

# PERPETUAL EQUITY INVESTMENT COMPANY LIMITED

ACN 601 406 419

CONDENSED INTERIM  
FINANCIAL REPORT

FOR THE PERIOD FROM 1 JULY 2015  
TO 31 DECEMBER 2015

Perpetual 

# Perpetual Equity Investment Company Limited

ACN 601 406 419

## Condensed Interim Financial Report For the half-year ended 31 December 2015

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## Directors' Report

The Directors present their report together with the condensed interim financial report of Perpetual Equity Investment Company Limited ("the Company") for the half-year ended 31 December 2015 and the auditor's report thereon.

### Directors

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

Name	Position	Appointment date
Peter Scott	Chairman and Non-executive Director	25 August 2014
Virginia Malley	Non-executive Director	25 August 2014
John Edstein	Non-executive Director	26 September 2014
Christine Feldmanis	Non-executive Director	26 September 2014
Michael Gordon	Executive Director	25 August 2014

### Principal activities

The Company is a listed investment company established to invest predominantly in Australian listed securities with typically a mid-cap bias and cash, deposit products and senior debt, together with opportunistic allocations to global listed securities. The investment objective of the Company is to provide investors with a growing income stream and long term capital growth in excess of its benchmark (the S&P/ASX 300 Accumulation Index) over minimum 5 year investment periods.

### Review of operations

	31 December 2015 \$'000	Period from 25 August 2014 to 31 December 2014 \$'000
Profit/(loss) before income tax	17,342	(103)
Income tax (expense)/benefit	<u>(4,399)</u>	<u>31</u>
Profit/(loss) for the period attributable to equity holders	<u>12,943</u>	<u>(72)</u>

The operations of the Company during the half-year ended 31 December 2015 resulted in profit before tax of \$17,341,745 and profit after tax of \$12,942,603. The pre-tax Net Tangible Asset (NTA) rose 6.7% over the period, exceeding its benchmark return (the S&P/ASX 300 Accumulation Index) by 7.1%.

The Company achieved full deployment (at least 75% of capital invested in equity securities) prior to the end of the capital deployment period of 18 December 2015. Eighty five percent of the Company's capital was invested in equity securities with 65% in Australian securities and 20% in global securities at the reporting date. Fifteen percent of the portfolio was in cash.

The Manager continues to apply its proven investment process identifying quality securities trading at attractive prices.

## Directors' Report (continued)

### Dividends

On 19 February 2016, the Directors declared a fully franked interim dividend payment of 0.8 cents per share, payable to shareholders on 21 March 2016. For the comparative interim reporting period, no dividend payment was declared.

The dividend reinvestment plan (DRP) issue price has been set at a 2.5 per cent discount to the relevant share price.

### Events subsequent to reporting date

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

### Lead auditor's independence declaration

A copy of the Lead Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

### Rounding of amounts to the nearest thousand dollars

The Company is of a kind referred to in Class Order 98/100 (as amended) issued by Australian Securities and Investments Commission and consequently amounts in the Directors' report and annual financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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



Peter Scott  
Chairman

Sydney  
19 February 2016



John Edstein  
Director



***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 review for the half-year ended 31 December 2015 there have been:

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

KPMG

KPMG

Martin McGrath  
*Partner*

Sydney

19 February 2016

**Perpetual Equity Investment Company Limited**  
**Condensed Interim Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 31 December 2015**

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

	<b>31 December</b>	Period from
	<b>2015</b>	25 August
		2014 to
Notes	<b>\$'000</b>	31 December
		2014
		\$'000
<b>Investment income</b>		
Dividends/distributions	3,884	325
Interest	208	51
Net gains/(losses) on financial instruments held at fair value through profit or loss	15,496	7
Net foreign exchange gains/(losses)	(259)	-
Other operating income	1	-
<b>Total investment income</b>	<u>19,330</u>	<u>383</u>
<b>Expenses</b>		
Management fees	8 1,332	96
Other expenses	656	390
<b>Total expenses</b>	<u>1,988</u>	<u>486</u>
Profit/(loss) before income tax	17,342	(103)
<b>Income tax (expense)/benefit</b>	<u>(4,399)</u>	<u>31</u>
<b>Profit/(loss) after income tax</b>	<u>12,943</u>	<u>(72)</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>12,943</u>	<u>(72)</u>
<b>Earnings per share</b>		
Basic earnings per share - cents per share	3 5.16	(0.03)
Diluted earnings per share - cents per share	3 5.16	(0.03)

