PERPETUAL
EQUITY INVESTMENT
COMPANY LIMITED
ACN 601 406 419

All Registry communications to:
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Telephone: +61 1800 421 712
Facsimile: +61 2 9287 0303
ASX Code: PIC
Email: pic@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

20 August 2021

ASX Limited
ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

FY21 Financial Results

The following announcements to the market are provided:

- FY21 Appendix 4E
- ✓ Annual Report to Shareholders
- Corporate Governance Statement 2021
- Appendix 4G
- FY21 Summary

Yours sincerely

Sylvie Dimarco

Sylvie Dimarco
Company Secretary

PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

ANNUAL REPORT
30 JUNE 2021

Perpetual

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PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ANNUAL GENERAL MEETING AND INVESTMENT MANAGER UPDATE 2021

Thursday 21 October 2021
2pm (Sydney time)

For more details visit
www.perpetualequity.com.au

FULL YEAR 2021 RESULTS OVERVIEW

DELIVERING A RECORD PROFIT AND FULLY FRANKED DIVIDEND STREAM

2.8 cps

Fully franked final dividend

6.2%*

Grossed up annual dividend yield

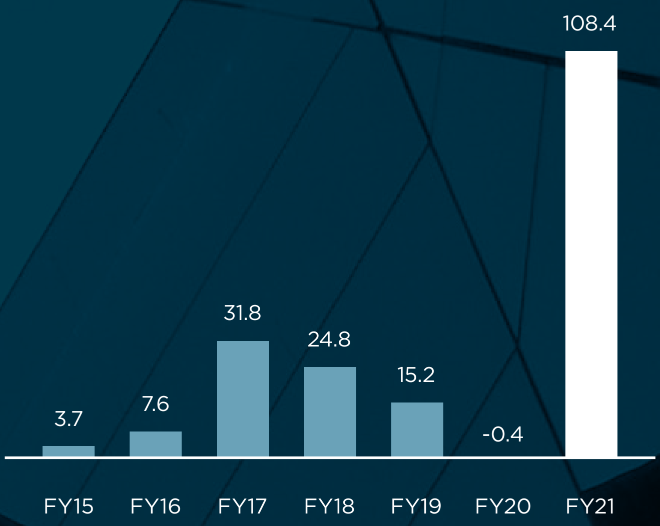
42.4%**

Investment portfolio performance 12 months to 30 June 2021

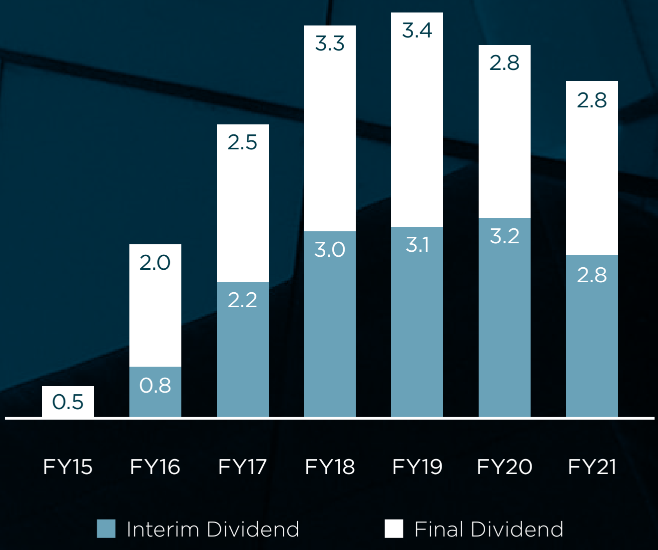
$1.299^

Net tangible assets (NTA) after tax per share

NPAT, $m



DIVIDENDS IN CENTS PER SHARE (CPS)



Source: Perpetual Equity Investment Company Limited (PIC) as at 30 June 2021.

* Based on the total grossed up dividends of 8.0 cents per share (taking franking credits into account) and the closing share price of $1.30 as at 30 June 2021.

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

^ '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 2021.

CHAIRMAN'S REPORT

CHAIRMAN'S REPORT AUGUST 2021

Dear Fellow Shareholders,

Thank you for your ongoing support of the Perpetual Equity Investment Company Limited (ASX: PIC, the Company). The past year (FY21) has been one of considerable activity providing shareholders with strong investment performance, consistent dividends and the opportunity to participate in the Company's growth through a capital raising. By continuing to focus on prudent management and a disciplined investment approach, the Company was able to consolidate on the half year results and deliver a record profit for FY21.

The Board is firmly focused on its commitment to deliver long-term capital growth, and consistent, reliable income to its shareholders. At the heart of this commitment is the Company's relationship with Perpetual Investment Management Limited (the Manager, Perpetual), one of Australia's most experienced fund managers. The Company leverages the resources and expertise of the Perpetual team. Perpetual's large and experienced equities team has a proven track record of investing excellence which is underpinned by active management and an investment approach focused on identifying value and quality in the companies held in the portfolio.

FULL YEAR 2021 RESULTS AND DIVIDEND

For FY21, the Company announced a record operating profit before tax of $152.9 million and an operating profit after tax of $108.4 million, for the 12 months to 30 June 2021. This follows the record profit for the half year to 31 December 2020, announced on 17 February 2021. By actively identifying investment opportunities that meet our stringent quality filters, the Manager was able to acquire what it viewed as quality stocks trading at significant discounts. As a result, substantial gains could be realised, delivering a record profit for FY21.

The Board has declared a fully franked final dividend of 2.8 cents per share, bringing total dividends declared for FY21 to 5.6 cents per share fully franked. The Board believes this translates to an attractive cash dividend yield of 4.3% and a grossed up dividend yield of 6.2%[1].

The Company has delivered fully franked dividends twice a year since inception, and the Board is proud of its established track record. The Board believes that prudent capital management will assist us in delivering an attractive dividend yield and a sustainable dividend stream in future years.

The Board's pro-active capital management approach aims to strike an appropriate balance of providing income to shareholders, while maintaining profit reserves and franking credits for the future payment of dividends. Importantly, the Board remains committed to paying a dividend to shareholders twice a year, fully franked or to the maximum extent possible.

INVESTMENT PERFORMANCE

FY21 witnessed a positive rebound in the Australian share market, gaining on the highs that preceded the March 2020 market sell-off. While COVID-19 and the on-going lockdown situation created renewed market uncertainty, the news of a successful vaccination lifted the mood as economic re-opening and recovery gained momentum. Following a dramatic steepening in the yield curve, and despite official cash rates staying near zero, equity markets experienced a large and dramatic stock rotation. Growth stocks, regarded as strong contenders for market outperformance waned in appeal, while value stocks (well established companies trading below their perceived value) rallied. This presented numerous attractive investment opportunities for the Manager.

Through the active management of the portfolio, and by utilising the Company's flexible investment strategy, the Manager was able to achieve strong performance during FY21 with the PIC portfolio returning 42.4% and outperforming the benchmark by 13.9%[2]. Total shareholder return also exceeded the benchmark by 22.7%, returning 51.2%[3]. The Manager was able to quicky pivot and adapt to changing market conditions, capitalising on market volatility, and actively positioning the portfolio with a mix of undervalued cyclical and quality defensive stocks. This saw the portfolio benefit as investor sentiment rotated from a growth to value stock focus.

Underpinned by active management, the Board is confident the Company can respond to, and capitalise on changing market conditions. The FY21 portfolio performance exemplifies this ability.

ASSET ALLOCATION

In March 2020, the Board made the decision to change the Company's investment strategy to increase the maximum allowable allocation to global securities from 25% to 35%. This decision provided the Manager with enhanced flexibility to take advantage of global opportunities during the course of FY21. This has benefited the PIC portfolio during FY21, with French lotteries company La Francaise des Jeux SA (PAR: FDJ) being a top contributor to overall performance. While the Company's allocation to global listed securities was only 20.5% as at 30 June 2021, this is not reflective of the allocation throughout the year. In particular, the first half of FY21 saw the portfolio consistently have an allocation above 25%. On 23 June 2021, the Company received the proceeds of its successful capital raising, resulting in an increase in the cash allocation at the end of the month to 7.0%. The proceeds will be deployed in accordance with the Company's investment strategy to add to existing positions and build new positions, following the Manager's stringent investment process.

In an environment of unprecedented social and economic uncertainty, the Board is very pleased with the investment portfolio outperformance. While the Manager believes the rotation to recovery will continue to play out and social and economic uncertainty remains, as COVID-19 and its Delta variant hinders economies fully reopening, the Board is confident in the disciplined and active investment approach taken by the Manager.

1 Yield is calculated based on the total grossed up dividends of 8.0 cents per share (taking franking credits into account) and the closing share price of $1.30 as at 30 June 2021.

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

3 Total shareholder return for the 12 months to 30 June 2021. Source: FactSet; Performance presented in AUD, based on the ASX share price assuming reinvestment of dividends on the ex-date.

By strictly adhering to the value and quality investment approach, and a thorough "bottom up" in-depth research process, the Manager continues to identify what it believes are high-quality companies with sustainable earnings, strong balance sheets and sound management, which are trading at attractive valuations.

