ANNUAL REPORT

FOR THE PERIOD ENDING 30 JUNE 2017

Wealth Defender Equities Limited
ACN 602 517 528

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CHAIRMAN'S LETTER

Dear Shareholders,

The 12 months to 30 June 2017 were generally good to investors in Australian Equities, with the ASX 300 Accumulation Index (the benchmark we use to measure our performance in Wealth Defender Equities ("the Company")) up 13.8%. Our underlying equities portfolio exceeded this return, rising by 15.0% for the year. While the cost of protecting the portfolio over the year was higher than expected, the overall portfolio still delivered a respectable gross return of 11.0%. Importantly, at all times, the portfolio was protected in the event of a significant sharp fall in markets.

This resulted in the Company reporting comprehensive income after tax of $7.6 million for the year, compared to a $5.4 million loss last year. This was primarily due to substantial growth in the valuation of our equity portfolio, in addition to strong (albeit slightly down on 2016) dividend receipts from our underlying equity holdings. However, at the operating level, the Company recorded a loss of $178,900, which was down on the prior year profit of $1.8 million. This can be largely attributed to the substantially higher than anticipated cost of holding protection over the financial year.

The Company was formed with three major objectives for shareholders in mind, namely providing:

1. Exposure to an Australian shares portfolio managed by Perennial Value Management Limited. Perennial Value has a long history of managing such portfolios using their value style to outperform the market benchmark over a full market cycle.
2. A dynamic hedging strategy (known as the "airbag") designed to cushion the portfolio against sudden and significant falls in the market, at a long-run cost of 1–2% per annum. This is not meant to prevent all losses in such a scenario, but rather ensure that Wealth Defender's losses would be less than the market, with investors better able to cope with a significant market retreat.
3. A regular and growing stream of franked dividends consistent with those available from the general market.

During the 2017 financial year, the Company struggled to deliver on two of these three objectives.

Specifically:

1. The underlying shares portfolio outperformed the market. The performance was significantly better than in the previous year and ahead of our benchmark, with a gross return of 15.0% versus the benchmark return of 13.8%.
2. The "airbag" was in place and working as it was designed. However, the cost of the hedging strategy, at 4.0% for the last year, exceeded target.
3. The dividend stream in this financial year was below expectations. While the underlying shares portfolio delivered substantial franked dividends to the company, the cost of the "airbag" impacted our profit and loss and resulted in the dividend paid being lower than in the past financial year.

The natural response to these outcomes is to ask "What can be done to remedy the situation?" The Board is acutely aware of the need to avoid, if at all possible, a repeat of the past year's outcome.

Our evaluations have indicated the following:

1. The performance of the stock portfolio was in line with expectations. As with different styles of investing, the value style can have periods of underperformance and outperformance, and what we experienced was consistent with past similar episodes.

   In the last year, Perennial Value ("the manager") outperformed the benchmark on a gross basis, which was a good result. Furthermore, as the manager is always looking to enhance their process, during the financial year they increased both the concentration in the equity portfolio and the allocation to the small caps component of the portfolio.

2. The performance of the protection portfolio was however atypical. We modelled the dynamic strategy over numerous time periods and the most recent period with the high costs we experienced do seem well away from the “norm”, in particular, the large spike in costs in the early part of the financial year. In line with the strategy, we continue to believe that it is possible to manage the strategy to deliver a cost of insurance in the range of 1–2% over the cycle.

   In addition, we were in a period of high implied volatility (the basis for the cost of protection) relative to realised volatility (the volatility that actually occurred). Our protection strategy will work much better when the reverse is true – when implied volatility is low (making the cost of insurance low) with realised volatility high (making it possible to extract some value from the protection portfolio that looks to offset some of its cost). This has been the case more recently, with the cost of protection falling significantly in the second half of the financial year.

3. With respect to future dividends, we expect if our cost of insurance analysis proves correct, then our protection costs will fall, leaving more profit to distribute.

Fellow investors, your Directors are dissatisfied with the past year’s performance. However, I hope we have been able to explain, in some part, why this was the case, what we are doing to address some of the fundamental issues, and why we have confidence moving into a new financial year.

As a final point, it is important to remind ourselves of the intended long term nature of an investment in this vehicle. The underlying equities portfolio is managed in a value style which typically takes a longer term view, looking for stocks to outperform over a 2–3 year period as the basis of generating outperformance. Similarly, while the cost of the hedging strategy may vary from year to year, the aim is to smooth returns over the cycle, and represents a unique strategy in the listed investment company universe. Markets have been rising steadily for several years and conditions have been generally benign. However, when inevitable significant corrections occur, we would expect the protection will serve investors well.

Thank you for your patience and forbearance.

Alan Schoenheimer
Chairman

Sydney
24 August 2017

PORTFOLIO MANAGER'S REPORT

Performance as at 30 June 2017	1 Year (%)	Since inception^ (% p.a.)
WDE*	11.0	1.1%
S&P/ASX 300 Accumulation Index	13.8	5.5%
Out/Underperformance	-2.8	-4.4%

^ Inception date 21 May 2015.

* Performance relates to the underlying investment portfolio and is before fees and tax.

For the 12 months to 30 June 2017, the ASX 300 Accumulation Index delivered a healthy return of +13.8%. Over this period, the company's equities portfolio delivered a return of 15.0%, outperforming the index by +1.2%, as our moderate value style of investing began to move back into favour after facing significant headwinds in FY16.

As reported at 31 December 2016, the cost of protection over the first half of the financial year was higher than expected. However, we are pleased to report that the cost of protection has fallen significantly over the second half of the year and is now running in line with our expectations.

While the cost of protecting the portfolio over the year was higher than expected, the overall portfolio still delivered a respectable gross return of 11.0%. Importantly, at all times, the portfolio was protected in the event of a significant sharp fall in markets.

Globally, markets were positive, driven by generally improving economic growth and optimism around the potential for stimulatory fiscal policies to replace the monetary easing that has been the dominant market factor in recent years. Major markets all rallied, with the S&P500 +15.5%, FTSE100 +12.4%, Nikkei 225 +28.6% and Shanghai Composite +9.0%. Commodity prices generally rallied on strong demand and supply constraints, with iron ore particularly strong. Oil was the exception, with ongoing oversupply. This saw the resources sector outperform, +21.6% for the year.

In Australia, the economy continued its modest growth, with GDP for the year to June 2017 growing at 1.8% and the unemployment rate remaining low at 5.6%. However, ongoing low income growth and inflation saw the RBA reduce the cash rate to 1.50% in August 2016, where it remained for the duration of the financial year. Despite this, and the prospect of rising rates in the US, the AUD closed the year up 2 cents to 77 US cents.

The improving global growth outlook and corresponding jump in bond yields saw a rotation in sector performance. Whereas the previous year had been dominated by defensive "bond proxies" such as REITs, Infrastructure and Healthcare, FY17 saw the cyclical parts of the market outperform, with Metals & Mining (+27.6%), Materials (+24.5%) and Financials (+20.0%) leading the market higher.

