Limited	6,425
Total global listed securities	64,015
Derivatives	
Foreign currency forward contracts	437
Total derivatives	437

List of investments held at 30 June 2024 (continued)	Market value \$'000
Cash and deposit products	
Cash at bank	<u>11,786</u>
Total cash and deposit products	<u>11,786</u>
Total	<u>483,661</u>

The total number of transactions entered during the year was 1,580.

The total brokerage paid during the year was \$1,503,449 (GST inclusive).

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2024

The Directors present their report together with the financial statements of Perpetual Equity Investment Company Limited (the Company) for the year ended 30 June 2024 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 of the Company 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, a member of Perpetual Audit, Risk and Compliance Committee, Perpetual Integration Committee and Perpetual Nominations Committee and a Director of one of Perpetual's subsidiaries, Queensland Trustees Pty Ltd. In relation to Mission Australia, she is the Chairman of Mission Australia Housing Limited, Mission Australia Housing Tasmania Limited, Mission Australia Housing (Victoria) Limited, Mission Australia Housing Northern Territory and a member of the Mission Australia People, Remuneration & Culture Committee. In addition, Nancy is a Director of Aspect Studios Pty Ltd, a member of the Aspect Studios Nominations and Remuneration Committee, a Director of O'Connell Street Associates and the Trustee for the RFS 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 of the Company on 25 August 2014. Virginia Malley is the Chair of the Company's Audit and Risk Committee and a member of the Nomination and Corporate Governance Committee.

In relation to iCare, Virginia Malley is currently a Director of iCare, Chair of the iCare Risk Committee and a member of iCare's Asset and Investment Committee and Audit Committee. In addition, Virginia is the Chair of the Code Review Panel for the Australian Carbon Industry Code of Conduct, Chair of the Pinnacle Fund Services Managed Investments Compliance Committee, Chair of the Maple-Brown Abbott Compliance Committee and a Director of Macquarie Investment Management Australia Limited.

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.

Directors (continued)

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

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

In relation to Macquarie Investment Management Limited (MIML), John Edstein is currently the Chairman of MIML, and a member of MIML's Audit, Risk and Compliance Committee and Superannuation and IDPS Investment Committee. 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) and is a member of Walsh Bay's Remuneration Committee and Risk and Compliance Committee. He is also a member of the Catholic Archdiocese of Sydney Investment Committee.

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.

Michael Clarke, Non-Executive Director
BEng (Hons), MBA

Appointed Director of the Company on 1 September 2023. Michael Clarke is a member of the Company's Nomination and Corporate Governance Committee and the Audit and Risk Committee.

Michael Clarke is currently an Executive Director and acting Chief Executive Officer of Pacific Current Group Limited (ASX: PAC) and a member of PAC's Investment Committee. He is also a Non-Executive Director of Aurora Investment Management Pty Ltd, a wholly owned subsidiary of PAC.

Michael Clarke has over 30 years' experience in asset management in both Australia and overseas. Michael has held various roles including responsibility for managing equity, fixed income and currency portfolios and building asset management businesses. His most recent leadership role was Chief Executive (acting) of Challenger Funds Management, based in Sydney. Prior to that, he was Managing Director of Russell Investments' institutional business in Australia and New Zealand, Director of Strategy and International at AMP Capital Investors, Chief Executive and Chief Investment Officer at Goldman Sachs JBWere Asset Management, Investment Director at Equitilink Australia, and Division Director at Macquarie Bank.

Listed company directorship held during the past three financial years:

- Pacific Current Group Limited (from 14 February 2024 to present)

Directors (continued)

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

Appointed Director of the Company on 13 May 2021.

Amanda Apted (Gillespie) is a Director of Perpetual Investment Management Limited (the Manager), Pental Fund Services Limited and Pental Institutional Limited. Amanda is also the Chief Executive of Perpetual Asset Management Australia. She is responsible for leading the Australian division of Perpetual Asset Management, which includes the Australian Equities, Credit & Fixed Income, 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 leading and building out Lonsec's investment and superannuation research and consulting capabilities.

Company secretary

**Sylvie Dimarco
LLB, GradDipAppCorpGov, FGIA, MAICD**

Appointed the Company's 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 subsidiaries.