SHARE PURCHASE PLAN AND ONE-FOR-ONE BONUS ISSUE OF OPTIONS

On 2 June 2021, the Company announced its second capital raising offer since its initial listing on the ASX in 2014. The Share Purchase Plan (SPP) and one-for-one bonus issue of options (Options) provided eligible shareholders with an opportunity to participate in the potential growth of the Company through the purchase of additional shares.

Under the SPP, participating eligible shareholders were allocated PIC shares at a 2.5% discount to the closing PIC share price on the SPP record date, incurring no brokerage and no transaction costs.

The SPP received strong support from eligible shareholders raising just over $30 million and resulting in the issue of approximately 23.6 million new fully paid ordinary shares. This brought the Company's market capitalisation as at 30 June 2021 to $485 million. The Board would like to thank all shareholders who participated in the SPP. All eligible directors also participated in the SPP.

In addition to the SPP, eligible shareholders also received, at no cost, PIC Options under the one-for-one bonus issue. The Company's Options commenced trading on the ASX on 30 June 2021 under the ASX code PICOA. The exercise price of the Options is $1.35.

The Options provide a further opportunity for shareholders to participate in the potential growth of the Company. They deliver value to shareholders, providing the ability to purchase additional shares at a fixed exercise price while incurring no brokerage or transaction costs. The Options can be exercised by Option holders at any time up until the expiry date of 2 September 2022. Once exercised, issued shares will have the same voting rights, dividend rights and other entitlements as existing shares at the time of issue. Option holders may also sell their Options on the ASX at any time up until the expiry date, providing additional value to shareholders.

Following the strong portfolio performance and benchmark outperformance, the Manager considers that current market conditions provide attractive opportunities for the active, value style of investing that has underpinned the Manager's approach since the Company's inception. As such, the Board determined that it was an appropriate time to look to grow the size of the Company, provide opportunities for shareholders to participate in this growth (via the SPP and Options issue), and potentially enhancing liquidity for the benefit of all our shareholders. As the Company's size increases, it is expected that the liquidity in the Company's shares traded on the ASX should also increase. This may generate further interest from new investors, brokers, analysts, and financial advisers. Over time, greater scale and growth in the Company should also benefit shareholders by reducing the Company's fixed expense base on a per share basis.

GOVERNANCE

The Company has a highly experienced Board that has undertaken rigorous governance processes over the year to provide oversight of the Company's activity, performance and service providers. The Board is committed to high standards of corporate governance and includes directors with a range of expertise across financial services, regulation, and risk management. The Board also considers and adopts the ASX Corporate Governance Council Principles and Recommendations where appropriate.

In September 2020, the Board announced the retirement of Ms Christine Feldmanis from her position as a Non-Executive Director, following the annual general meeting (AGM) held 15 October 2020. In assessing the size and composition of the Board and the operations of the Company, the Board determined not to replace Ms Feldmanis' position at this point in time. The Board was of the view that a smaller Board is likely to provide the Company with efficiencies which will benefit all shareholders. The Board is confident that all oversight and governance activities will continue at the same high standards, and will assess the size and composition of the Board on an ongoing basis.

On 13 May 2021, the Board welcomed Ms Amanda Gillespie (Apted) as Executive Director of the Company, following the resignation of Mr David Lane from the Board. Ms Gillespie is the Group Executive of Perpetual Asset Management Australia and is also a director of Perpetual Investment Management Limited (the Manager).

The Board would like to express its sincere thanks to Ms Feldmanis and Mr Lane for their valuable contributions to the Company.

SHAREHOLDER COMMUNICATIONS

With the ongoing market uncertainty associated with the COVID-19 global pandemic, the Board knows that now, more than ever, you want confidence in your investment and how it is being managed. To stay informed on the latest company news and insights, the Board encourages all shareholders to visit our website www.perpetualequity.com.au.

I was pleased to hear from many of you at the Investor Update Teleconference in June. I hope you will join us again online at the Annual General Meeting (AGM) and Investment Manager Update in October this year.

Thank you again for your continued support.

Nancy Fox

Yours sincerely,
Nancy Fox AM
Chairman

PORTFOLIO MANAGER'S REPORT

PORTFOLIO MANAGER'S REPORT AUGUST 2021

At Perpetual Investment Management Limited (we or Perpetual), active management, with a focus on quality and value, is core to our investment approach. We believe this approach is critical to making sound investment decisions that are appropriate to market conditions and that this style of investing is well placed to deliver investment performance over the long-term. This year, our results demonstrate the benefits of active management, a disciplined approach and thorough, in-depth research.

While COVID-19 resulted in challenging conditions and considerable market volatility, we identified many attractive opportunities. In the 12 months to June 2021, the PIC portfolio outperformed the S&P/ASX 300 Accumulation Index (the benchmark) by 13.9%, returning 42.4%[1]. This result reflects our commitment to active portfolio management that is responsive to changing market conditions, and our confidence to take high conviction positions based on deep research.

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.

INVESTMENT PHILOSOPHY AND PROCESS

We continue to maintain strict adherence to the investment philosophy and process which has defined Perpetual's approach to investing for the last 50 years, through all market conditions. We focus on high quality companies we believe are well positioned for the future, and trading at prices below what we perceive as fair value, based on company fundamentals and prevailing market conditions. Our dedicated team of equities investment professionals undertake extensive research on an ongoing basis, to determine both the quality and value of a company.

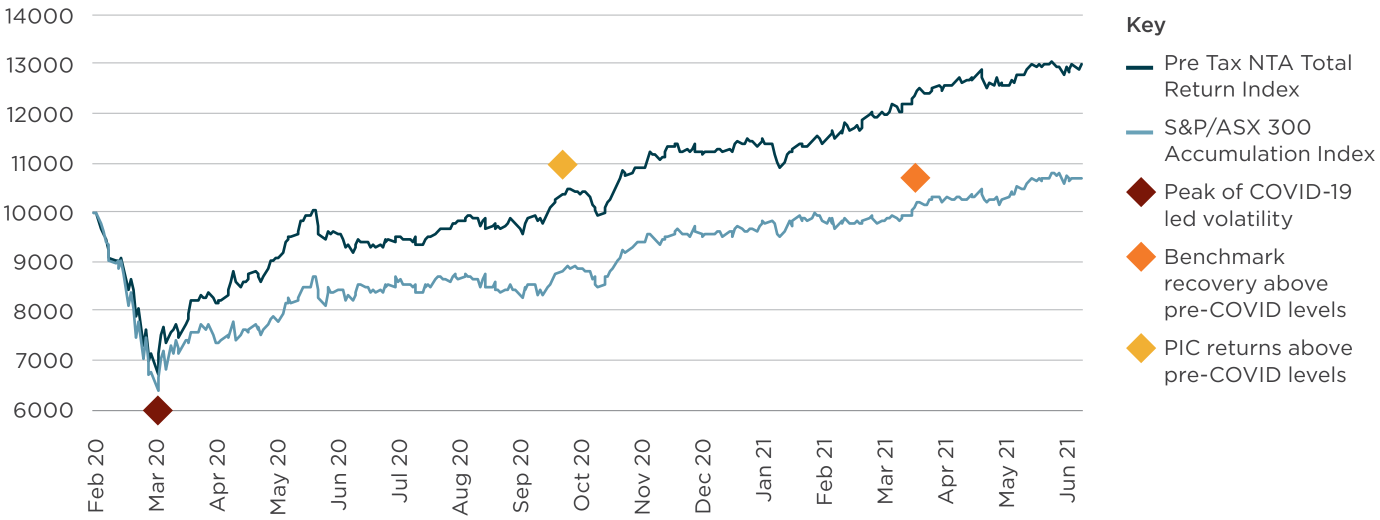
Key to our process is the use of four quality filters:

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

Once a universe of quality companies is established, our analysts then thoroughly research and rank these stocks. The Manager then selects the best of these ideas to populate the portfolio.

This investment process means that we do not focus on trying to predict where markets and prices are heading, rather making investment decisions based on in-depth research which allows us to understand the fundamental risks and opportunities of each company that we hold in the portfolio. Through this approach, we aim to minimise downside risk and protect the portfolio during periods of market stress.
As such, we tend to outperform the share market when it is down, which can be beneficial for investors over the long-term. We've seen evidence of this since the market bottomed in March 2020. The chart below shows the recovery of the PIC portfolio compared to the benchmark (S&P/ASX 300 Accumulation Index). As at 30 June 2021, the PIC pre-tax NTA return was 29.7% above pre-COVID levels[2].

PIC PRE-TAX NTA RETURN VS BENCHMARK (REBASE LINED TO 10,000)
20 FEBRUARY 2020 – 3 JUNE 2021



Source: Perpetual Equity Investment Company Limited

2 Based on pre-tax NTA total return since 20 February 2020. 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.

MARKET OVERVIEW

Financial year 2021 (FY21) had a turbulent start as the COVID-19 pandemic drove pronounced uncertainty and market volatility. Investors, speculating on the length of domestic and global lockdowns, and fuelled by a low interest rate environment, focused primarily on future company growth prospects, resulting in a broad-based growth stock rally. Despite trading at prices we considered well beyond their intrinsic value, popular growth stocks such as those in the 'buy now pay later' sector led the way, with the S&P/ASX300 Accumulation Index gaining 3% in August 2020, not only retracing its losses since the COVID-19 market sell off in March 2020, but posting additional gains.