The portfolio benefited from this rotation, with strong performers including resource stocks Rio Tinto (+44.0%), BHP (+28.7%) and Iluka Resources (+34.2%). Related to this, mining services exposures also performed strongly, with Downer EDI (+85.1%), Orica (+72.0%), Imdex (+259.5%), Austin Engineering (+161.9%) and Pacific Energy (+57.3%).

Our overweight position in diversified financials was also beneficial, with Macquarie Group (+35.3%), Suncorp (+27.5%), Janus Henderson Group (+20.8%) and QBE (+18.4%) all making positive contributions. As a group, the major banks outperformed moderately, led by ANZ (+25.7%) and NAB (+24.1%) as they took steps to simplify their businesses, while CBA (+17.0%) and Westpac (+10.2%) trailed as the market focussed on tightening regulation and an expected slowing in mortgage growth. The portfolio has an underweight position in the banks, believing their growth outlook to be challenged and risks to the downside around bad debt charges, which are currently at very low levels.

Other stocks which contributed positively included News Corp, Melbourne IT, Fantastic Holdings, Global Construction Services, Speedcast International and Prime Media Group.

The portfolio also benefited from not holding a number of formerly popular stocks which have fallen from favour, including TPG Telecom (-49.9%), Domino's Pizza (-22.3%) and Brambles (-19.1%). These stocks were not held on valuation grounds.

Stocks which detracted from performance included Vocus Group (-58.3%) which encountered integration and management issues following its merger with M2 and Gateway Lifestyle (-28.9%) as weather delays impacted settlements in its accommodation parks. The portfolio also suffered, in a relative sense, from not holding a number of strongly performing, yet highly volatile, stocks such as Qantas, South32 and Fortescue.

Throughout the year, the protection portfolio was in place to cushion the portfolio from a significant, sharp fall in markets. Markets faced periods of material risk during the first half of the financial year, including the Brexit vote and the US election. Leading up to these events, the cost of protection increased, making our hedge portfolio comparatively more expensive. Both of these events played out as markets had feared, with Brexit being voted for and Trump being elected, and our protection portfolio experienced gains as the market fell. However, the initial reactions by the market were extremely short lived, with the ensuing sharp rallies impacting performance.

While the cost of protection was higher than expected, it should be noted that this was also a difficult period for many competing protection strategies. Pleasingly, as mentioned above, this calendar year to date, protection costs have moderated significantly.

We feel it is important to remember that, as investors, we cannot tell when markets are going to fall. From time to time protection will be cheap or expensive and we want to protect the portfolio from significant falls, particularly where we see significant risk on the horizon. In both of the events mentioned above, had the markets deteriorated rather than bounced, we would have provided significant savings in capital with the portfolio of protection we were carrying at the time.

PORTFOLIO POSITIONING

The portfolio is positioned to provide exposure to a range of themes, including an overweight position in the tier-1 resource companies, BHP, Rio Tinto and Woodside Petroleum, which are expected to generate very strong cash flows with their renewed focus on cost and capex control. In light of the improving growth outlook in the US and Europe, we have a number of offshore exposures including Amcor, Clydesdale Bank, Janus Henderson Group, HFA and News Corp. We are exposed to the ongoing growth in infrastructure investment through holdings in Lendlease and Macquarie Group and domestic tourism via stocks such as Crown Resorts. We are underweight the defensive sectors of the market such as REITs, Utilities and Healthcare as these are expensive and likely to de-rate should interest rates continue to rise. We are also underweight the major banks, seeing a subdued earnings outlook and downside risks to credit quality.

In late calendar 2016, we increased the portfolio's concentration, reducing stock numbers from 87 to 51, thus bringing more conviction to our positioning. We also increased our exposure to small caps, with the portfolio having a meaningful bias away from the larger end of the market. This is shown by our weighting to the top-50 of 63.1% compared to the index weight of 78.3%. This increased exposure to the smaller end of the market has significantly benefitted shareholders, given the strong performance of many of these holdings.

The overall portfolio continues to exhibit our (Perennial Value Management Limited) true to label value characteristics, with the portfolio offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cash flow, gross dividend yield and price to net tangible assets.

INVESTMENT OUTLOOK

The global growth outlook appears to be incrementally improving and markets continue to respond positively to the prospect of more pro-growth fiscal policies as opposed to ongoing monetary easing.

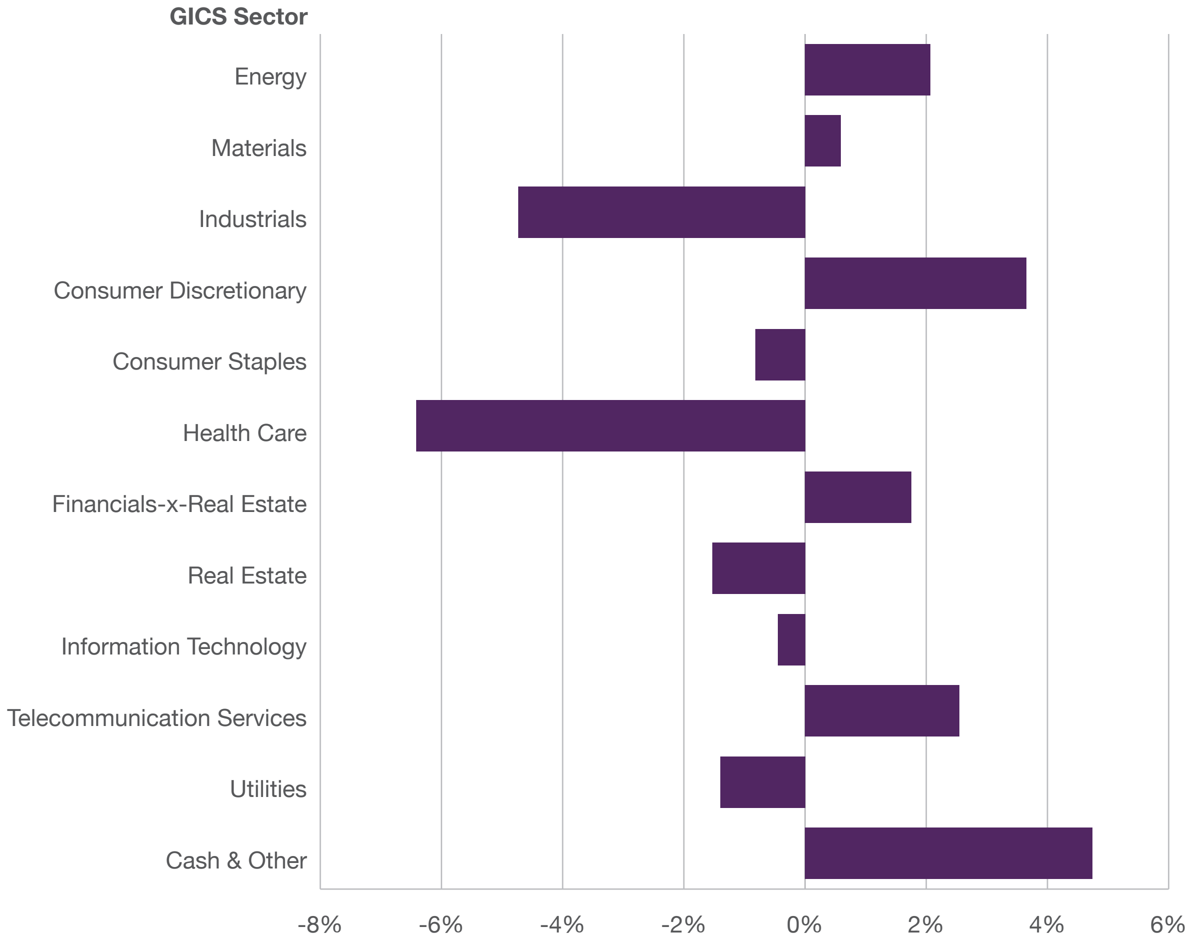
However, our guiding principle is that, while macro influences and investor sentiment ebbs and flows, remaining sensible and not overpaying for stocks is the most certain path to long-term outperformance. While certain stocks and sectors may be desirable for their perceived certainty of growth or defensiveness, the reality is that the level of risk in an investment is largely a function of the price paid. Paying too high a price for any investment leaves little margin for safety, exposing the investor to significant downside risk.