Sylvie Dimarco has over 17 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' meetings

The following table sets out the number of meetings held of which a Director was eligible to attend and the number of meetings attended by the Company's Directors during the year ended 30 June 2024:

	Board		Audit and Risk Committee		Nomination and Corporate Governance Committee	
	Held	Attended	Held	Attended	Held	Attended
Directors						
Nancy Fox AM	5	5	4	4	3	3
Virginia Malley	5	5	4	4	3	3
John Edstein	5	5	4	4	3	3
Michael Clarke	4	4	3	3	2	2
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.

Review of operations

	30 June 2024	30 June 2023
	\$'000	\$'000
Profit/(loss) before income tax	35,885	73,553
Income tax benefit/(expense)	<u>(7,329)</u>	<u>(18,546)</u>
Profit/(loss) for the year attributable to shareholders	<u>28,556</u>	<u>55,007</u>

As at 30 June 2024, the Company's Net Tangible Assets (NTA) after tax were \$1.272 per share (30 June 2023: \$1.277). The NTA after tax has decreased by -0.4% during the year.

The decrease 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 8.0 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 2024				
Final 2023 dividend	4.0	15,136	100%	18 October 2023
Interim 2024 dividend	4.0	15,182	100%	5 April 2024

Declared after the end of financial year 2024

On 26 August 2024, the Directors declared:

Final 2024 dividend	4.0	15,229	100%	8 October 2024
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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 2024 and will be recognised in the subsequent financial statements.

State of affairs

The Company's Management Agreement with the Manager will expire in December 2024. The Company is currently in discussion with the Manager over its re-appointment and this is subject to the approval of shareholders at the Company's Annual General Meeting.

Perpetual Limited, the parent company of the Manager, announced the outcome of its strategic review which has resulted in Perpetual's decision to separate Perpetual's Corporate Trust and Wealth Management businesses to create a more focused and streamlined Asset Management business. This decision is not expected to adversely impact the Company and the investment objectives of its investment portfolio; or the Manager's provision of services to the Company under the Company's Management Agreement with the Manager.

There were no other 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.

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 2024. 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 2024:

Name	Position	Term
Nancy Fox AM	Chairman and Non-Executive Director	Full year
Virginia Malley	Non-Executive Director	Full year
John Edstein	Non-Executive Director	Full year
Michael Clarke	Non-Executive Director	Appointed 1 September 2023
Amanda Apted (Gillespie)	Executive Director	Full year

Remuneration report: Audited (continued)

(b) Remuneration of directors

Remuneration policy

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

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

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

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). 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. The maximum aggregate amount of remuneration that may be paid to the Directors (excluding the Executive Director) is \$400,000 for any financial year commencing on or after 1 July 2023. The maximum amount was increased by \$150,000 from the amount of \$250,000 as set out in the Company's Constitution. The increase was approved by the resolution of shareholders at the Annual General Meeting held on 19 October 2023.

	From 1 July 2024	30 June 2024	30 June 2023
	\$	\$	\$
Non-Executive Directors' fees			
Chairman	70,000	70,000	65,000
Directors	59,000	59,000	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 report: Audited (continued)

(b) Remuneration of directors (continued)

Remuneration of directors

The following table sets out the Directors' remuneration for the years ended 30 June 2024 and 30 June 2023.

Name	Directors' fees \$	Superannuation \$	Total \$
Directors			
Nancy Fox AM			
2024	62,992	7,008	70,000
2023	60,368	4,632	65,000
Virginia Malley			
2024	57,479	1,521	59,000
2023	52,387	2,613	55,000
John Edstein			
2024	53,094	5,906	59,000
2023	49,774	5,226	55,000
Michael Clarke*			
2024	44,235	4,932	49,167
Amanda Apted (Gillespie)			
2024	-	-	-
2023	-	-	-
Total 2024	<u>217,800</u>	<u>19,367</u>	<u>237,167</u>
Total 2023	<u>162,529</u>	<u>12,471</u>	<u>175,000</u>

* For the period from 1 September 2023 to 30 June 2024.

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 \$4,853,003 (inclusive of GST and net of Reduced Input Tax Credit) for the year ended 30 June 2024 (2023: \$4,908,688).