Investor sentiment dampened in September as reports of anticipated job losses and speculation of renewed lockdowns weighed on domestic markets. However, November marked an extraordinary turn of events. On the domestic front, the Reserve Bank of Australia (RBA) announced their long-anticipated interest rate cut from 0.25% to a new record low of 0.10%. Combined with a quantitative easing program, and Pfizer's announcement of a 90% effective COVID-19 vaccine, markets shifted dramatically as economic recovery and re-opening gained momentum, rotating from expensive growth stocks to value stocks. In the US, the change in presidency further improved sentiment, driving a general lift in global markets.

Throughout December and into the new year, markets continued the rotational trend, perceiving value and cyclical stocks as likely to be the major beneficiaries of economic re-opening and recovery. However, following the benchmark surge in April and early May, markets turned bearish, sparked by the spectre of inflation, possible interest rate hikes and unexpectedly high US Consumer Price index (CPI) figures. While technology and growth stocks bore the brunt of the regress, encouraging employment data tempered market sentiment in their favour, driving a further rally. As FY21 drew to a close, and despite the COVID-19 Delta variant adding to market uncertainty, the rotation to value continued its course, with investors shifting focus to economic re-opening and recovery.

PORTFOLIO COMPOSITION

The Company's investment strategy is to create a concentrated and actively managed portfolio of Australian securities, with typically a mid-cap focus as well as global listed securities. The Board's proactive and timely decision on 25 March 2020 to increase the maximum allowable allocation to global listed securities from 25% to 35%, provided us with more flexibility to take high conviction positions in offshore opportunities. This benefited portfolio performance over FY21, where particularly in the first half of FY21, we consistently held more than 25% of the portfolio in global listed securities.

As at 30 June 2021, the Company held a portfolio of 30 Australian and global listed securities. 93.0% of the portfolio was invested in securities, while 7.0% was invested in cash. The cash position increased from 1.7% at the end of May 2021 with an injection of cash in June following the successful Share Purchase Plan.

At the end of June, the portfolio composition was as follows:

- 72.5 % Australian listed securities
- 20.5% global listed securities
- 7.0% cash

The portfolio composition changed considerably throughout FY21, as shifting market conditions afforded numerous attractive opportunities. Companies with strong fundamentals and those that met our quality filters traded at considerable discounts to mid-cycle valuation. Consequently, we were active and opportunistic with portfolio turnover at 42%. This meant we invested in several new stocks during the year and sold out of others. In addition, we added to or reduced pre-existing positions as the broad rotation from growth to cyclical value stocks continued. While the PIC portfolio held 7.0% cash at the beginning of FY21, this reduced to 1.7% as at 31 May 2021, demonstrating our strong conviction and ability to actively manage opportunities as they presented themselves. In stark contrast, at the end of February 2020 and as COVID-19 impacted markets globally, we held 16.6% cash in the portfolio. It was from March 2020 onwards that we saw market conditions present significant opportunities which suit our value and quality focus.

By investing in a mixture of undervalued cyclical and quality defensive stocks, we believe the Company is well positioned to navigate the ups and downs of the market. Our flexible investment strategy also allows us to adapt quickly and pivot the portfolio as conditions change. With so many economic uncertainties in a market overshadowed by COVID-19, we believe this allows us to take a prudent approach.

INVESTMENT PERFORMANCE

Over FY21, markets witnessed a large rotation in equity markets, shifting from expensive growth stocks to focus on value and economic recovery. This generated significant gains for the PIC portfolio, as quality companies, that we believe are well positioned to benefit from this rotation, were acquired at a significant discount. As a result, the PIC portfolio performed well, returning 42.4% over the year to 30 June 2021, outperforming the benchmark by 13.9%[3].

In managing the portfolio, we are conscious that our shareholders not only value strong investment performance but also a sustainable dividend stream. As such, we are conscious of the Company's franking credit balance and actively manage the portfolio to generate franking credits, and regular dividend income, for shareholders.

AUSTRALIAN EQUITIES

Following Pfizer's announcement of an effective COVID-19 vaccine, the dramatic rotation from growth stocks to value stocks positively impacted the portfolio, and as economic normalisation and re-opening gained momentum, we increased exposure in companies we felt would benefit from this rotation. The prospect of economic reopening drove up consumer and mining stocks (that are positively related to the economic cycle) including those in the consumer, mining, and construction sectors.

The Australian listed securities that contributed most to absolute performance over the year were OZ Minerals (ASX: OZL), Iluka Resources Limited (ASX: ILU) and Boral (ASX: BLD).

The key detractors to absolute performance were Freedom Foods Group Limited (ASX: FNP), Origin Energy Limited (ASX: ORG) and Medibank Private Ltd (ASX: MPL).

The PIC portfolio benefited significantly from its exposure to the cyclical Materials sector, demonstrated by our top contributors OZ Minerals (ASX: OZL) and Iluka Resources Limited (ASX: ILU). As China's rate of urbanisation increases, so too will demand for mineral resources such as Copper and Nickel. Copper also forms a significant component of the emerging Electric Vehicles (EV) market. Combined with supply side constraints in the form of declining grades at the major global copper mines, we find this market compelling and allocated our exposure accordingly. Metals also offer some inflation protection, as rising commodity prices incorporate this rising inflation.

We were also able to outperform the benchmark without having to own what we consider to be extremely expensive companies like CSL Limited (ASX: CSL).

OZ MINERALS (ASX: OZL)

Oz Minerals is an Adelaide based Australian mining company with two long-life copper mines in South Australia. During the year OZL successfully commissioned and ramped-up the Carrapateena project and is now evaluating the potential to move to a block caving mining method to increase production and reduce operating costs. Establishing a block cave operation is a more capital intensive proposition than the existing sub-level cave, but OZL is well funded to undertake this transition.

Prominent Hill is a more mature operation that has the opportunity to transition from trucking ore from underground to the establishment of a shaft. This again requires more upfront capital, but would lower operating costs, increase production (processing mill has excess capacity) and significantly extend the life of the operation. The other significant benefit of a shaft is lower carbon emissions that is becoming increasingly important given the role that copper has in decarbonising transportation and power generation. OZL is also a significant gold producer with approximately 30% of revenue at spot prices. Gold is produced as a by-product of copper which can generate credits to drive down costs of production. Consequently, higher by-product credits can offset the impact of copper cash production costs, resulting in a strong balance sheet. We believe this strong balance sheet and cash flow generation place OZL in a good position to fund other key growth projects like West Musgrave that could expand the portfolio into nickel, which is another important metal for decarbonisation. As this project and the organic options advance, we believe it will unlock further value for shareholders. As at 30 June 2021, OZL comprised of 2.3% of the PIC portfolio.

ILUKA RESOURCES LIMITED (ASX: ILU)

Based in Perth Western Australia, ILU is an international mineral sands company that produces titanium feedstocks and zircon, with the potential to develop a material rare earths business. In early 2021, ILU successfully completed the demerger of its iron ore royalties business which listed on the ASX as Deterra Royalties Ltd (ASX: DRR).

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

DRR represents the royalty over iron ore produced from specific tenements of BHP's Mining Area C ("MAC") located in the Pilbara region in the north of Western Australia. We believe the demerger will continue to unlock significant value given DRR has no capital expenditure or operating cost risk and has earnings derived from a long-life asset. ILU is also the largest producer of zircon and rutile in the world. Zircon is used in tile manufacturing as a hardening agent and rutile is a titanium dioxide feedstock mainly used in pigment for paints. Both these markets are expected to be in a structural deficit over the next few years due to declining production from existing producers, a lack of new viable mines in the development pipeline and demand growing at Gross Domestic Product (GDP) rates. The company has entered the rare earths industry utilising stockpiles at its operations in Eneabba, Western Australia, and in 2022 will further process this to a higher value material called monazite. The next stage of the REE strategy under evaluation is to build a refinery that would be the only one in Australia and be part of meeting the Australian Government's strategic minerals policy. The Government has already issued a letter to ILU regarding funding and ILU is also evaluating the Wimmera project in Victoria that would be a longer-term source of monazite supply for the refinery, in addition to producing zircon and titanium feedstocks. As at 30 June 2021, ILU comprised of 3.7% of the PIC portfolio.

GLOBAL OPPORTUNITIES

Our decision to invest globally continues to be opportunistic in nature and only occurs where we find companies that we believe represent compelling value relative to Australian listed securities. As at 30 June 2021, the PIC portfolio held 20.5% in global securities, down slightly following the capital raising cash injection, and as new domestic opportunities came to light. This differs to the first half of FY21, where we consistently held more than 25% in global securities.