We believe that, just as a long-term investment in the stock market is required to fully realise the benefits of dividend income and capital growth, long-term adherence to a proven investment style is also required in order to fully realise our investors objectives.

As a result, Perennial Value retains our consistent focus on investing in quality companies, with strong balance sheets, which are offering attractive valuations and therefore an appropriate margin for safety and, at the same time, carrying a cost-efficient level of overall market protection sufficient to reduce the magnitude of significant negative returns during sharp equity market falls.

SECTOR EXPOSURES:

As at 30 June 2017, key active positions and sector exposures compared to the ASX 300 Index were as follows:



Source: Perennial Value Management.

WDE: Top 20 Holdings

Stock Exposure Analysis as at 30 June 2017

	Stock name	Portfolio Weight %	Index Weight %
1	BHP Billiton Limited	6.55%	4.83%
2	Commonwealth Bank of Australia Limited	6.34%	9.25%
3	National Australia Bank Limited	5.77%	5.12%
4	Westpac Banking Corporation	4.82%	6.62%
5	Australia & New Zealand Banking Group Limited	4.12%	5.45%
6	Suncorp Group Limited	3.48%	1.23%
7	AMP Limited	3.43%	0.98%
8	Telstra Corporation Limited	3.38%	3.30%
9	Woodside Petroleum Limited	3.14%	1.40%
10	Macquarie Group Limited	3.06%	1.95%
11	Woolworths Limited	2.89%	2.14%
12	Westfield Corporation Limited	2.85%	0.99%
13	Caltex Australia	2.72%	0.53%
14	Amcor Limited	2.56%	1.21%
15	CYBG PLC	2.45%	0.21%
16	Vocus Group Limited	2.21%	0.13%
17	Janus Henderson Group PLC	2.16%	0.20%
18	Gateway Lifestyle Group	2.09%	0.04%
19	Wesfarmers Limited	1.98%	2.94%
20	Lendlease Group	1.82%	0.63%

Source: Perennial Value Management.

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance for a company of its size and standing, in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**the Recommendations**).

The Board considers that, due to the size and stage of development of the Company and its operations, it is not practicable or necessary to implement the Recommendations in their entirety. In such instances, the Company has identified areas of divergence, or alternative practices adopted.

The Board has established a series of policies and charters in line with the Recommendations. The Company's Policies and Charters together form the basis of the Company's governance framework.

In accordance with the Recommendations, the Company has made its 2017 Corporate Governance Statement, together with its corporate governance policies and charters publicly available on its website: www.wealthdefenderequities.com.au under "Corporate Governance".

DIRECTORS' REPORT

The Directors present their report together with the financial report of Wealth Defender Equities Limited ("the Company") for the year ended 30 June 2017.

DIRECTORS

The following persons held office as Directors of the Company during the financial year:

Alan Schoenheimer Chairman & Non-Executive Director – appointed 27 January 2015

Paul Clitheroe Non-Executive Director – appointed 27 January 2015

Richard Morath Non-Executive Director – appointed 27 January 2015

Anthony Patterson Executive of the Manager & Director – appointed 24 October 2014

John Murray Executive of the Manager & Director – appointed 24 October 2014

Directors have been in office since the start of the financial year to the date of this report.

PRINCIPAL ACTIVITIES

During the year, the principal activities of the Company included making investments mainly in listed large, mid and small cap Australian companies.

No change in this activity is anticipated in the future.

REVIEW OF OPERATIONS

The Company's investment strategy is to actively manage allocations between equities, derivatives and cash throughout market cycles with the aim of enhancing the long term performance outcomes by maximising returns when markets rally and cushioning the magnitude of significant losses when markets fall.

The Company's investment portfolio comprises mainly equities in listed large, mid and small cap Australian companies, with the remainder in cash and derivatives.

Investment operations over the year ended 30 June 2017 resulted in a comprehensive profit, net of tax of $7,609,275 (2016: loss of $5,424,490) and an operating loss after tax of $178,943 (2016: profit of $1,655,758).

During the year ended 30 June 2017, 14,000 ordinary shares of the Company were issued on the exercise of options. 115,891,962 of the Company's listed options, exercisable at $1.00 on or before 23 November 2016 have expired unexercised. A total of 16,500 listed options were exercised since the options vested on 23 November 2015.

At the date of this report, there were no unissued ordinary shares of the Company under option.

NTA PERFORMANCE

Over the year the movement in Net Asset value per share (before tax) with dividend reinvested was 9.24% against the Company's Benchmark the ASX 300 Accumulation Index which had a return of 13.8% on a gross basis for the 12 months. Note that NTA performance is after deducting all fees and charges of running the company, whereas the Benchmark is gross of any fees hurdle. The Directors however still believe that the movement in pre-tax NTA (adjusted for dividends) is the most appropriate benchmark by which shareholders should gauge the performance of the Company.

The net tangible asset backing for each ordinary share at 30 June 2017 amounted to $0.92 per share before tax (2016: $0.86 per share).

The net tangible asset backing for each ordinary share at 30 June 2017 amounted to $0.95 per share after tax (2016: $0.91 per share).

DIVIDENDS

A fully-franked (franked at 27.5%) final dividend of 2.0 cents per share was paid on 30 September 2016. Option holders who elected to exercise all or part of their options by the close of business on 2 September 2016 were entitled to receive the fully-franked dividend.