Remuneration report: Audited (continued)

(b) Remuneration of directors (continued)

Remuneration of directors (continued)

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

	2024	2023	2022	2021	2020
Profit/(loss) after tax (\$'000)	28,556	55,007	(17,906)	108,356	(434)
Dividends paid (cents per share)	8.0	6.6	5.6	5.6	6.6
NTA after tax (\$ per share)	1.272	1.277	1.191	1.299	1.046
Directors' remuneration (\$)	237,167	175,000	175,000	155,808	187,000
Shareholder's equity (\$'000)	483,550	482,565	449,551	484,486	363,822
Closing share price (\$)	1.235	1.165	1.160	1.300	0.905
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. 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 of the Company that each Director held at the reporting date were:

Name	Instrument	Balance at 1 July 2023	Quantity acquired	Quantity disposed	Balance at 30 June 2024
Directors					
Nancy Fox AM	Shares	324,981	-	-	324,981
Virginia Malley	Shares	160,485	-	-	160,485
John Edstein	Shares	130,648	-	-	130,648
Michael Clarke	Shares	-	213,789	-	213,789
Amanda Apted (Gillespie)	Shares	-	-	-	-

End of Remuneration Report: Audited

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

There were no fees paid to KPMG for non-audit services for the years ended 30 June 2024 and 30 June 2023.

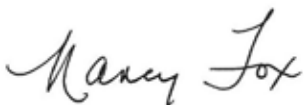
Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

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
26 August 2024



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 2024, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

K Hopkins
Karen Hopkins
Partner
Sydney
26 August 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Investment income			
Dividend income		15,360	15,610
Interest income		724	809
Net gains/(losses) on financial instruments at fair value through profit or loss	5(c)	27,465	64,307
Net foreign exchange gains/(losses)		13	273
Other income		41	116
Total investment income/(loss)		43,603	81,115
Expenses			
Management fees	6(a)	4,853	4,909
Other expenses	6(b)	2,865	2,653
Total expenses		7,718	7,562
Profit/(loss) before income tax		35,885	73,553
Income tax benefit/(expense)	7(a)	(7,329)	(18,546)
Profit/(loss) after income tax		28,556	55,007
Other comprehensive income		-	-
Total comprehensive income		28,556	55,007
Earnings per share			
Basic earnings per share (cents per share)	4	7.53	14.58
Diluted earnings per share (cents per share)	4	7.53	14.58

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Assets			
Cash and cash equivalents	11(c)	11,786	36,607
Receivables	9	11,662	1,977
Current tax receivable		7,739	3,079
Financial assets at fair value through profit or loss	8	<u>471,876</u>	<u>451,086</u>
Total assets		<u>503,063</u>	<u>492,749</u>
Liabilities			
Payables	10	2,975	1,229
Financial liabilities at fair value through profit or loss	8	1	839
Deferred tax liability	7(c)	<u>16,537</u>	<u>8,116</u>
Total liabilities		<u>19,513</u>	<u>10,184</u>
Net assets		<u>483,550</u>	<u>482,565</u>
Equity			
Contributed equity	12(a)	395,211	392,464
Retained earnings		(9,373)	(37,929)
Profit reserve		<u>97,712</u>	<u>128,030</u>
Total equity		<u>483,550</u>	<u>482,565</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Profit Reserve \$'000	Total \$'000
Balance at 1 July 2023		392,464	(37,929)	128,030	482,565
Total comprehensive income for the year		-	28,556	-	28,556
Transfers to profit reserve		-	-	-	-
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	12(a)	2,747	-	-	2,747
Dividends paid	3(a)	<u>-</u>	<u>-</u>	<u>(30,318)</u>	<u>(30,318)</u>
Balance at 30 June 2024		<u>395,211</u>	<u>(9,373)</u>	<u>97,712</u>	<u>483,550</u>
	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)	<u>-</u>	<u>-</u>	<u>(24,882)</u>	<u>(24,882)</u>
Balance at 30 June 2023		<u>392,464</u>	<u>(37,929)</u>	<u>128,030</u>	<u>482,565</u>

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	30 June 2024 \$'000	30 June 2023 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss*		527,769	466,014
Payments for purchase of financial instruments at fair value through profit or loss*		(529,448)	(428,131)
Dividends received		14,844	15,506
Interest received		824	675
Other income received		501	568
Management fees paid		(5,205)	(5,258)
Income tax paid		(3,568)	(10,306)
Other expenses paid		(2,967)	(2,779)
Net cash inflow/(outflow) from operating activities*	11(a)	<u>2,750</u>	<u>36,289</u>
Cash flows from financing activities			
Proceeds from exercise of options	12(a)	-	709
Dividends paid - net of dividend reinvestment plan		(27,571)	(22,702)
Net cash inflow/(outflow) from financing activities		<u>(27,571)</u>	<u>(21,993)</u>
Net increase/(decrease) in cash and cash equivalents		(24,821)	14,296
Cash and cash equivalents at the beginning of the year		<u>36,607</u>	<u>22,311</u>
Cash and cash equivalents at the end of the year	11(c)	<u>11,786</u>	<u>36,607</u>

*The comparatives have been presented to align with the changes adopted for current year. Refer to note 2.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

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 2024 were authorised for issue by the Directors on 26 August 2024.