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

**Perpetual Equity Investment Company Limited**  
**Condensed Interim Statement of Financial Position**  
**As at 31 December 2015**

**Condensed Interim Statement of Financial Position**

	31 December 2015	30 June 2015
Notes	\$'000	\$'000
<b>Assets</b>		
Cash and cash equivalents	39,430	20,107
Financial assets held at fair value through profit or loss	6 226,009	231,173
Receivables	247	1,109
Deferred tax asset	-	1,001
<b>Total assets</b>	<u>265,686</u>	<u>253,390</u>
<b>Liabilities</b>		
Current tax payable	1,013	547
Payables	379	2,995
Deferred tax liabilities	2,385	-
<b>Total liabilities</b>	<u>3,777</u>	<u>3,542</u>
<b>Net assets</b>	<u>261,909</u>	<u>249,848</u>
<b>Equity</b>		
Contributed equity	5 246,529	246,157
Retained earnings	6,843	692
Profit reserve	8,537	2,999
<b>Total equity</b>	<u>261,909</u>	<u>249,848</u>

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

**Perpetual Equity Investment Company Limited**  
**Condensed Interim Statement of Changes in Equity**  
**For the half-year ended 31 December 2015**

**Condensed Interim Statement of Changes in Equity**

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Profit Reserve \$'000	Total \$'000
<b>Balance at 1 July 2015</b>		<b>246,157</b>	<b>692</b>	<b>2,999</b>	<b>249,848</b>
Total comprehensive income for the half-year		-	<b>12,943</b>	-	<b>12,943</b>
Transfers to profit reserve		-	<b>(6,792)</b>	<b>6,792</b>	-
Transactions with members in their capacity as shareholders:					
Shares issued from dividend reinvestment plan	5	<b>71</b>	-	-	<b>71</b>
Shares issued from options exercised	5	<b>301</b>	-	-	<b>301</b>
Dividends paid	4	-	-	<b>(1,254)</b>	<b>(1,254)</b>
<b>Balance at 31 December 2015</b>		<b>246,529</b>	<b>6,843</b>	<b>8,537</b>	<b>261,909</b>

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Profit Reserve \$'000	Total \$'000
Balance on date of incorporation (25 August 2014)		-	-	-	-
Total comprehensive income for the period		-	<b>(72)</b>	-	<b>(72)</b>
Transfers to profit reserve		-	-	-	-
Transactions with members in their capacity as shareholders:					
Shares issued under IPO	5	<b>250,394</b>	-	-	<b>250,394</b>
Transaction costs on the IPO, net of tax	5	<b>(4,604)</b>	-	-	<b>(4,604)</b>
Balance at 31 December 2014		<b>245,790</b>	<b>(72)</b>	-	<b>245,718</b>

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



**Perpetual Equity Investment Company Limited**  
**Condensed Interim Statement of Cash Flow**  
**For the half-year ended 31 December 2015**

**Condensed Interim Statement of Cash Flow**

	<b>31 December 2015</b>	Period from 25 August 2014 to 31 December 2014
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Dividends/distributions received	4,775	-
Interest received	169	-
Other income received	141	-
Management fees paid	(1,428)	-
Income tax paid	(547)	-
Other expenses paid	(678)	-
<b>Net cash from operating activities</b>	<b>2,432</b>	-
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	199,683	-
Payments for purchase of investments	(181,910)	(250,329)
<b>Net cash from investing activities</b>	<b>17,773</b>	(250,329)
<b>Cash flows from financing activities</b>		
Dividends paid - net of dividend reinvestment plan	(1,183)	-
Proceeds from issue of shares under IPO	5	250,394
Proceeds from exercise of options	5	-
<b>Net cash from financing activities</b>	<b>(882)</b>	250,394
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,323</b>	65
Cash and cash equivalents held at the beginning of the half-year	<b>20,107</b>	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>39,430</b>	65

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

## **1 Reporting entity**

Perpetual Equity Investment Company Limited ("the Company") is domiciled in Australia. The Company was incorporated on 25 August 2014. The address of the Company's registered office is at Level 12, 123 Pitt Street, Sydney NSW 2000.