The Directors of the Company announced that the Company's Dividend Reinvestment Plan ("DRP") applied to the payment of the dividend. The subscription price for shares issued under the DRP was determined on the volume weighted average market price at which the shares were traded on the 5 days up to and including, 19 September 2016 and included a 2.5% discount.

All existing and new shareholders who were on the Company's register at the record date of 12 September 2016 were eligible to participate in the DRP.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to year-end, the Company declared a final fully-franked (franked at 27.5%) dividend of 1.0 cent per share to be paid on Friday, 29 September 2017.

Apart from the dividends declared subsequent to year-end, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company will continue to pursue its investment objectives for the long term benefit of the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

ENVIRONMENTAL REGULATION

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

INFORMATION ON DIRECTORS

Director	Experience and expertise
Alan Schoenheimer *Chairman*	Alan Schoenheimer has deep knowledge of the global funds management industry having most recently held senior fund management director roles in Australia, New Zealand, Europe (Ireland), Japan, Singapore, Korea and China while working with Russell Investments. Early in his career, he worked for various petrochemical enterprises as a design engineer in Australia, UK, USA and South Africa. **Other current directorships** Alan is also a Director of Nulis Nominees (Australia) Limited, the corporate trustee for the MLC Super Fund. **Former directorships in last 3 years** Alan's past directorships include Russell Investment Management Ltd, Russell Investments Ireland Ltd, Russell Investments Japan, Russell Investments New Zealand, Russell Investments Singapore and Ping An Russell (Shanghai) Joint Venture in China. **Special responsibilities** Chairman of the Board and member of the Audit and Risk Committee. **Interests in shares and options** Details of Alan's interests in shares of the Company are included later in this report. **Interests in contracts** Alan has no interests in contracts of the Company.

Director	Experience and expertise
Paul Clitheroe AM *Non-Executive Director*	Paul Clitheroe has had an extensive career within the financial services industry as a Company Director, key practitioner and also educator. In 1983 along with four partners, he established ipac Securities Limited, one of Australia's first fee for service advisory groups. Ipac today manages $20 billion. **Other current directorships** Paul is also Chairman of the Australian Government Financial Literacy Board, Chairman RADD, Chairman of Money Magazine and the Clitheroe Foundation; a Director of ipac Securities/ipac Asset Management, the University of Sydney Medical Foundation and the Chairman of ASX listed entities InvestSMART Group Limited and Monash Absolute Investment Company Limited. **Former directorships in last 3 years** Apart from being a Director of InvestSMART Group Limited and Monash Absolute Investment Company Limited, Paul has not held any other directorships of listed companies within the last 3 years. **Interests in shares and options** Details of Paul's interests in shares of the Company are included later in this report. **Interests in contracts** Paul has no interests in contracts of the Company.
Richard Morath *Non-Executive Director*	Richard Morath has over 40 years' experience in life insurance, funds management, banking and financial planning. **Other current directorships** Richard is currently Non-Executive Director and Chairman of the Advice & Licences Boards of all Financial Planning companies in NAB/MLC and Chairman of National Australia Trustees. He is also a Director of JANA Investment Advisors Limited, BNZ Life, BNZ Insurance and chair of BNZ Investment Services Limited. He is also a Director of ASX listed Platinum Capital Limited (as well as being Chairman of its Audit Committee). **Former directorships in last 3 years** Other than the companies listed above, Richard has not been a director of another listed company in the last 3 years. **Special responsibilities** Chairman of the Audit and Risk Committee. **Interests in shares and options** Details of Richard's interests in shares of the Company are included later in this report. **Interests in contracts** Richard has no interests in contracts of the Company.

Director	Experience and expertise
Anthony Patterson *Executive of the Manager and Director*	Anthony Patterson is an Executive Director of Perennial Value. Anthony has been involved in the investment management industry for over 30 years, prior to joining Perennial he held the position of Chief Executive of Lend Lease Corporate Services Limited, participated in the management team of MLC and was a member of various investment and management committees within Lend Lease/MLC Group. He started with Perennial Investment Partners Limited in April 2001 as Head of Sales and Marketing and was promoted to Managing Director/Chief Executive Officer from May 2003. During his period as Chief Executive Officer, Perennial Investment Partners Limited became Australia's largest boutique investment management firm. Anthony stood down from this position in March 2012 to focus his attention on Perennial's largest boutique, Perennial Value Management where he serves as an Executive Director. **Other current directorships** Anthony is a Director of Perennial Value Management Ltd, Perennial Investment Management Limited, PVM Investment Partners Limited and Daintree Capital Pty Ltd. **Former directorships in last 3 years** Anthony has not held any other directorships of listed companies within the last 3 years. **Special responsibilities** Investment Manager of the Company. **Interests in shares and options** Details of Anthony's interests in shares of the Company are included later in this report. **Interests in contracts** Details of Anthony's interests in contracts of the Company are included later in this report.

Director	Experience and expertise
John Murray *Executive of the Manager and Director*	John Murray established Perennial Value in January 2000 and has some 30 years of experience in the funds management industry. He is one of Australia's most respected value investors and has built a stable team of investment professionals who have consistently delivered strong results, with Perennial Value's flagship Australian Shares Trust having outperformed the broader Australian stock market by 2.8% per annum since inception in March 2000. John was inducted into the Australian Fund Managers Hall of Fame in 2014. **Other current directorships** John is a Director of Perennial Value Management Ltd, Perennial Value Smaller Companies Pty Ltd and Perennial Value Wealth Defender Pty Ltd. **Former directorships in last 3 years** John has not held any other directorships of listed companies within the last 3 years. **Special responsibilities** Investment Manager of the Company and Member of the Audit and Risk Committee. **Interests in shares and options** Detail of John's interests in shares of the Company is included later in this report. **Interests in contracts** Details of John's interests in contracts of the Company are included later in this report.

COMPANY SECRETARY

Sarah Prince has over 12 years' experience as a solicitor and governance professional and currently works for Company Matters Pty Limited. Previously, Sarah worked in the Board Advisory Services division of KPMG.

Sarah holds a BA LLB from University of Tasmania and is an Associate of The Governance Institute of Australia.

MEETINGS OF DIRECTORS

The number of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

			Meetings of committees	
	Directors' Meetings		Audit & Risk	
	A	B	A	B
Alan Schoenheimer	5	5	2	2
Paul Clitheroe	5	5	*	*
Richard Morath	5	5	2	2
Anthony Patterson	3	4	*	*
John Murray	4	4	2	2

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* Not a member of the relevant committee

The Company does not currently have a Remuneration and Nomination Committee as the functions to be performed by those Committees are best undertaken by the Directors due to the size of the Company.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of the Company in accordance with the *Corporations Act 2001*.