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.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and deferred tax provisions.

The Company manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined at the reporting date. Deferred tax provisions are recognised for unrealised gains and losses of the Company's investment portfolio.

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.

Functional and presentation currency

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

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).

2 Basis of preparation (continued)

Comparatives

Certain comparative figures in the statement of cash flows have been presented to align with the changes adopted for current year:

- Cash flow presentation for the proceeds from sale and payments for purchase of financial instruments at fair value through profit or loss have been reclassified from investing activities to operating activities due to voluntary changes in the Company's accounting policy.

There is no impact on the Company's financial performance, changes in equity, net assets or any other quantitative metric of the Company.

New standards, amendments and interpretations adopted by the Company

The Company has adopted the following Australian Accounting Standards for the reporting period beginning 1 July 2023:

- AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]

AASB 2021-2 became effective for annual reporting periods beginning on or after 1 January 2023. The amendments require the disclosure of material accounting policies rather than significant accounting policies and clarify the distinction between accounting policies and accounting estimates. The amendments do not result in any changes to the accounting policies.

There are no other new accounting standards, amendments and interpretations that are effective for the first time for the reporting period beginning 1 July 2023 and have a material impact on the financial statements of the Company.

New standards, amendments and interpretations effective after 1 July 2024 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 2024 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 the Company's 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 2024	Cents per share	Total amount \$'000	Franking	Payment date
Final 2023 dividend	4.0	15,136	100%	18 October 2023
Interim 2024 dividend	4.0	15,182	100%	5 April 2024
Total	8.0	30,318		

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		

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

(b) Subsequent events

On 26 August 2024, the Directors declared the following dividend.

	Cents per share	Total amount \$'000	Franking	Payment date
Final 2024 dividend	4.0	15,229	100%	8 October 2024

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 2024 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.

3 Dividends (continued)

(c) Franking account

	30 June 2024	30 June 2023
	\$'000	\$'000
The available balance in the franking account at the reporting date	<u>19,240</u>	<u>28,485</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>(6,526)</u>	<u>(6,487)</u>
The available balance in the franking account after the adjustment for the final dividend declared after the reporting date	<u>12,714</u>	<u>21,998</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 2024	30 June 2023
Basic earnings per share (cents per share)	<u>7.53</u>	<u>14.58</u>
Diluted earnings per share (cents per share)	<u>7.53</u>	<u>14.58</u>
Profit/(loss) after income tax attributable to shareholders (\$'000)	<u>28,556</u>	<u>55,007</u>
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	<u>379,480,502</u>	<u>377,284,818</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 2024	30 June 2023
	\$'000	\$'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	23,663	60,869
Net realised gains/(losses) on financial instruments at fair value through profit or loss	3,802	3,438
Net gains/(losses) on financial instruments at fair value through profit or loss	27,465	64,307

(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.

	30 June 2024	30 June 2023
	\$'000	\$'000
Management fees	4,853	4,909

The Manager was appointed in December 2014 for an initial term of five years. The Management Agreement was automatically extended in 2019 for a further five-year term (extended term) unless terminated earlier in accordance with its terms. The Company's Management Agreement with the Manager will expire in December 2024. The Company is currently in discussion with the Manager over its re-appointment and this is subject to the approval of shareholders at the Company's Annual General Meeting.

If the current 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 current 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.

6 Expenses (continued)

(b) Other expenses

	30 June 2024 \$'000	30 June 2023 \$'000
Directors' remuneration	237	175
Auditors' remuneration	90	88
ASX fees	114	126
Registry services	124	120
Custody administration fees	96	104
Insurance fees	268	369
Brokerage	1,418	1,050
Other operating expenses	518	621
Total other expenses	2,865	2,653

(c) Auditor's remuneration

	30 June 2024 \$	30 June 2023 \$
Amount received or due and receivable by KPMG:		
Audit and review of financial statements	90,487	87,824
Other regulatory assurance services	-	-

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 2024 (2023: 30%).