The Company is a listed investment company established to invest predominantly in Australian listed securities with typically a mid-cap bias and cash, deposit products and senior debt, together with opportunistic allocations to global listed securities. The investment objective of the Company is to provide investors with a growing income stream and long term capital growth in excess of its benchmark (the S&P/ASX 300 Accumulation Index) over minimum 5 year investment periods. The investment activities of the Company are managed by Perpetual Investment Management Limited ("the Manager").

The condensed interim financial report for the half-year ended 31 December 2015 was authorised for issue by the Directors on 19 February 2016.

## **2 Basis of preparation**

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

The condensed interim financial report does not include all disclosures required in a full financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2015 and any public announcements made in respect of Perpetual Equity Investment Company Limited during the half-year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The condensed interim financial report has been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated. The condensed interim financial report is presented in Australian dollars, which is the Company's functional currency.

The accounting policies applied in the condensed interim financial report are consistent with those applied in the annual report for the period ended 30 June 2015.

### *Use of estimates and judgement*

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

### 3 Earnings per share

	<b>31 December 2015</b>	Period from 25 August 2014 to 31 December 2014
Basic earnings per share - cents per share	<u>5.16</u>	<u>(0.03)</u>
Diluted earnings per share - cents per share	<u>5.16</u>	<u>(0.03)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	<u>250,984,174</u>	<u>250,394,278</u>
	\$	\$
<b>Earnings used in the calculation of basic and diluted earnings per share</b>	<u><b>12,942,603</b></u>	<u><b>(72,248)</b></u>

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

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

### 4 Dividends

#### (a) Dividend paid

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

31 December 2014

No dividend was paid in the reporting period from 25 August 2014 to 31 December 2014.

## 4 Dividends (continued)

### (b) Subsequent events

On 19 February 2016, the Directors declared the payment of an interim dividend of 0.8 cents per fully paid ordinary share, fully franked based on a tax rate of 30%. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 December 2015 and will be recognised in subsequent financial periods. The dividend is payable on 21 March 2016 with a record date of 7 March 2016.

The dividend reinvestment plan (DRP) issue price has been set at a 2.5 per cent discount to the relevant share price.

### (c) Franking account

The balance of franking credits available at 31 December 2015 adjusted for franking credits that will arise from the payment of income tax provided in the financial statements is \$995,211 (31 December 2014: nil).

## 5 Contributed equity

### (a) Share capital

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

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

	Period from 1 July 2015 to 31 December 2015		Period from 25 August 2014 to 31 December 2014	
	Number of shares	\$'000	Number of shares	\$'000
Opening balance	250,760,778	246,157	1	-
Shares issued from dividend reinvestment plan	77,096	71	-	-
Shares issued under IPO on 12 December 2014	-	-	250,394,277	250,394
Less transaction costs on the IPO, net of tax (i)	-	-	-	(4,604)
Shares issued from options exercised	301,000	301	-	-
<b>Shares on issue</b>	<b>251,138,874</b>	<b>246,529</b>	<b>240,394,278</b>	<b>245,790</b>

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.

## 5 Contributed equity (continued)

### (a) Share capital (continued)

#### (i) Transaction costs on the IPO, net of tax

In the reporting period from 25 August 2014 to 31 December 2014, the Company incurred expenses associated with the Initial Public Offering (IPO). A breakdown of these expenses which have been deducted against the contributed equity were as follows:

	\$'000
Joint Lead Manager fees	2,566
Broker firm fees	3,434
Other fees	577
Less current and future tax deductions	<u>(1,973)</u>
	<u>4,604</u>

Other fees include legal, registry, investigating accountant, tax advisor and ASIC lodgment fees. Certain other expenses such as ASX listing fees have been expensed in the profit or loss.