Fees and payments to Directors reflect the demands that are made on and the responsibilities of the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors' base fees are set at an aggregate maximum of $250,000 per annum. Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main Board activities and membership of committees. Under the ASX Listing Rules, the maximum fees paid to Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate.

Details of remuneration

The following tables show details of the remuneration received by the Directors of the Company for the current financial year.

2017	Short term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Alan Schoenheimer *	**57,200**	**–**	**57,200**
Paul Clitheroe *	**45,298**	**1,952**	**47,250**
Richard Morath	**41,096**	**3,904**	**45,000**
Sub-total non-executive directors	**143,594**	**5,856**	**149,450**
Executive Directors			
Anthony Patterson	**–**	**–**	**–**
John Murray	**–**	**–**	**–**
Total compensation	**143,594**	**5,856**	**149,450**

2016	Short term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Alan Schoenheimer *	57,200	–	57,200
Paul Clitheroe *	49,500	–	49,500
Richard Morath	41,096	3,904	45,000
Sub-total non-executive directors	147,796	3,904	151,700
Executive Directors			
Anthony Patterson	–	–	–
John Murray	–	–	–
Total compensation	147,796	3,904	151,700

* Figures include GST

The Company has no employees other than Executive and Non-Executive Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

The Company outsources the company secretarial function to Company Matters Pty Limited.

Director Related Entity Remuneration

All transactions with related entities were made on normal commercial terms and conditions.

Anthony Patterson and John Murray are both Directors of Perennial Value Management Limited ("Perennial Value"), the entity appointed to manage the investment portfolio of the Company.

Perennial Value, in its capacity as manager, earned management fees amounting to $1,138,922 (inclusive of GST but net of reduced input tax credit) for the year (2016: $1,133,198).

The management fee is calculated at 0.98% per annum (plus GST) of the first $250 million of the net asset value of the portfolio and 0.8% per annum thereafter.

As at 30 June 2017, the balance payable to the manager was $95,600 (2016: $114,499) (including GST).

In addition, Perennial Value is to be paid, annually in arrears, a performance fee of 15% (exclusive of GST) of the portfolio's outperformance of the benchmark over the performance calculation period. Full details of the terms of the performance fee calculation are disclosed in Note 21 to the financial statements.

There was no performance fee earned by the Manager during the year ended 30 June 2017 (2016: $nil).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which they are a member or with a Company in which they have substantial financial interest.

Remuneration of Executives

There are no executives paid by the Company. Anthony Patterson and John Murray are both considered Executive Directors on the basis that they are Directors of Perennial Value Management Limited and due to their role as investment managers in that entity, are integrally involved in the operations of the Company.

Equity Instrument Disclosures Relating to Directors

As at 30 June 2017, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares held

2017

Director	Balance at 30 June 2016	Acquisitions/ Options Exercised	Disposals	Balance at 30 June 2017
Alan Schoenheimer	**25,000**	**1,004**	**–**	**26,004**
Paul Clitheroe **	**500,000**	**–**	**–**	**500,000**
Richard Morath	**30,000**	**–**	**–**	**30,000**
Anthony Patterson **	**2,025,917**	**54,404**	**–**	**2,080,321**
John Murray **	**1,000,000**	**–**	**–**	**1,000,000**
	3,580,917	**55,408**	**–**	**3,636,325**

2016

Director	Balance at 30 June 2015	Acquisitions/ Options Exercised	Disposals	Balance at 30 June 2016
Alan Schoenheimer	25,000	–	–	25,000
Paul Clitheroe **	500,000	–	–	500,000
Richard Morath	30,000	–	–	30,000
Anthony Patterson **	2,000,001	25,916	–	2,025,917
John Murray **	1,000,000	–	–	1,000,000
	3,555,001	25,916	–	3,580,917

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders.

Options held

2017

Director	Balance at 30 June 2016	Options Acquired	Vested	Balance at 30 June 2017
Alan Schoenheimer	**25,000**	**–**	**(25,000)**	**–**
Paul Clitheroe **	**500,000**	**–**	**(500,000)**	**–**
Richard Morath	**30,000**	**–**	**(30,000)**	**–**
Anthony Patterson **	**2,000,000**	**–**	**(2,000,000)**	**–**
John Murray **	**1,000,000**	**–**	**(1,000,000)**	**–**
	3,555,000	**–**	**(3,555,000)**	**–**

The company's options expired unexercised on 23 November 2016.

2016

Director	Balance at 30 June 2015	Options Acquired	Vested	Balance at 30 June 2016
Alan Schoenheimer	25,000	–	–	25,000
Paul Clitheroe **	500,000	–	–	500,000
Richard Morath	30,000	–	–	30,000
Anthony Patterson **	2,000,000	–	–	2,000,000
John Murray **	1,000,000	–	–	1,000,000
	3,555,000	–	–	3,555,000

** Held through indirect interests.

Directors and Director related entities acquired options in the Company on the same terms and conditions available to other shareholders.

The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

End of remuneration report

INSURANCE AND INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company has given indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 19 did not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

ROUNDING OF AMOUNTS TO NEAREST DOLLARS

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

This report is made in accordance with a resolution of Directors.

Alan Schoenheimer
Chairman

Sydney
24 August 2017

AUDITOR'S INDEPENDENT DECLARATION

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Auditor's Independence Declaration
To the Directors of Wealth Defender Equities Limited
ABN 15 602 517 528

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Wealth Defender Equities Limited.

S M Whiddett
Partner

Pitcher Partners
Sydney

Dated in Sydney this 24th of August 2017

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An independent New South Wales Partnership. ABN 17 795 780 962.
Level 22 MLC Centre, 19 Martin Place, Sydney NSW 2000
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Income			
Interest received		**76,629**	117,481
Dividends received		**4,822,905**	5,165,678
Realised (losses) on investments held for trading		**(4,651,340)**	(1,718,686)
Unrealised gains/(losses) on investments held for trading		**485,093**	(1,235,782)
Sundry income		**171**	71,784
		733,458	2,400,475
Expenses			
Portfolio Administration fees		**(49,924)**	(43,955)
Management fees		**(1,138,922)**	(1,133,198)
Performance fees		**–**	–
Custodian fees		**(39,149)**	(43,078)
Operation services fees		**(113,263)**	(56,631)
Brokerage expenses		**(1,215)**	(2,655)
Share registry fees		**(53,288)**	(56,985)
Taxation service fees		**(11,350)**	(33,968)
Directors' fees		**(149,450)**	(151,700)
Legal fees		**–**	(7,305)
ASX fees		**(64,718)**	(148,880)
Accounting fees		**(54,439)**	(65,142)
Audit fees		**(41,852)**	(40,843)
Secretarial fees		**(41,996)**	(48,584)
Printing fees		**(16,360)**	(25,905)
Other expenses [1]		**(118,628)**	(77,109)
		(1,894,554)	(1,935,938)
(Loss)/Profit before income tax		**(1,161,096)**	464,537
Income tax benefit		**982,153**	1,191,221
Profit attributable to members of the Company		**(178,943)**	1,655,758
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Movement in fair value of long term equity investments, net of tax		**7,788,218**	(7,080,248)
Total comprehensive income/(loss) for the period		**7,609,275**	(5,424,490)

		Cents	Cents
(Loss)/Earnings per share for profit attributable to the ordinary equity holders of the Company:			
From Continuing Operations			
Basic (loss)/earnings per share	24	**(0.14)**	1.32

1 Other expenses include a one-off GST payment to the ATO as a result of a GST review. This GST was previously refunded by the ATO and this was included as sundry income last year.