(a) Income tax benefit/(expense)

	30 June 2024 \$'000	30 June 2023 \$'000
Current tax		
Current income tax expense	933	(322)
Adjustment for prior years	159	(26)
Deferred tax		
Temporary differences	<u>(8,421)</u>	<u>(18,198)</u>
Total income tax benefit/(expense)	<u>(7,329)</u>	<u>(18,546)</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 2024 \$'000	30 June 2023 \$'000
Profit/(loss) before income tax	35,885	73,553
Prima facie income tax calculated at Company's tax rate of 30%	(10,766)	(22,066)
<i>(Increase)/decrease tax payable</i>		
Franking credits	3,388	3,427
Foreign income tax offsets	46	63
Non-assessable income	(156)	56
Adjustment for prior years	<u>159</u>	<u>(26)</u>
Income tax benefit/(expense)	<u>(7,329)</u>	<u>(18,546)</u>

7 Income tax (continued)

(c) Deferred tax asset/(liability)

The balance comprises temporary differences attributable to:

	30 June 2024 \$'000	30 June 2023 \$'000
Net unrealised (gains)/losses	(16,563)	(8,168)
Transaction costs available for future tax deductions	<u>26</u>	<u>52</u>
Total deferred tax asset/(liability)	<u>(16,537)</u>	<u>(8,116)</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 2024 \$'000	30 June 2023 \$'000
Derivatives		
Foreign currency forward contracts	438	-
Equity securities	<u>471,438</u>	<u>451,086</u>
Total financial assets at fair value through profit or loss	<u>471,876</u>	<u>451,086</u>
Derivatives		
Foreign currency forward contracts	<u>1</u>	<u>839</u>
Total financial liabilities at fair value through profit or loss	<u>1</u>	<u>839</u>

Classification

The Company classifies its investments based on its business model for managing those financial instruments 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 its investments on the date it becomes party to the purchase contractual agreement (trade date). Investments are derecognised on the date the Company becomes party to the sale contractual agreement (trade date).

Fair value measurement

At initial recognition, investments are measured at fair value. Transaction costs are expensed in profit or loss as incurred. Subsequently, all investments 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.

9 Receivables

	30 June 2024	30 June 2023
	\$'000	\$'000
Dividends receivable	1,544	1,018
Withholding tax receivable	167	177
Interest receivables	46	146
GST receivable	154	156
Receivables from securities sold	<u>9,751</u>	<u>480</u>
Total receivables	<u>11,662</u>	<u>1,977</u>

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 measures 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 measures 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 2024	30 June 2023
	\$'000	\$'000
Payables for securities purchased	2,473	731
Accrued expenses comprising:		
Management fees	439	436
Directors' remuneration	62	44
Other payables	<u>1</u>	<u>18</u>
Total payables	<u>2,975</u>	<u>1,229</u>

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 2024 \$'000	30 June 2023 \$'000
Profit/(loss) after income tax	28,556	55,007
Proceeds from sale of financial instruments at fair value through profit or loss*	527,769	466,014
Payments for purchase of financial instruments at fair value through profit or loss*	(529,448)	(428,131)
(Increase)/decrease in dividends receivable	(526)	(42)
(Increase)/decrease in withholding tax receivable	10	(62)
(Increase)/decrease in interest receivable	100	(134)
(Increase)/decrease in GST receivable	2	8
(Increase)/decrease in current tax receivable	(4,660)	(3,079)
(Increase)/decrease in deferred tax asset	-	10,082
Increase/(decrease) in payables	4	(31)
Increase/(decrease) in current tax payable	-	(6,879)
Increase/(decrease) in deferred tax liability	8,421	8,116
Net (gains)/losses on financial instruments at fair value through profit or loss	(27,465)	(64,307)
Net foreign exchange (gains)/losses	(13)	(273)
Net cash flows from operating activities*	2,750	36,289

*The comparatives have been presented to align with the changes adopted for current year. Refer to note 2.

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 2024 \$'000	30 June 2023 \$'000
During the year, the following dividend payments were satisfied by the issue of shares under the dividend reinvestment plan	2,747	2,180

(c) Components of cash and cash equivalents

	30 June 2024 \$'000	30 June 2023 \$'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	11,786	36,607
Total cash and cash equivalents	11,786	36,607

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. The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.