### (b) Options

Options can be exercised at any time on or before 10 June 2016. The options give the shareholders the right but not the obligation to subscribe for shares in the Company at \$1.00 per share. The options can be exercised in full or in part. The options are currently trading on the ASX under the code PICO.

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

	Period from 1 July 2015 to 31 December 2015 Number of options	Period from 25 August 2014 to 31 December 2014 Number of options
Opening balance	<b>250,027,777</b>	-
Options issued under IPO on 12 December 2014	-	250,394,277
Options exercised	<u>(301,000)</u>	<u>-</u>
<b>Options on issue</b>	<u><b>249,726,777</b></u>	<u>250,394,277</u>

Options are measured at the fair value of the options at the date of issue within equity.

## 6 Financial assets and liabilities at fair value through profit or loss

	Fair value 31 December 2015 \$'000	Fair value 30 June 2015 \$'000
<b>Designated at fair value through profit or loss</b>		
Listed equities	226,009	91,173
Unlisted unit trusts	-	140,000
<b>Total financial assets held at fair value through profit or loss</b>	<b>226,009</b>	<b>231,173</b>

Listed equities are valued using the last traded price. Unlisted unit trusts are valued at the redemption value as reported by the investment managers of such trusts.

## 7 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 31 December 2015 and 30 June 2015:

As at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equities	226,009	-	-	226,009
<b>Total</b>	<b>226,009</b>	<b>-</b>	<b>-</b>	<b>226,009</b>

## 7 Fair value measurement (continued)

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

### Rationale for classification of financial asset and liabilities as level 1

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

#### *Transfers between levels*

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

For the half-year ended 31 December 2015 and the period ended 30 June 2015, there were no transfers between levels.

## 8 Management agreement

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

	<b>31 December 2015</b>	Period from 25 August 2014 to 31 December 2014
<b>Fees paid and payable for the half-year</b>	<b>\$'000</b>	\$'000
Management fees	<b>1,332</b>	96

The Manager was appointed for an initial term of five years unless terminated earlier. The Management Agreement will be automatically extended for a further five-year term on the expiry of the initial term unless terminated earlier in accordance with its terms.

If the Management Agreement is terminated during the extended term, then in certain circumstances the Manager is also entitled to a termination payment equal to 5.0%, reduced by one sixtieth (1/60) for each whole calendar month elapsed between the commencement of the extended term and the termination date, of the net tangible asset backing of each security in each class of shares in the Company, as calculated under the ASX listing rules.

## 9 Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions, and include:

- (i) The compensation arrangements with the Directors and Executive Directors (refer to note 9(a)); and
- (ii) The interests in the Company held directly or indirectly by the Directors and Executive Directors (refer to note 9(b) and note 9(c)).

### (a) Directors' remuneration

Total Directors' remuneration paid and payable for the half-year ended 31 December 2015 is \$85,466 (31 December 2014: \$52,603).

The following sets out the Directors' annualised remuneration (including superannuation) payable for the periods ending 30 June 2015 and 30 June 2016.

Director	Position	Independence	Directors' fees \$
Peter Scott	Chairman and Non-executive Director	Not Independent	50,000
Virginia Malley	Non-executive Director	Independent	40,000
John Edstein	Non-executive Director	Independent	40,000
Christine Feldmanis	Non-executive Director	Independent	40,000
Michael Gordon	Executive Director	Not Independent	-

Michael Gordon is a Director of the investment manager (Perpetual Investment Management Limited) and the Group Executive of Perpetual Investments (a division of Perpetual Limited). He is remunerated by Perpetual Limited and is currently not entitled to Directors' fees or any other form of remuneration from the Company for his services.

Michael Gordon has announced his retirement as the Group Executive of Perpetual Investments. He will remain on the Board as a non-executive director until his retirement from the Board sometime in the near future.

Peter Scott is the Chairman and a Director of Perpetual Limited.

Accordingly the Board of Directors has determined that Michael Gordon and Peter Scott are not independent in accordance with the requirements for independence which are set out in Principle (2) of the ASX Corporate Governance Principles.