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	8	**5,313,858**	9,497,650
Trade and other receivables	9	**744,413**	1,076,728
Financial assets	10	**1,317,260**	25,210
Other assets	11	**30,868**	34,517
Total current assets		**7,406,399**	10,634,105
Non-current assets			
Financial assets	10	**110,686,931**	97,938,097
Deferred tax assets	12	**3,830,818**	6,265,782
Total non-current assets		**114,517,749**	104,203,879
Total assets		**121,924,148**	114,837,984
Liabilities			
Current liabilities			
Trade and other payables	13	**1,939,505**	336,857
Total current liabilities		**1,939,505**	336,857
Non-current liabilities			
Deferred tax liabilities	14	**37,450**	39,496
Total non-current liabilities		**37,450**	39,496
Total liabilities		**1,976,955**	376,353
Net Assets		**119,947,193**	114,461,631
Equity			
Issued Capital	15	**123,118,558**	122,726,729
Reserves	16	**(1,062,644)**	(6,557,216)
Accumulated Losses	16	**(2,108,721)**	(1,707,882)
Total Equity		**119,947,193**	114,461,631

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital $	Capital Profits Reserve $	Asset Revaluation Reserve $	Profits Reserve $	(Accu-mulated Losses) $	Total $
Balance at 1 July 2015	122,666,346	50,859	(2,359,440)	724,994		121,082,759
Profit for the period	–	–	–	–	1,655,758	1,655,758
Other comprehensive loss for the period:						
Net unrealised losses for long-term equity investments	–	–	(7,080,248)	–	–	(7,080,248)
Total comprehensive loss for the year	–	–	(7,080,248)	–	1,655,758	(5,424,490)
Transfer to profits reserve	–	–	–	3,363,640	(3,363,640)	–
(Losses) on disposal of long-term equity investments, net of tax	–	(1,296,262)	1,296,262	–	–	–
Transactions with equity holders in their capacity as owners:						
Shares issued on options exercised	2,500	–	–	–	–	2,500
Shares issued on dividends reinvested	57,883	–	–	–	–	57,883
Dividends paid	–	–	–	(1,257,021)	–	(1,257,021)
Balance at 30 June 2016	122,726,729	(1,245,403)	(8,143,426)	2,831,613	(1,707,882)	114,461,631
(Loss) for the year					(178,943)	(178,943)
Other comprehensive income for the year:						
Net unrealised gains for long-term equity investments	–	–	7,788,218	–	–	7,788,218
Total comprehensive income for the year	–	–	7,788,218	–	(178,943)	7,609,275
Transfer to profits reserve	–	–	–	221,896	(221,896)	–
Gains on disposal of long-term equity investments, net of tax	–	2,227,237	(2,227,237)	–	–	–
Transactions with equity holders in their capacity as owners:						
Shares issued on options exercised	14,000	–	–	–	–	14,000
Shares issued on dividends reinvested	377,829	–	–	–	–	377,829
Dividends paid	–	–	–	(2,515,542)	–	(2,515,542)
Balance at 30 June 2017	**123,118,558**	**981,834**	**(2,582,445)**	**537,967**	**(2,108,721)**	**119,947,193**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	For the year ended 30 June 2017 $	For the year ended 30 June 2016 $
Cash flows from operating activities			
Interest received		**86,101**	107,951
Dividends received		**5,019,266**	4,379,340
Payment for other expenses		**(660,974)**	(342,140)
Management fees paid		**(1,219,662)**	(1,248,905)
Performance fees paid		**–**	(143,083)
Proceeds from sale of investments held for trading		**4,219,590**	20,592,179
Purchase of investments held for trading		**(9,696,850)**	(22,774,550)
Net cash (used in)/provided by operating activities	23(a)	**(2,252,529)**	570,792
Cash flows from investing activities			
Proceeds from sale of long-term equity investments		**80,540,358**	78,642,819
Purchase of long-term equity investments		**(80,347,908)**	(74,265,196)
Net cash provided by investing activities		**192,450**	4,377,623
Cash flows from financing activities			
Shares issued on options exercised		**14,000**	2,500
Dividends paid		**(2,137,713)**	(1,199,138)
Net cash (used in) financing activities		**(2,123,713)**	(1,196,638)
Net (decrease)/increase in cash and cash equivalents held		**(4,183,792)**	3,751,777
Cash and cash equivalents at beginning of financial year		**9,497,650**	5,745,873
Cash and cash equivalents at end of financial year	8	**5,313,858**	9,497,650
Non cash financing activities			
Dividends reinvested	23(b)	**377,829**	57,883

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 GENERAL INFORMATION

Wealth Defender Equities Limited (the "Company") is a listed public company domiciled in Australia. The address of Wealth Defender Equities Limited registered office is C/- Perennial Value Management Limited, Level 27, 88 Phillip Street, Sydney. The Company is primarily involved in making investments, and deriving revenue and investment income from listed securities in Australia.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. The financial statements are for the entity Wealth Defender Equities Limited.

(a) Basis of preparation

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

The financial statements were authorised for issue by the Board of Directors on 24 August 2017.

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and the financial report have been rounded to the nearest dollar.

(i) Compliance with IFRS

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Company

The Company adopted AASB 9 *Financial Instruments Standard* which applies to annual reporting periods beginning from 1 January 2018 for the reporting period commencing 21 May 2015. AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. This Standard simplifies the classification of financial assets and allows for recognition of gains and losses on investments in long-term equity instruments that are not held for trading in other comprehensive income.

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2017, will result in any material change in relation to the financial statements of the Company.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

(i) Investment income

The realised gains or losses on disposal of investments are recognised at the date of the transaction. Unrealised gains or losses of the financial assets held for trading is recognised on the Statement of Profit or Loss and unrealised gains or losses of long-term equity investments is recognised as other comprehensive income and taken to the Asset Revaluation Reserve on the Statement of Financial Position.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(iv) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Profit or Loss.

(c) Income tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Trade and other receivables

Receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables. Dividends are accrued when the right to receive payment is established.

Sale of securities that are unsettled at reporting date is normally settled within 3 business days of the trade date.