The key global contributors to absolute performance over the year were La Francaise De Jeux (PAR: FDJ) and Flutter Entertainment Plc (LON: FLTR). As at 30 June 2021, FDJ was the largest position in the portfolio (6.0%) and a consistent top contributor to the Company's overall performance for the year. FDJ is the second largest European lotteries company, and the fourth largest in the world. As a lottery monopoly, FDJ continues to benefit from long-term structural growth as the business rapidly shifts to online digital sales. We typically see profit margins of online sales being double retail sales, and view FDJ as an attractive long-term quality growth stock, providing a good counterbalance to the more cyclical value stocks in the portfolio. While we consider many companies within the technology sector as trading at extremely high valuations, FDJ provides technology-like exposure at an attractive price, and we remain confident in their business model and continue to see the online lottery business increase sharply.

LLOYDS BANKING GROUP PLC (LON: LLOY)

In February and March 2021, we re-initiated a position in LLOY following the portfolio exit as a result of the COVID-19 led volatility in the prior year. With Brexit largely out of the way (although the finer details are yet to be agreed upon), and the UK vaccination program gaining momentum, we believe the economic outlook for the UK has been improving. Despite LLOY being what we consider as UK's premium domestic retail banking franchise, we re-initiated our position as LLOY traded well below their book value, while offering a considerable margin of safety on account of its strong capital position and level of provisioning. We believe LLOY offers value on an absolute and relative basis compared to the Australian banks, especially as their Australian counterparts are trading above book value, while having similar through-the-cycle return profiles.
In our view, LLOY should significantly benefit from economic re-opening and recovery in the UK, and while we see some risk resulting from the CEO reset, the overall macro improvement should override/compensate for such headwinds. As at 30 June 2021, LLOY was the third largest global position in the portfolio (3.1%).

OUTLOOK

Perpetual has experience investing over many market cycles, including at the height of the dotcom bubble, the Global Financial Crisis and through the on-going COVID-19 pandemic.

In our view, the rotation to value and shift to pro-cyclical stocks remain on track, bolstered by the roll-out of COVID-19 vaccinations. However, concern over the transmission of the COVID-19 Delta variant continues to impact market sentiment, following the June/July 2021 lockdowns and border closures. While it is impossible to forecast when economies will completely re-open, we believe a structural shift in consumer behaviour and the increase in online shopping will continue, which should benefit stocks held in the PIC portfolio.

While uncertainty continues to manifest in global markets, we continue to see companies trading at discounts to mid-cycle valuation, despite being high quality, well managed market leaders in a good financial position. This poses significant opportunity. By injecting cash and liquidity though our $30 million capital raising, we are excited to pursue these opportunities, and believe the portfolio is positioned well for economic re-opening and long-term growth.

As market conditions change, we continue to stay true to our investment approach, employing our proven in-depth 'bottom up' analysis. We are confident that our flexible investment strategy, including the ability to invest in global listed securities, together with our active approach, will enable us to manage the portfolio and navigate through all conditions.

We are excited about the stocks that we hold and believe that the ongoing rotation to value will continue to gain momentum as investors come to terms with company fundamentals in a world impacted by COVID-19 and significant government debt. We believe strong balance sheets, sound management and healthy fundamentals are more important than ever before, and we are confident these principles will deliver over the long-term.

Thank you for your continued support and trust.

Vince Pezzullo
Portfolio Manager

This Portfolio Manager's Report has been prepared by Perpetual Investment Management Limited ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. References to securities in this report are for illustrative purposes only and are not recommendations, and the securities may or may not be currently held by the Company. Past performance is not indicative of future performance.

INVESTMENT PORTFOLIO

List of investments held at 30 June 2021	Market value $'000
Australian listed securities	
A2 Milk Company Limited	13,377
Aristocrat Leisure Limited	19,498
AUB Group Limited	19,430
BHP Group Limited	14,667
BlueScope Steel Limited	20,016
Boral Limited	8,145
Commonwealth Bank of Australia	28,812
Crown Resorts Limited	21,590
Deterra Royalties Limited	10,697
Dexus	18,704
HT&E Limited	15,388
Iluka Resources Limited	19,524
Insurance Australia Group Limited	19,272
Oil Search Limited	19,539
OZ Minerals Limited	11,867
Premier Investments Limited	9,448
PWR Holdings Limited	29,502
Qantas Airways Limited	11,152
Select Harvests Limited	9,410
Suncorp Group Limited	20,417
United Malt Group Limited	8,406
Universal Store Holdings Limited	3,742
Western Areas Limited	14,103
Westpac Banking Corporation	15,486
Total Australian listed securities	**382,192**
Global listed securities	
Ferguson PLC	14,279
Flutter Entertainment PLC	27,601
La Francaise des Jeux SAEM	31,573
Lloyds Banking Group PLC	16,213
NZX Limited	5,191
Persimmon PLC	13,136
Total global listed securities	**107,993**
Derivatives	
Foreign exchange forward contracts	424
Total derivatives	**424**
Cash and deposit products	
Cash at bank	39,083
Margin	26
Total cash and deposit products	**39,109**
Total	**529,718**

The total number of transactions entered during the year was 795.

The total brokerage paid during the year was $911,952 (GST inclusive).

DIRECTORS' REPORT

The Directors present their report together with the annual financial report of Perpetual Equity Investment Company Limited (the Company) for the year ended 30 June 2021 and the auditor's report thereon.

Directors

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

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

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

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

Nancy Fox has more than 30 years of experience in financial services, securitisation and risk management gained in Australia, the US and across Asia. A lawyer by training, she was Deputy Chairman of the Board of Taronga Conservation Society Australia until 2021, Managing Director for Ambac Assurance Corporation from 2001 to 2011, Managing Director of ABN Amro Australia from 1997 to 2001 and Vice President of Citibank.

Listed company directorship held during the past three financial years:

• Perpetual Limited (from September 2015 to present)

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

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

Virginia Malley is currently a Non-Executive Director of Perpetual Superannuation Limited and member of several Perpetual Compliance Committees. She is also Deputy Chair of the NSW Biodiversity Conservation Trust, Chair of the Review Panel of the Australian Carbon Industry Code of Conduct, Chair of the Future Super Risk Committee and Chair of Pinnacle Fund Services Compliance Committee.

Virginia Malley has 35 years of experience in the financial and environmental sectors with expertise in financial and environmental markets, corporate governance, risk management and regulatory compliance. She was previously a board member of the Clean Energy Regulator, Morphic Ethical Equities Fund Ltd 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.

Listed company directorship held during the past three financial years:

• Morphic Ethical Equities Limited (from March 2017 to 2020)

Directors (continued)

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

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

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

John Edstein has more than 40 years of experience as a legal practitioner. His primary practice areas have been superannuation, life insurance and trusts and the tax aspects of those areas. That experience has included extensive consideration of corporate law, corporate governance and the legal aspects of investment structures. John was a Director of Retail Employees Superannuation Pty Ltd (Trustee of the Retail Employees Superannuation Trust (REST)) from 2013 to 2020. He was a partner in the Tax and Superannuation Group of King & Wood Mallesons (formerly Mallesons Stephen Jaques) from 1990 to 2012 and was National Practice Team Leader of that group from 2006 to 2011. He was a member of the Law Council of Australia Superannuation Committee from 1988 to 2008 and is now an Emeritus Member and is a member of the Tax Institute of Australia and is a Chartered Tax Adviser.

Amanda Apted, Executive Director
BEco/Econ (Hons)

Appointed Director on 13 May 2021.

Amanda Apted is a Director of Perpetual Investment Management Limited (the Manager). Amanda is also the Group 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, Global Innovation Share and Multi Asset investment management teams. Amanda joined Perpetual in February 2018 and has held the prior roles of General Manager Client Solutions & Strategy and more recently, General Manager Perpetual Investments.

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

Former Directors

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

Appointed Director on 26 September 2014. Retired on 15 October 2020.

David Lane, Executive Director
BEc (Hons), GAICD

Appointed Director on 20 November 2017. Resigned on 13 May 2021.

Directors' Report

Company Secretary

Sylvie Dimarco
LLB, GradDipAppCorpGov, FGIA, FCIS, GAICD

Appointed Company Secretary on 25 August 2014.

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

Sylvie Dimarco has over 14 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 and attended by the Company's Directors during the year ended 30 June 2021:

	Board		Audit and Risk Committee		Nomination and Corporate Governance Committee	
	Held	Attended	Held	Attended	Held	Attended
Directors						
Nancy Fox	13	13	3	3	2	2
Virginia Malley	13	13	4	4	4	4
John Edstein	13	13	4	4	4	4
Amanda Apted	6	6	-	-	-	-
Former Directors						
Christine Feldmanis	4	4	1	1	2	2
David Lane	8	7	-	-	-	-

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.

Directors' Report

Review of operations

	30 June 2021 $'000	30 June 2020 $'000
Profit/(loss) before income tax	**152,912**	(3,778)
Income tax benefit/(expense)	**(44,556)**	3,344
Profit/(loss) for the year attributable to shareholders	**108,356**	(434)

As at 30 June 2021, the Company's Net Tangible Assets (NTA) after tax were $1.299 per share. This represents an increase of 24.2% compared to NTA after tax of $1.046 per share as at 30 June 2020. In addition, the Company paid two fully franked dividends totalling 5.6 cents during the year.