12 Equity

(a) Share capital

	30 June 2024	30 June 2024	30 June 2023	30 June 2023
	Number of shares	\$'000	Number of shares	\$'000
Opening balance	378,388,340	392,464	376,007,767	389,575
Shares issued from dividend reinvestment plan	2,327,924	2,747	1,855,435	2,180
Shares issued from exercise of options	-	-	525,138	709
Shares on issue	380,716,264	395,211	378,388,340	392,464

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) 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.

(c) 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 operating 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.

13 Financial risk management (continued)

(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.

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 \$47,143,808 (2023: \$45,108,550). 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 movements of the Company's benchmark (S&P/ASX 300 Accumulation Index) and with the consideration for 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 the foreign currency 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.

13 Financial risk management (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

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 2024 \$'000	30 June 2023 \$'000
British Pound	4,421	817
Canadian Dollar	75	-
Euro	1,389	2,430
New Zealand Dollar	6,425	-
United States Dollar	13,170	4,710
Total foreign currency exposure	25,480	7,957

Currency risk sensitivity analysis

The following table analyses the impact on the Company's profit and net assets from possible movements in the foreign currency 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 the foreign currency exchange rates given the current exchange rates and the historic volatility.

	Sensitivity rates		Impact on profit/net assets	
	30 June 2024 %	30 June 2023 %	30 June 2024 \$'000	30 June 2023 \$'000
British Pound	+5	+5	(221)	(41)
	-5	-5	221	41
Canadian Dollar	+5	+5	(4)	-
	-5	-5	4	-
Euro	+5	+5	(69)	(122)
	-5	-5	69	122
New Zealand Dollar	+5	+5	(321)	-
	-5	-5	321	-
United States Dollar	+5	+5	(659)	(236)
	-5	-5	659	236

13 Financial risk management (continued)

(a) Market risk (continued)

(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 2024	30 June 2023
	\$'000	\$'000
Cash at bank	<u>11,786</u>	<u>36,607</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 \$117,857 on an annualised basis (2023: \$366,074). 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.

(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.

13 Financial risk management (continued)

(c) Liquidity risk

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

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

30 June 2024	Carrying amount \$'000	Contractual cash flows		
		less than 6 months \$'000	6-12 months \$'000	more than 12 months \$'000
Non-derivative financial liabilities				
Payables	2,975	2,975	-	-
Total	2,975	2,975	-	-
Derivative financial liabilities				
Foreign currency forward contracts	1			
Outflow	-	1,046	-	-
Inflow	-	(1,045)	-	-
Total	1	1	-	-

30 June 2023	Carrying amount \$'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	-	-

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).

13 Financial risk management (continued)

(d) Fair value measurement (continued)

The following table presents the Company's financial assets and liabilities by fair value hierarchy levels:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2024				
Financial assets at fair value through profit or loss				
Derivatives				
Foreign currency forward contracts	-	438	-	438
Equity securities	471,438	-	-	471,438
Total	471,438	438	-	471,876
Financial liabilities at fair value through profit or loss				
Derivatives				
Foreign currency forward contracts	-	1	-	1
Total	-	1	-	1
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2023				
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

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 the fair value hierarchy levels at the end of the reporting period.

There were no transfers between levels as at 30 June 2024 and 30 June 2023.

14 Offsetting financial assets and financial liabilities

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. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables below:

30 June 2024	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts \$'000	Gross amounts set off \$'000	Net amounts presented \$'000	Amounts subject to master netting arrangements \$'000	Net amounts \$'000
Financial assets					
Derivatives	438	-	438	(1)	437
Total	438	-	438	(1)	437
Financial liabilities					
Derivatives	(1)	-	(1)	1	-
Total	(1)	-	(1)	1	-
30 June 2023	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts \$'000	Gross amounts set off \$'000	Net amounts presented \$'000	Amounts subject to master netting arrangements \$'000	Net amounts \$'000
Financial liabilities					
Derivatives	(839)	-	(839)	-	(839)
Total	(839)	-	(839)	-	(839)

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 statement of financial position, 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 2024 was \$237,167 comprising a short term employment benefit of \$217,800 and superannuation of \$19,367 (2023: Total Directors' remuneration was \$175,000, comprising a short term employment benefit of \$162,529 and superannuation of \$12,471). 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 AM (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.

15 Related party transactions (continued)

Amanda Apted (Gillespie) is a Director of Perpetual Investment Management Limited (the Manager). 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 2024 and 30 June 2023.