(f) Financial assets and liabilities

Classification and Measurement

(i) Financial assets held at fair value through profit or loss (financial instruments held for trading)

Financial assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss.

Derivative financial instruments such as options and forward contracts are included under this classification. The Company does not designate any derivatives as hedges in a hedging relationship.

(ii) Long term equity investments

Long-term equity investments are recognised initially at cost and the Company elects to present subsequent changes in the fair value of the investments in the Statement of Other Comprehensive Income. Changes in the fair value of long term equity investments will never be reclassified to the profit and loss.

Long term equity investments comprise holdings in marketable equity securities which are intended to be held for the long term.

Recognition and Derecognition

Financial assets and liabilities at fair value through profit or loss and long-term equity investments are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets are recognised on the date they originated.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Determination of Fair Value

AASB 13 defines fair value as 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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value measurements is discussed in Note 4.

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value. Accordingly, the Company uses the last sale price as a basis of measuring fair value.

(g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the reporting date which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Purchases of securities and investments that are unsettled at the reporting date are included in payables and are normally settled within 3 business days of trade date.

(h) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred using the effective interest rate method.

(i) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

(k) Profits reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

(l) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(n) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

3 FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of shares listed on the Australian stock exchange and derivatives. Other financial instruments include deposits with banks, accounts receivable and payable.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

The Company is not materially exposed to currency risk as majority of its investments are quoted in Australian dollars.

(ii) Price risk

The Company is exposed to equity securities price risk. Price risk is the risk that fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting the broader market. Price risk exposure arises from the Company's investment portfolio.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the

Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

(iii) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	Floating Interest rate $	Non-Interest bearing $	Total $
At 30 June 2017			
Financial assets			
Cash and cash equivalents (i)	**5,313,858**	**–**	**5,313,858**
Trade and other receivables	**–**	**744,413**	**744,413**
Financial assets available for sale	**–**	**110,686,931**	**110,686,931**
Financial assets held at fair value through profit or loss	**–**	**1,317,260**	**1,317,260**
Other assets	**–**	**30,868**	**30,868**
	5,313,858	**112,779,472**	**118,093,330**
Financial liabilities			
Trade and other payables	**–**	**(1,939,505)**	**(1,939,505)**
	–	**(1,939,505)**	**(1,939,505)**
	5,313,858	**110,839,967**	**116,153,825**
At 30 June 2016			
Financial assets			
Cash and cash equivalents (i)	9,497,650	–	9,497,650
Trade and other receivables	–	1,076,728	1,076,728
Financial assets available for sale	–	97,938,097	97,938,097
Financial assets held at fair value through profit or loss	–	25,210	25,210
Other assets	–	34,517	34,517
	9,497,650	99,074,552	108,572,202
Financial liabilities			
Trade and other payables	–	(336,857)	(336,857)
	–	(336,857)	(336,857)
	9,497,650	98,737,695	108,235,345

(i) The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2017 is 1.04% (2016: 1.72%).

Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to price risk and interest rate risk at the end of each reporting period. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in these risks.

	2017 $	2016 $
Price risk		
Held-for-trading financial assets		
Change in Profit before tax		
– Increase in portfolio prices by 5%	**65,863**	1,261
– Decrease in portfolio prices by 5%	**(65,863)**	(1,261)
Long-term equity investments		
Change in Equity before tax		
– Increase in portfolio prices by 5%	**5,534,347**	4,896,905
– Decrease in portfolio prices by 5%	**(5,534,347)**	(4,896,905)
Interest rate risk		
Change in Profit before tax		
– Increase in interest rate by 0.5%	**26,569**	47,488
– Increase in interest rate by 0.5%	**(26,569)**	(47,488)
Change in Equity before tax		
– Increase in interest rate by 0.5%	**26,569**	47,488
– Decrease in interest rate by 0.5%	**(26,569)**	(47,488)

(b) Credit risk

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, typically brokers, with the current exposure equal to the fair value of these investments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but represents the current maximum exposure at the reporting date.

Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

The Company held no collateral as security or any other credit enhancements.

Management of the risk

The risk was managed as follows:

- Cash is only invested with highly rated international financial institutions in Australia; and
- Receivable balances are monitored on an ongoing basis and the Company has no debts past due or impaired.

(c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager monitors its cash-flow requirements daily in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

The tables below analyse the Company's non-derivative financial liabilities into relevant maturity groupings based on their contractual maturities at period end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 month $	More than 1 month $	Total contractual undiscounted cash flows $
Non-derivatives			
Trade and other payables	**1,939,505**	**–**	**1,939,505**
Total non-derivatives	**1,939,505**	**–**	**1,939,505**

At 30 June 2016	Less than 1 month $	More than 1 month $	Total contractual undiscounted cash flows $
Non-derivatives			
Trade and other payables	336,857	–	336,857
Total non-derivatives	336,857	–	336,857

4 FAIR VALUE MEASUREMENTS

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL).
- Long-term equity investments.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2017.

At 30 June 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Long-term equity investments				
– Shares in listed corporations	**110,686,931**	**–**	**–**	**110,686,931**
Held-for-trading financial assets				
– Derivatives	**1,317,260**	**–**	**–**	**1,317,260**
Total financial assets	**112,004,191**	**–**	**–**	**112,004,191**

At 30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Long-term equity investments				
– Shares in listed corporations	97,938,097	–	–	97,938,097
Held-for-trading financial assets				
– Derivatives	25,210	–	–	25,210
Total financial assets	97,963,307	–	–	97,963,307

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted last prices at the end of the reporting year, excluding transaction costs.

There were no transfers between levels for recurring fair value measurements during the year.

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

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are assumed to approximate their fair values due to their short-term nature.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Key judgements

(i) Deferred tax asset

Deferred tax asset has been recognised on unused tax losses on the basis that the Company will generate future taxable profits to utilise the tax losses.

6 SEGMENT INFORMATION

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its trading portfolio.

7 INCOME TAX EXPENSE/(BENEFIT)

(a) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	2017 $	2016 $
(Loss)/Profit from continuing operations before income tax expense	**(1,161,096)**	464,537
Tax at the Australian tax rate of 27.5% (2016: 30%)	**(319,301)**	139,361
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
– Franking credits on dividends received	**(1,410,146)**	(1,589,774)
– Foreign tax credits on dividends received	**2,057**	2,137
– Imputation credit gross up	**387,790**	485,521
– Adjustment for change in tax rates	**290,765**	–
– Other adjustment	**11,435**	–
– Accrued dividend receivable	**55,247**	(228,466)
Income tax (benefit)	**(982,153)**	(1,191,221)
The effective tax rates are as follows:	**(84.59%)***	(256.43%)*

* A negative effective tax rate reflects franking credits on dividends received, which exceed tax on taxable income for the year. These franking credits are available to the Company to offset against future tax on taxable income.