The increase in NTA during the year was predominantly led by the market recovery. The Manager's stock selection under its stringent investment criteria was also a key contributor. The Company's flexible investment strategy, including the ability to invest up to 35% in global listed securities, has enabled the Manager to actively manage the portfolio to adapt to changing market conditions.

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.

Where applicable, the volatility in global and local capital markets resulting from the COVID-19 pandemic continues to be reflected in the valuation of the Company's investment portfolio and its financial results for the year ended 30 June 2021.

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 2021				
Final 2020 dividend	**2.8**	**9,739**	**100%**	**23 October 2020**
Interim 2021 dividend	**2.8**	**9,763**	**100%**	**26 April 2021**
Declared after the end of financial year 2021				
On 20 August 2021, the Directors declared:				
Final 2021 dividend	**2.8**	**10,445**	**100%**	**20 October 2021**

All dividends are fully franked at a tax rate of 30%. The final 2021 dividend amount is estimated based on the number of shares on issue as at 30 June 2021. The number of shares entitled for a dividend on record date may increase from the exercise of options.

The financial effect of dividends declared after year end is not reflected in the financial statements for the year ended 30 June 2021 and will be recognised in the subsequent financial statements.

Directors' Report

Capital raising

On 2 June 2021, the Company announced a Share Purchase Plan (SPP) and one-for-one bonus issue of options over shares in the Company (Options Offer) (together the Offers) to eligible shareholders on the relevant record date. The proceeds from the Offers allow the Manager to actively pursue additional investments in line with the Company's investment strategy.

Under the SPP, the Company raised $30,278,011 and issued 23,655,615 fully paid ordinary shares at an issue price of $1.28 per share on 23 June 2021. Shares issued under the SPP rank equally with the existing shares of the Company.

Under the Options Offer, the Company issued 372,881,738 options on 29 June 2021. The options commenced trading on the ASX under the code PICOA on 30 June 2021. Each option allows its holder to purchase one fully paid ordinary share at $1.35 (the Exercise Price) at any time up until 2 September 2022 (Option Expiry Date).

State of affairs

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

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 or may significantly affect the operations of the Company, the results of these operations or the state of affairs of the Company in the subsequent financial years.

Likely developments

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

Environmental regulation

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

Indemnification of directors and officers

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

Directors' Report

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 2021. 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 2021:

Name	Position	Term
Directors		
Nancy Fox	Chairman and Non-Executive Director	Full year
Virginia Malley	Non-Executive Director	Full year
John Edstein	Non-Executive Director	Full year
Amanda Apted*	Executive Director	Appointed 13 May 2021
Former Directors		
Christine Feldmanis	Non-Executive Director	Retired 15 October 2020
David Lane	Executive Director	Resigned 13 May 2021

*Amanda Apted was appointed to the Perpetual Equity Investment Company Limited Board, succeeding David Lane.

At the time of the retirement of Christine Feldmanis, the Board considered all relevant requirements and noted that the Board could determine not to fill the vacancy and resolved that the Board would comprise of four Directors.

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

The former Executive Director, David Lane was not entitled to Directors' fees or any other form of remuneration from the Company for his services.

Fee framework

Non-Executive Directors receive a base fee. They do not receive additional fees for participating in Board Committees. Total remuneration available to the Directors is a maximum of $250,000 as set out in the Company's Constitution (excluding the Executive Director). Any increase in the aggregate amount of Directors' fees over $250,000 must be approved by a resolution of the shareholders as required by the Company's Constitution.

Directors' Report

Remuneration report: Audited (continued)

(b) Remuneration of directors (continued)

Fee framework (continued)

	30 June 2021 $	30 June 2020 $
Non-Executive Directors' fees		
Chairman	**55,000**	55,000
Directors	**44,000**	44,000
Audit and Risk Committee	**-**	-
Nomination and Corporate Governance Committee	**-**	-

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

Remuneration of directors

The following table sets out the Directors' remuneration for the years ended 30 June 2021 and 30 June 2020.

Name	**Directors' fees $**	**Superannuation $**	**Total $**
Directors			
Nancy Fox			
2021	**50,171**	**4,829**	**55,000**
2020	50,228	4,772	55,000
Virginia Malley			
2021	**42,091**	**1,909**	**44,000**
2020	38,173	5,827	44,000
John Edstein			
2021	**40,137**	**3,863**	**44,000**
2020	40,183	3,817	44,000
Amanda Apted			
2021	**-**	**-**	**-**
2020	-	-	-
Former Directors			
Christine Feldmanis			
2021	**11,697**	**1,111**	**12,808**
2020	40,183	3,817	44,000
David Lane			
2021	**-**	**-**	**-**
2020	-	-	-
Total 2021	**144,096**	**11,712**	**155,808**
Total 2020	168,767	18,233	187,000

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

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

Remuneration report: Audited (continued)

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

	2021	2020	2019	2018	2017
Profit/(loss) after tax ($'000)	108,356	(434)	15,219	24,827	31,814
Dividends paid (cents per share)	5.6	6.6	6.4	5.5	4.2
NTA after tax ($ per share)	1.299	1.046	1.117	1.139	1.097
Directors' remuneration ($)	155,808	187,000	187,000	170,000	170,000
Shareholder's equity ($'000)	484,486	363,822	385,225	289,987	277,960
Closing share price ($)	1.300	0.905	1.040	1.170	1.035
Closing option price ($)	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 and not linked to the Company's performance.

(c) Retirement policy

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

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

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

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

Name	Instrument	Balance at 1 July 2020	Quantity acquired	Quantity disposed	Balance at 30 June 2021
Directors					
Nancy Fox	Shares	230,082	87,888	-	317,970
	Options	-	317,970	-	317,970
Virginia Malley	Shares	137,893	11,674	-	149,567
	Options	-	149,567	-	149,567
John Edstein	Shares	122,835	7,813	-	130,648
	Options	-	130,648	-	130,648
Amanda Apted	Shares	-	-	-	-
	Options	-	-	-	-
Former Directors					
Christine Feldmanis	Shares	303,806			
David Lane	Shares	18,497			

Options held by the Directors are under the same terms and conditions as disclosed in note 12(b).

End of Remuneration Report: Audited

Directors' Report

Non-audit services

There were no fees paid to KPMG for non-audit services for the year ended 30 June 2021 and 30 June 2020.

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 24.

Rounding of amounts to the nearest thousand dollars

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

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

Nancy Fox

V L Mallen

Chairman

Director

Sydney
20 August 2021

KPMG

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 2021 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

JDavis

Jessica Davis

Partner

Sydney

20 August 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30 June 2021 $'000	30 June 2020 $'000
Investment income			
Dividends		**7,924**	10,629
Interest		**11**	353
Net gains/(losses) on financial instruments at fair value through profit or loss	5(c)	**151,419**	(7,516)
Net foreign exchange gains/(losses)		**40**	(937)
Other income		**71**	393
Total investment income		**159,465**	2,922
Expenses			
Management fees	6(a)	**4,390**	3,840
Other expenses	6(b)	**2,163**	2,860
Total expenses		**6,553**	6,700
Profit/(loss) before income tax		**152,912**	(3,778)
Income tax benefit/(expense)	7(a)	**(44,556)**	3,344
Profit/(loss) after income tax		**108,356**	(434)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**108,356**	(434)
Earnings per share			
Basic earnings per share (cents per share)	4	**31.00**	(0.13)
Diluted earnings per share (cents per share)	4	**31.00**	(0.13)

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

STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2021 $'000**	30 June 2020 $'000
Assets			
Cash and cash equivalents	11(c)	**39,109**	20,317
Financial assets at fair value through profit or loss	8	**490,609**	338,482
Receivables	9	**810**	6,444
Deferred tax asset	7(c)	**-**	2,345
Total assets		**530,528**	367,588
Liabilities			
Financial liabilities at fair value through profit or loss	8	**-**	65
Payables	10	**4,444**	2,238
Current tax payable		**9,635**	1,463
Deferred tax liability	7(c)	**31,963**	-
Total liabilities		**46,042**	3,766
Net assets		**484,486**	363,822
Equity			
Contributed equity	12(a)	**385,637**	353,827
Retained earnings		**1,970**	(3,386)
Profit reserve		**96,879**	13,381
Total equity		**484,486**	363,822

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

STATEMENT OF CHANGES IN EQUITY

	Notes	Contributed Equity $'000	Retained Earnings $'000	Profit Reserve $'000	Total $'000
Balance at 1 July 2020		**353,827**	**(3,386)**	**13,381**	**363,822**
Total comprehensive income for the year		**-**	**108,356**	**-**	**108,356**
Transfers to profit reserve		**-**	**(103,000)**	**103,000**	**-**
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	12(a)	**1,703**	**-**	**-**	**1,703**
Shares issued from share purchase plan	12(a)	**30,278**	**-**	**-**	**30,278**
Transaction costs (net of tax)	12(a)	**(171)**	**-**	**-**	**(171)**
Dividends paid	3(a)	**-**	**-**	**(19,502)**	**(19,502)**
Balance at 30 June 2021		**385,637**	**1,970**	**96,879**	**484,486**