### (b) Share holdings of directors

Shares issued by the Company and held by the Directors and their related entities are set out as below:

#### 31 December 2015

Director	Number of shares 1 July 2015	Net number of shares acquired	Net number of shares disposed	Number of shares 31 December 2015
Peter Scott	100,000	-	-	100,000
Virginia Malley	40,000	215	-	40,215
John Edstein	50,000	268	-	50,268
Christine Feldmanis	100,000	537	-	100,537
Michael Gordon	100,000	537	-	100,537



## 9 Related party transactions (continued)

### (b) Share holdings of directors (continued)

31 December 2014

Director	Number of shares 25 August 2014	Net number of shares acquired	Net number of shares disposed	Number of shares 31 December 2014
Peter Scott	-	100,000	-	100,000
Virginia Malley	-	40,000	-	40,000
John Edstein	-	50,000	-	50,000
Christine Feldmanis	-	100,000	-	100,000
Michael Gordon	-	100,000	-	100,000

### (c) Option holdings of directors

Options issued by the Company and held by the Directors and their related entities are set out as below:

**31 December 2015**

Director	Number of options 1 July 2015	Net number of options acquired	Net number of options disposed	Number of options 31 December 2015
Peter Scott	100,000	-	-	100,000
Virginia Malley	40,000	-	-	40,000
John Edstein	50,000	-	-	50,000
Christine Feldmanis	100,000	-	-	100,000
Michael Gordon	100,000	-	-	100,000

31 December 2014

Director	Number of options 25 August 2014	Net number of options acquired	Net number of options disposed	Number of options 31 December 2014
Peter Scott	-	100,000	-	100,000
Virginia Malley	-	40,000	-	40,000
John Edstein	-	50,000	-	50,000
Christine Feldmanis	-	100,000	-	100,000
Michael Gordon	-	100,000	-	100,000

## 10 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.

## **11 Commitments and contingencies**

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2015 and 30 June 2015.

## **12 New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period and have not been early adopted by the Company. The assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements. The standard is available for early adoption.

Management does not expect the adoption of AASB 9 to have a significant impact on the Company's financial instruments because they are carried at fair value through profit or loss and the Company does not adopt hedge accounting.

The Company has not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Company's main sources of income are interest, dividends/distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, management does not expect the adoption of the new revenue recognition rules to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.

The Company has not yet decided when to adopt AASB 15.

## **13 Events occurring after the reporting period**

On 19 February 2016, the Directors declared a fully franked interim dividend payment of 0.8 cents per share payable on 21 March 2016.

No other significant events have occurred since the reporting date which would impact the financial position of the Company disclosed in the condensed interim statement of financial position as at 31 December 2015 or the results and cash flows of the Company for the half-year ended on that date.

## Directors' Declaration

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

- (a) the condensed interim financial statements and notes, set out on pages 5 to 17, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
  - (ii) complying with AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the persons performing the functions of the Chief Executive Officer and the Chief Financial Officer for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the Directors:



Peter Scott  
Chairman



John Edstein  
Director

Sydney  
19 February 2016



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Perpetual Equity Investment Company Limited (the Company), which comprises the condensed interim statement of financial position as at 31 December 2015, condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

#### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Perpetual Equity Investment Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Perpetual Equity Investment Company Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Martin McGrath  
*Partner*

Sydney

19 February 2016

## **DIRECTORY**

### **COMPANY**

Perpetual Equity Investment Company Limited  
ACN 601 406 419

### **DIRECTORS**

Peter Scott - Chairman  
Virginia Malley  
John Edstein  
Christine Feldmanis  
Michael Gordon

### **COMPANY SECRETARIES**

Sylvie Dimarco  
Joanne Hawkins

### **INVESTMENT MANAGER**

Perpetual Investment Management Limited  
Level 12, 123 Pitt Street  
Sydney NSW 2000  
AFSL 234426

### **REGISTERED OFFICE**

Level 12, 123 Pitt Street  
Sydney NSW 2000

Website: [www.perpetualequity.com.au](http://www.perpetualequity.com.au)

### **AUDITOR**

KPMG  
10 Shelley Street  
Sydney NSW 2000

### **AUSTRALIAN SECURITIES EXCHANGE CODES**

Shares: PIC  
Options: PICO

### **SHARE REGISTRY**

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