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 8 October 2024 (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 2024 or on the results and cash flows of the Company for the year ended on that date.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

AS AT 30 JUNE 2024

Perpetual Equity Investment Company Limited is not required by Australian Accounting Standards (AAS) to prepare consolidated financial statements and as a result subsection 295(3A)(a) of the *Corporations Act 2001* to prepare a Consolidated Entity Disclosure Statement does not apply to the Company.

DIRECTORS' DECLARATION

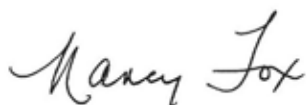
FOR THE YEAR ENDED 30 JUNE 2024

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 21 to 44, 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 2024 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) The Consolidated Entity Disclosure Statement as at 30 June 2024, set out on page 45, is true and correct.
- (d) 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 2024.

Signed in accordance with a resolution of the Directors.



Chairman

Sydney
26 August 2024



Director



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 gives a true and fair view, including of the Company's financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2024;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material 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 (\$471.9m) and financial liabilities (\$0.001m) 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 97.6% 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 2023 to 31 March 2024 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 2023 to 30 June 2024 to understand the processes and assess the controls relevant to the investment managers



	<p>initiation and execution of the purchase and sale 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 2024. • We checked the existence of a sample of investments, being the ownership and quantity held to external custody reports as at 30 June 2024. • 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 report 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 in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and that is free from material misstatement, whether due to fraud or error; and
- 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.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Equity Investment Company Limited for the year ended 30 June 2024, 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 15 to 18 of the Directors' report for the year ended 30 June 2024.

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

KPMG

KPMG

K Hopkins

Karen Hopkins

Partner

Sydney

26 August 2024

SHAREHOLDER INFORMATION

The 2024 Annual General Meeting of the Company will be held on 7 November 2024.

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 2024 are listed below:

	Number of ordinary shares	%
Citicorp Nominees Pty Limited	16,438,555	4.32
IOOF Investment Services Limited (IOOF IDPS A/C)	10,558,464	2.77
Netwealth Investments Limited (Wrap Services A/C)	9,201,127	2.42
IOOF Investment Services Limited (IPS Superfund A/C)	6,657,059	1.75
BNP Paribas Nominees Pty Ltd (HUB24 Custodial Serv Ltd)	6,521,084	1.71
Netwealth Investments Limited (Super Services A/C)	4,324,751	1.14
Raffy Holdings Pty Ltd (Raffy A/C)	3,456,395	0.91
HSBC Custody Nominees (Australia) Limited	3,256,854	0.86
Mr John Charles Plummer	3,125,000	0.82
D E C Investments Pty Limited	2,124,052	0.56
Walmsley Developments Pty Ltd	1,859,545	0.49
Boksborg 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)	959,438	0.25
Mr James Michael Collopy	950,000	0.25
Merck Investment Corporation Pty Ltd (Merck Superfund A/C)	800,000	0.21
Fergfam Nominees Pty Ltd	785,882	0.21
Black Nile Investments Pty Ltd (Mark Fahim Superfund A/C)	775,000	0.20
IAIN Livingstone Investments Pty Ltd (IAIN Livingstone S/F A/C)	772,438	0.20
Basil Ladyman Pty Ltd (Woodlat Super Fund A/C)	768,798	0.20

Substantial shareholders

No substantial shareholder appeared in the Company's Register of Substantial Shareholders maintained in accordance with section 671B of the *Corporations Act 2001* as at 31 July 2024.

Distribution of securities

Schedule of holdings - shares As at 31 July 2024	Number of shareholders	Number of ordinary shares
1 - 1,000 shares	310	119,837
1,001 - 5,000 shares	841	2,800,324
5,001 - 10,000 shares	1,084	8,790,290
10,001 - 100,000 shares	5,276	189,811,072
100,001 shares and over	<u>567</u>	<u>179,194,741</u>
Total	<u>8,078</u>	<u>380,716,264</u>

The number of shareholders holding less than a marketable parcel is 161 and they hold 10,417 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 8 October 2024 to shareholders entitled to receive dividends and registered on 16 September 2024 being the record date.

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DIRECTORY

COMPANY

Perpetual Equity Investment Company Limited
ACN 601 406 419

DIRECTORS

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

COMPANY SECRETARY

Sylvie Dimarco

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
Tower 3
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

AUSTRALIAN SECURITIES EXCHANGE CODE

Shares: PIC

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Phone 1800 421 712

WEBSITE

www.perpetualequity.com.au

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