	Notes	Contributed Equity $'000	Retained Earnings $'000	Profit Reserve $'000	Total $'000
Balance at 1 July 2019		351,950	13,358	19,917	385,225
Total comprehensive income for the year		-	(434)	-	(434)
Transfers to profit reserve		-	(16,310)	16,310	-
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	12(a)	1,877	-	-	1,877
Dividends paid	3(a)	-	-	(22,846)	(22,846)
Balance at 30 June 2020		353,827	(3,386)	13,381	363,822

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

STATEMENT OF CASH FLOWS

	Notes	30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Dividends received		**7,492**	11,023
Interest received		**11**	355
Other income received		**429**	773
Management fees paid		**(4,617)**	(4,087)
Income tax paid		**(2,003)**	(162)
Other expenses paid		**(2,045)**	(3,014)
Net cash flows from operating activities	11(a)	**(733)**	4,888
Cash flows from investing activities			
Proceeds from sale of investments		**387,207**	621,098
Payments for purchase of investments		**(380,155)**	(648,347)
Net cash flows from investing activities		**7,052**	(27,249)
Cash flows from financing activities			
Proceeds from share purchase plan	12(a)	**30,278**	-
Payments for transaction costs		**(6)**	-
Dividends paid - net of dividend reinvestment plan		**(17,799)**	(20,969)
Net cash flows from financing activities		**12,473**	(20,969)
Net increase/(decrease) in cash and cash equivalents		**18,792**	(43,330)
Cash and cash equivalents held at the beginning of the year		**20,317**	63,647
Cash and cash equivalents at the end of the year	11(c)	**39,109**	20,317

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

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

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

The Company is a listed investment company established to invest 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 annual financial report for the year ended 30 June 2021 was authorised for issue by the Directors on 20 August 2021.

2 Basis of preparation

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

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

Compliance with International Financial Reporting Standards

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

Use of estimates

Management makes estimates and assumptions that affect the reported amounts in the financial statements. Estimates and associated assumptions are reviewed regularly and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where applicable to the fair value measurement, the impact of coronavirus (COVID-19) pandemic is assessed and estimated. Actual results may differ from these estimates.

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

Functional and presentation currency

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

New accounting standards and interpretations

There are no new accounting standards, amendments and interpretations effective for the first time for the financial year beginning 1 July 2020 that would be expected to have a material impact on the Company.

Notes to and forming part of the financial statements for the year ended 30 June 2021

3 Dividends

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

(a) Dividends paid

	Cents per share	**Total amount $'000**	**Franking**	**Payment date**
30 June 2021				
Final 2020 ordinary	**2.8**	**9,739**	**100%**	**23 October 2020**
Interim 2021 ordinary	**2.8**	**9,763**	**100%**	**26 April 2021**
Total	**5.6**	**19,502**		

	Cents per share	Total amount $'000	Franking	Payment date
30 June 2020				
Final 2019 ordinary	3.4	11,754	100%	18 October 2019
Interim 2020 ordinary	3.2	11,092	100%	24 April 2020
Total	6.6	22,846		

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

(b) Subsequent events

On 20 August 2021, the Directors declared the following dividend.

	Cents per share	**Total amount $'000**	**Franking**	**Payment date**
Final 2021 ordinary	**2.8**	**10,445**	**100%**	**20 October 2021**

The final dividend is fully franked based on the tax rate of 30%. The final 2021 dividend amount is estimated based on the number of shares on issue as at 30 June 2021. The number of shares entitled for a dividend on the record date may increase from the exercise of options.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2021 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 2021 $'000	30 June 2020 $'000
The available balance in the franking account at the reporting date	**8,613**	5,070
Impact on franking account of the final dividend declared after the reporting date but not recognised as a liability at the reporting date	**4,476**	4,174
The available balance in the franking account after the adjustment for the final dividend declared after the reporting date	**4,137**	896

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

4 Earnings per share

	30 June 2021	30 June 2020
Basic earnings per share (cents per share)	**31.00**	(0.13)
Diluted earnings per share (cents per share)	**31.00**	(0.13)
Profit/(loss) after income tax attributable to shareholders ($'000)	**108,356**	(434)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	**349,570,566**	347,078,838

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 through the exercise of outstanding options for the reporting period. In the calculation of diluted earnings per share, options are not considered to have a dilutive effect, as the average market price of ordinary shares of the Company during the period did not exceed the exercise price of the options.

The weighted average number of ordinary shares used in the basic and diluted earnings per share calculations for the current and comparative periods were adjusted retrospectively in accordance with Australian Accounting Standards following the capital raising announced on 2 June 2021. The capital raising was conducted at a discount to market price (bonus element), resulting in a theoretical dilution of existing ordinary shares on issue and a decrease in basic and diluted earnings per share.

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.

(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 2021 $'000	30 June 2020 $'000
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	**115,270**	(27,803)
Net realised gains/(losses) on financial instruments at fair value through profit or loss	**36,149**	20,287
Net gains/(losses) on financial instruments at fair value through profit or loss	**151,419**	(7,516)

(d) Other income

Other income is brought to account on an accruals basis.

(e) Foreign currency translation

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

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

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.

6 Expenses (continued)

(a) Management fees (continued)

	30 June 2021 $'000	30 June 2020 $'000
Management fees	**4,390**	3,840

The Manager was appointed in 2014 for an initial term of five years. The Management Agreement was extended in 2019 for a further five-year term (extended term) unless terminated earlier in accordance with its terms.

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

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

(b) Other expenses

	30 June 2021 $'000	30 June 2020 $'000
Directors' remuneration	**156**	187
Auditors' remuneration	**83**	83
ASX fees	**288**	100
Registry services	**121**	136
Custody administration fees	**74**	61
Brokerage	**863**	1,683
Other operating expenses	**578**	610
Total other expenses	**2,163**	2,860

(c) Auditor's remuneration

	30 June 2021 $	30 June 2020 $
Amount received or due and receivable by KPMG:		
Audit and review of financial statements	**83,389**	83,362

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 2021 (2020: 30%).

(a) Income tax benefit/(expense)

	30 June 2021 $'000	30 June 2020 $'000
Current tax		
Current income tax expense	**(10,175)**	(5,218)
Adjustment for prior years	**-**	(47)
Deferred tax		
Temporary differences	**(34,308)**	8,609
Transaction costs recognised in equity	**(73)**	-
Total income tax benefit/(expense)	**(44,556)**	3,344

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 2021 $'000	30 June 2020 $'000
Profit/(loss) before income tax	**152,912**	(3,778)
Prima facie income tax calculated at Company's tax rate of 30%	**(45,874)**	1,133
(Increase)/decrease tax payable		
Franking credits	**1,209**	2,167
Foreign income tax offsets	**102**	91
Non-assessable income	**7**	-
Adjustment for prior years	**-**	(47)
Income tax benefit/(expense)	**(44,556)**	3,344

Notes to and forming part of the financial statements for the year ended 30 June 2021

7 Income tax (continued)

(c) Deferred tax asset/(liability)

The balance comprises temporary differences attributable to:

	30 June 2021 $'000	30 June 2020 $'000
Net unrealised (gains)/losses	**(32,067)**	2,345
Transaction costs available for future tax deductions	**104**	-
Total deferred tax asset/(liability)	**(31,963)**	2,345

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 2021 $'000	30 June 2020 $'000
Derivatives		
Foreign exchange forward contracts	**424**	702
Listed equities	**490,185**	337,780
Total financial assets at fair value through profit or loss	**490,609**	338,482
Derivatives		
Foreign exchange forward contracts	**-**	65
Total financial liabilities at fair value through profit or loss	**-**	65

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

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.

Listed equities 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.

Recognition/derecognition

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

Fair value measurement

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

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

(i) Fair value in an active market

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

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

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

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 exchange forward contracts are valued at the prevailing bid price 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.

Notes to and forming part of the financial statements for the year ended 30 June 2021

9 Receivables

	30 June 2021 $'000	30 June 2020 $'000
Dividends receivable	**559**	127
GST receivable	**169**	179
Withholding tax receivable	**82**	14
Receivables from securities sold	**-**	6,124
Total receivables	**810**	6,444

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

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

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

Receivables are stated inclusive of the amount of GST.

10 Payables

	30 June 2021 $'000	30 June 2020 $'000
Payables for securities purchased	**3,482**	1,821
Accrued expenses comprising:		
Management fees	**452**	358
Directors' remuneration	**36**	47
Capital raising costs	**461**	-
Other payables	**13**	12
Total payables	**4,444**	2,238

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

Payables are stated inclusive of the amount of GST.

Notes to and forming part of the financial statements for the year ended 30 June 2021

11 Notes to the statement of cash flows

	30 June 2021 $'000	30 June 2020 $'000
(a) Reconciliation of profit/(loss) after income tax to net cash flows from operating activities		
Profit/(loss) after income tax	**108,356**	(434)
(Increase)/decrease in dividends receivable	**(432)**	394
(Increase)/decrease in interest receivable	**-**	2
(Increase)/decrease in other receivables	**(58)**	(9)
(Increase)/decrease in current tax receivable	**-**	3,640
(Increase)/decrease in deferred tax asset	**2,345**	(2,345)
Increase/(decrease) in payables	**307**	(12)
Increase/(decrease) in current tax payable	**8,172**	1,463
Increase/(decrease) in deferred tax liability	**31,963**	(6,264)
Net (gains)/losses on financial instruments at fair value through profit or loss	**(151,419)**	7,516
Net foreign exchange (gains)/losses	**(40)**	937
Tax on transaction costs recognised in equity	**73**	-
Net cash flows from operating activities	**(733)**	4,888

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.

	30 June 2021 $'000	30 June 2020 $'000
(b) Non-cash financing activities		
During the year, the following dividend payments were satisfied by the issue of shares under the dividend reinvestment plan	**1,703**	1,877
(c) Components of cash and cash equivalents		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash at bank	**39,083**	20,317
Margin accounts	**26**	-
Total cash and cash equivalents	**39,109**	20,317

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.

Notes to and forming part of the financial statements for the year ended 30 June 2021

12 Equity

(a) Share capital

	30 June 2021 Number of shares	30 June 2021 $'000	30 June 2020 Number of shares	30 June 2020 $'000
Opening balance	**347,830,810**	**353,827**	345,693,045	351,950
Shares issued from dividend reinvestment plan	**1,550,245**	**1,703**	2,137,765	1,877
Shares issued from share purchase plan	**23,655,615**	**30,278**	-	-
Less transaction costs (net of tax)	**-**	**(171)**	-	-
Shares on issue	**373,036,670**	**385,637**	347,830,810	353,827

Ordinary shares

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

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

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

(b) Options

	30 June 2021 Number of options
Opening balance	**-**
Options issued under Options Offer	**372,881,738**
Options exercised	**-**
Options on issue	**372,881,738**

Options are measured at the fair value of the options at the date of issue within equity. An adjustment will be made, with a corresponding adjustment to share capital, upon exercise of the options.

Each option provides its holders the right but not obligation to purchase one fully paid ordinary shares in the Company at $1.35 per share (the Exercise Price) at any time up until 2 September 2022 (Option Expiry Date). The options can be exercised in full or in part.

Options do not carry voting rights or dividend entitlement until they are exercised. Shares issued from the exercise of options rank equally with other ordinary shares of the Company from the issue date.

12 Equity (continued)

(c) Capital raising

On 2 June 2021, the Company announced a Share Purchase Plan (SPP) and one-for-one bonus issue of options over shares in the Company (Options Offer) (together the Offers) to eligible shareholders. The proceeds from the Offers allow the Manager to actively pursue additional investments in accordance with the Company's investment strategy.

Under the SPP, the Company raised $30,278,011 and issued 23,655,615 fully paid ordinary shares at an issue price of $1.28 per share on 23 June 2021. Shares issued under the SPP rank equally with the existing shares of the Company.

Under the Options Offer, the Company issued 372,881,738 options on 29 June 2021. The options commenced trading on the ASX under the code PICOA on 30 June 2021.

The Company incurred transaction costs associated with the Offers. The Manager agreed to pay approximately 50% of the costs incurred in raising capital under the Options Offer, in accordance with the Prospectus dated 2 June 2021.

Transaction costs (net of tax)

The breakdown of transaction costs that have been deducted against the contributed equity is as follows:

	30 June 2021 $'000
Legal fees	93
Registry services	89
Other fees	62
Less current and future tax deductions	(73)
	171

Other fees include printing, postage and ASIC lodgement fees. Certain expenses such as ASX listing fees have been expensed in the profit or loss.

(d) 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.

(e) 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.

Notes to and forming part of the financial statements for the year ended 30 June 2021

13 Financial risk management

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

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

The Manager has been given the discretionary authority to manage and undertake investments in line with the Company's investment objective, investment strategy and guidelines (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 will review the effectiveness of the Company's risk management and internal control system annually.

(a) Market risk

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

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

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

(i) Price risk

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

The 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 also permitted to use derivatives for hedging purposes.

13 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Price risk sensitivity analysis

An increase of 10% in market prices applicable at the reporting date would have increased the Company's profit and net assets by $49,018,437 (2020: $33,778,039). A decrease of 10% in market prices would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

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

(ii) Currency risk

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

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

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

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

	30 June 2021 $'000	30 June 2020 $'000
British Pound	**5,548**	12,322
United States Dollar	**-**	3,090
Euro	**31,655**	21,007
New Zealand Dollar	**5,191**	929
Total foreign currency exposure	**42,394**	37,348

13 Financial risk management (continued)

(a) Market risk (continued)

(ii) Currency risk (continued)

Currency risk sensitivity Analysis

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

	AUD strengthened/ (weakened) %	**30 June 2021 $'000**	30 June 2020 $'000
British Pound	**+10**	**(555)**	(1,232)
	-10	**555**	1,232
United States Dollar	**+10**	**-**	(309)
	-10	**-**	309
Euro	**+8**	**(2,532)**	(1,681)
	-8	**2,532**	1,681
New Zealand Dollar	**+10**	**(519)**	(93)
	-10	**519**	93

(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 2021 $'000	30 June 2020 $'000
Cash at bank	**39,083**	20,317

Interest rate risk sensitivity analysis

An increase of 0.10% in interest rates applicable at the reporting date would have increased the Company's profit and net assets by $39,083 (2020: an increase of 0.25% in interest rates applicable at the reporting date would have increased the Company's profit and net assets by $50,792). A decrease in interest rates would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

13 Financial risk management (continued)

(b) Credit risk

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

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

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A or higher (as determined by Standard & Poor's). 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 relevant historical analysis and forward looking information in determining any expected credit loss. As cash and cash equivalents are callable on demand and all receivables are due within 30 days, the probability of default is considered low. No loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Company.

(c) Liquidity risk

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

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

		Contractual cash flow	
	Carrying amount $'000	**At call $'000**	**6 months or less $'000**
30 June 2021			
Non-derivative financial liabilities			
Payables	**4,444**	**-**	**4,444**
Current tax payable	**9,635**	**-**	**9,635**
Total	**14,079**	**-**	**14,079**

13 Financial risk management (continued)

(c) Liquidity risk (continued)

		Contractual cash flow	
	Carrying amount $'000	At call $'000	6 months or less $'000
30 June 2020			
Non-derivative financial liabilities			
Payables	2,238	-	2,238
Current tax payable	1,463	-	1,463
Total	3,701	-	3,701
Derivative financial liabilities			
Foreign exchange forward contracts	65		
Outflow	-	-	6,534
Inflow	-	-	(6,469)
Total	65	-	65

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

(d) Fair value measurement

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

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

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

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
30 June 2021				
Financial assets at fair value through profit or loss				
Derivatives				
Foreign exchange forward contracts	**-**	**424**	**-**	**424**
Listed equities	**490,185**	**-**	**-**	**490,185**
Total	**490,185**	**424**	**-**	**490,609**

Notes to and forming part of the financial statements for the year ended 30 June 2021

13 Financial risk management (continued)

(d) Fair value measurement (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2020				
Financial assets at fair value through profit or loss				
Derivatives				
Foreign exchange forward contracts	-	702	-	702
Listed equities	330,638	7,142	-	337,780
Total	330,638	7,844	-	338,482
Derivatives				
Foreign exchange forward contracts	-	65	-	65
Total	-	65	-	65

Rationale for classification of financial assets as level 1

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

Rationale for classification of financial assets as level 2

Foreign exchange forward contracts are valued at the prevailing bid price of the relevant forward currencies at the end of the reporting period.

The fair value for listed equities that were not actively traded or suspended at 30 June 2020 was estimated using one or more significant observable inputs including the use of multiple of similar securities and the book value of the relevant entity.

Transfers between levels

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

There were no transfers between levels for the year ended 30 June 2021 (2020: The transfer of $7.1 million from level 1 to level 2 was related to a listed security that was suspended as at 30 June 2020. There were no gains/losses recognised in profit or loss resulting from the transfer between levels).

Notes to and forming part of the financial statements for the year ended 30 June 2021

14 Offsetting financial assets and financial liabilities

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

	Effects of offsetting on the balance sheet			**Related amounts not offset**	
30 June 2021	**Gross amounts of financial assets $'000**	**Gross amounts set off in the balance sheet $'000**	**Net amount of financial assets presented in the balance sheet $'000**	**Amounts subject to master netting arrange-ments $'000**	**Net amounts $'000**
Financial assets					
Margin accounts	**26**	-	**26**	-	**26**
Derivative financial instruments	**424**	-	**424**	-	**424**
Total	**450**	**-**	**450**	**-**	**450**

	Effects of offsetting on the balance sheet			Related amounts not offset	
30 June 2020	Gross amounts of financial assets $'000	Gross amounts set off in the balance sheet $'000	Net amount of financial assets presented in the balance sheet $'000	Amounts subject to master netting arrange-ments $'000	Net amounts $'000
Financial assets					
Derivative financial instruments	702	-	702	(65)	637
Total	702	-	702	(65)	637
Financial liabilities					
Derivative financial instruments	(65)	-	(65)	65	-
Total	(65)	-	(65)	65	-

Master netting arrangement

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

Notes to and forming part of the financial statements for the year ended 30 June 2021

15 Related party transactions

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

(a) Total Directors' remuneration paid and payable (including superannuation) for the year ended 30 June 2021 was $155,808 (2020: $187,000). Details of remuneration are disclosed in the Directors' report.

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

(c) Nancy Fox (Chairman and Non-Executive Director) and Amanda Apted (Executive Director) are not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. Nancy Fox is a Non-Executive Director of Perpetual Limited, the parent company of the Manager. Amanda Apted is a Director of Perpetual Investment Management Limited (the Manager) and the Group Executive of Perpetual Asset Management Australia.

(d) David Lane (former Executive Director) is not independent in accordance with the requirements for independence set out in Principle (2) of the ASX Corporate Governance Principles. David is a Director of Perpetual Investment Management Limited (the Manager) and the Group Executive of Perpetual Asset Management International.

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 2021 and 30 June 2020.

18 Events occurring after the reporting period

Since the end of the financial year, the Directors have declared a fully franked final dividend payment of 2.8 cents per share payable on 20 October 2021 (refer to note 3).

The uncertainty around COVID-19 continues to present social and economic challenges and the resulting impact on the capital markets remains uncertain. Since the reporting date, there have been no significant changes in the valuation of the Company's investment portfolio arising from the changes in the estimates and assumptions in relation to COVID-19.

No other significant events have occurred since the reporting date which would have an impact on the financial position of the Company disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Company for the year ended on that date.

DIRECTORS' DECLARATION

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

    (a) the financial statements and notes, set out on pages 25 to 48, 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 2021 and of its performance for the year ended on that date; and

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

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

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

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the persons performing the functions of the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2021.

Signed in accordance with a resolution of the Directors.

Chairman

Director

Sydney
20 August 2021

Independent Auditor's Report

To the shareholders of Perpetual Equity Investment Company Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

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

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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 the Code.

KPMG

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.

These matters were 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 these matters.

Valuation and existence of financial assets ($490.61m) held as fair value through profit or loss	
Refer to Note 8 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Financial assets and liabilities at fair value through profit or loss (FVTPL) are comprised of investments in listed equities and derivatives (foreign exchange forward contracts). The Company outsources certain processes and controls relevant to its financial reporting over the valuation and existence of these assets and liabilities to external service organisations, including the custodian, the fund administrator and the investment manager. Valuation and existence of investments is a key audit matter due to: • the size of the Company's portfolio of listed equities and derivatives. These represent 92.5% of the Company's total assets at year end; and • the importance of the performance of these assets in driving the Company's investment income and capital performance, as reported in the Financial Report. As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.	Our procedures included: • We obtained and read the Company's custodian's and fund administrator's GS007 (*Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services*) assurance report to assess the custodian's and fund administrator's processes and controls to record and value the Company's investments. • We obtained and read the Company's investment manager's GS007 assurance report to assess the investment manager's processes and controls to record and provide transactional information to the Company's custodian. • We assessed the reputation, professional competence and independence of the auditors of the GS007 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. • We checked the ownership and quantity of the investments held to external custody reports as at 30 June 2021.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Perpetual Equity Investment Company Limited for the year ended 30 June 2021, 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 20 to 22 of the Directors' report for the year ended 30 June 2021.

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

KPMG

KPMG

JDavis

Jessica Davis

Partner

Sydney

20 August 2021

SHAREHOLDER INFORMATION

The 2021 Annual General Meeting of the Company will be held via a live online event on 21 October 2021 commencing at 2:00 pm (Sydney time).

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

Twenty largest shareholders

The names of the twenty largest holders of ordinary shares as at 31 July 2021 are listed below:

	Number of ordinary shares	%
Navigator Australia Limited	10,933,592	2.93
Netwealth Investments Limited (Wrap Services A/C)	9,914,554	2.66
Nulis Nominees (Australia) Limited	8,602,767	2.31
HSBC Custody Nominees (Australia) Limited	5,845,435	1.57
National Nominees Limited	3,491,395	0.94
BNP Paribas Nominees Pty Ltd	3,470,127	0.93
Netwealth Investments Limited (Super Services A/C)	3,145,972	0.84
Mr John Charles Plummer	3,125,000	0.84
D E C Investments Pty Ltd	1,983,052	0.53
Washington H Soul Pattinson and Company Limited	1,949,778	0.52
Boksburg Nominees Pty Ltd	1,872,967	0.50
Walmsley Developments Pty Ltd	1,719,431	0.46
Megfam Investment Company Pty Ltd	1,125,000	0.30
Lawvan Pty Ltd	1,023,438	0.27
J P Morgan Nominees Australia Pty Ltd	781,144	0.21
Dance Investment Portfolio Pty Ltd	770,866	0.21
Iain Livingstone Investments Pty Ltd	768,438	0.21
Yalambie Pty Ltd	723,438	0.19
Australian Executor Trustees Limited	702,502	0.19
Montrose Super Pty Ltd	680,000	0.18

Shareholder Information (continued)

Twenty largest optionholders

The names of the twenty largest holders of options at 31 July 2021 are listed below:

	Number of options	%
Navigator Australia Limited	**10,716,090**	**2.87**
Netwealth Investments Limited (Wrap Services A/C)	**9,637,347**	**2.59**
Nulis Nominees (Australia) Limited	**8,173,844**	**2.19**
HSBC Custody Nominees (Australia) Limited	**7,200,506**	**1.93**
National Nominees Limited	**3,491,395**	**0.94**
Mr John Charles Plummer	**3,125,000**	**0.84**
Netwealth Investments Limited (Super Services A/C)	**3,058,139**	**0.82**
BNP Paribas Nominees Pty Ltd	**3,042,712**	**0.82**
Cource Pty Ltd	**2,000,000**	**0.54**
D E C Investments Pty Ltd	**1,983,052**	**0.53**
Boksburg Nominees Pty Ltd	**1,872,967**	**0.50**
Washington H Soul Pattinson and Company Limited	**1,727,076**	**0.46**
Walmsley Developments Pty Ltd	**1,719,431**	**0.46**
Megfam Investment Company Pty Ltd	**1,125,000**	**0.30**
Mr Colin Alfred Green and Mr David Flowers	**1,100,000**	**0.30**
Lawvan Pty Ltd	**1,023,438**	**0.27**
J P Morgan Nominees Australia Pty Ltd	**856,126**	**0.23**
Dr Alan John Cameron	**830,000**	**0.22**
Dance Investment Portfolio Pty Ltd	**770,866**	**0.21**
Iain Livingstone Investments Pty Ltd	**768,438**	**0.21**

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 2021.

Distribution of securities

Schedule of holdings - shares As at 31 July 2021	**Number of shareholders**	**Number of ordinary shares**
1 - 1,000 shares	**239**	**102,945**
1,001 - 5,000 shares	**928**	**3,165,732**
5,001 - 10,000 shares	**1,219**	**9,796,997**
10,001 - 100,000 shares	**5,483**	**194,106,767**
100,001 shares and over	**583**	**165,961,972**
Total	**8,452**	**373,134,413**

The number of shareholders holding less than a marketable parcel is 104 and they hold 3,651 securities.

Shareholder Information (continued)

Distribution of securities (continued)

Schedule of holdings - options **As at 31 July 2021**	**Number of optionholders**	**Number of options**
1 - 1,000 options	**198**	**97,229**
1,001 - 5,000 options	**890**	**3,028,217**
5,001 - 10,000 options	**1,170**	**9,397,558**
10,001 - 100,000 options	**5,313**	**189,194,262**
100,001 and over options	**577**	**171,066,729**
Total	**8,148**	**372,783,995**

The number of optionholders holding less than a marketable parcel is 5,695 and they hold 87,779,472 options.

Other information

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

Voting rights

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

On-market buy back

There is no current on-market buy back.

Final dividend

The final dividend of 2.8 cents per share will be paid on 20 October 2021 to shareholders entitled to receive dividends and registered on 29 September 2021 being the record date.

DIRECTORY

COMPANY

Perpetual Equity Investment Company Limited
ACN 601 406 419

DIRECTORS

Nancy Fox - Chairman
Virginia Malley
John Edstein
Amanda Apted

COMPANY SECRETARY

Sylvie Dimarco

MANAGER

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

REGISTERED OFFICE

Level 18, 123 Pitt Street
Sydney NSW 2000
Phone 1800 022 033

AUDITOR

KPMG
International Towers Sydney 3
300 Barangaroo Avenue
Sydney NSW 2000

AUSTRALIAN SECURITIES EXCHANGE CODE

Shares: PIC

SHARE REGISTRY

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Phone: 1800 421 712

WEBSITE

www.perpetualequity.com.au

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