The income tax expense results in a:

Current tax liability	**–**	–
Deferred tax liability	**(2,046)**	(58,455)
Deferred tax asset	**(980,107)**	(1,132,766)
Income tax (benefit)	**(982,153)**	(1,191,221)

The company applied the reduced corporate tax rate of 27.5% from 1 July 2016.

(b) Amounts recognised directly in equity

Aggregate deferred tax arising in the reporting year and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

Unrealised (gains)/losses on long-term equity investments	**(3,013,918)**	3,012,594
Net deferred tax – (credited)/charged directly to equity	**(3,013,918)**	3,012,594

8 CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Current		
Cash at bank and financial institutions	**5,313,858**	9,497,650

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Balances as above	**5,313,858**	9,497,650

(b) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with the following financial institutions:	**Standard & Poor's Rating**
Commonwealth Bank of Australia	A
Credit Suisse	A-1

9 TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Current		
Dividends and distributions receivable	**696,840**	893,201
Interest receivable	**4,281**	13,753
GST receivable	**35,072**	80,800
Other receivable	**8,220**	88,974
	744,413	1,076,728

Receivables are non-interest bearing and unsecured.

10 FINANCIAL ASSETS

Current & Non-Current			
Current – Held-for-trading financial assets	10(a)	**1,317,260**	25,210
Non-Current – Long-term equity investments	10(b)	**110,686,931**	97,938,097
Total securities		**112,004,191**	97,963,307

(a) Financial assets held-for-trading comprise:

	2017 $	2016 $
Derivative Instruments	**1,317,260**	25,210

(b) Long-term equity investments:

Shares in listed corporations	**110,686,931**	97,938,097

During the year, the total fair value of investments sold in the normal course of the business and to preserve capital were $80,459,604 (2016: $78,607,483), and total dividends received on these investments sold were $793,093 (2016: $323,703) which are included in the Statement of Profit or Loss and Other Comprehensive Income. Total dividends received on investments held at year-end were $4,029,812 (2016: $4,841,975).

11 OTHER ASSETS

Current		
Prepayments	**30,868**	34,517

12 DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:		
Capitalised expense deduction	**476,651**	779,974
Accrued expenses	**–**	85,259
Tax loss	**2,253,287**	1,614,690
Unrealised losses in movement in market value of derivatives	**137,766**	295,819
Unrealised losses in movement in market value of investments	**963,114**	3,490,040
	3,830,818	6,265,782
Movements:		
Opening balance	**6,265,782**	2,120,422
Credited/(charged) to profit or loss	**578,954**	1,132,766
Credited/(charged) directly to equity	**(3,013,918)**	3,012,594
Closing balance	**3,830,818**	6,265,782

13 TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current		
Management fees payable	**95,600**	114,499
Performance fees payable	**–**	–
Other payables	**1,843,905**	222,358
	1,939,505	336,857

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

14 DEFERRED TAX LIABILITIES

Non-current		
The balance comprises temporary differences attributable to:		
Net unrealised gains on financial assets	**–**	–
Other temporary differences	**37,450**	39,496
	37,450	39,496
Movements:		
Opening balance	**39,496**	97,951
(Credited)/charged to profit or loss	**(2,046)**	(58,455)
Closing balance	**37,450**	39,496

15 ISSUED CAPITAL

(a) Share capital

Ordinary shares – issued capital	**123,118,558**	122,726,729

(b) Movements in ordinary share capital

Date	Details		No of shares	$
30 June 2016	Opening Balance		125,777,091	122,728,729
	Shares issued on options exercised	(d)	14,000	2,500
	DRP shares issued for dividend	(e)	507,296	377,829
	Cost of issued capital		–	–
30 June 2017	Closing balance		**126,298,387**	**123,118,558**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Shares issued on options exercised

115,891,962 of the Company's listed options, exercisable at $1.00 on or before 23 November 2016 have expired unexercised. A total of 16,500 listed options have been exercised since the options vested on 23 November 2015.

(e) Dividend reinvestment plan

A fully-franked (franked at 27.5%) final dividend of 2.0 cents per share was paid on 30 September 2016. Option holders who elected to exercise all or part of their options by the close of business on 2 September 2016 were entitled to receive the fully-franked dividend.

The Company's DRP was in operation for the payment of this dividend.

(f) Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged.

To achieve this, the Board of Directors monitor the monthly NTA results, investment performance and share price movements.

The Board is focused on maximising returns to shareholders with capital management a key objective of the Company. The Company is not subject to any externally imposed capital requirements.

16 RESERVES AND RETAINED EARNINGS

(a) Reserves

	2017 $	2016 $
(i) Capital Profits Reserve	**981,834**	(1,245,403)
(ii) Asset Revaluation Reserve	**(2,582,445)**	(8,143,426)
(iii) Profits Reserve	**537,967**	2,831,613
	(1,062,644)	(6,557,216)

(i) Capital Profits Reserve

The reserve records gains or losses arising from disposal of long-term equity investments.

Movements in capital profits reserve were as follows:		
Opening balance	**(1,245,403)**	50,859
Realised gains/(losses) on disposal of investments, net of tax	**2,227,237**	(1,296,262)
	981,834	(1,245,403)

(ii) Asset Revaluation Reserve

The reserve records revaluations of long-term equity investments.

	2017 $	2016 $
Movements in asset revaluation reserve were as follows:		
Opening balance	**(8,143,426)**	(2,359,440)
Movement in fair value of long-term equity investments, net of tax	**7,788,218**	(7,080,248)
Realised (gains)/losses on sale of investments, net of tax transferred to capital profits reserve	**(2,227,237)**	1,296,262
	(2,582,445)	(8,143,426)

(iii) Profits Reserve

The reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

Movements in profits reserve were as follows:		
Opening balance	**2,831,613**	724,994
Transfer from retained earnings	**221,896**	3,363,640
Dividends paid	**(2,515,542)**	(1,257,021)
	537,967	2,831,613

(b) (Accumulated Losses)

Movements in (accumulated losses) were as follows:		
Opening balance	**(1,707,882)**	–
Net (loss)/profit for the period	**(178,943)**	1,655,758
Transfer (to) profits reserve	**(221,896)**	(3,363,640)
	(2,108,721)	(1,707,882)

17 DIVIDENDS

A fully-franked (franked at 27.5%) final dividend of 2.0 cents per share was paid on 30 September 2016. Option holders who elected to exercise all or part of their options by the close of business on 2 September 2016 were entitled to receive the fully-franked dividend.

	2017 $	2016 $
Dividend franking account		
Opening balance of franking account	**1,402,782**	7,937
Dividend paid	**(954,171)**	(538,723)
Franking credits on dividends received	**1,410,146**	1,933,568
Closing balance of franking account	**1,858,757**	1,402,782
Adjustments for tax payable/refundable in respect of the current year's profits and the receipt of dividends after year end	**–**	–
Adjusted franking account balance	**1,858,757**	1,402,782
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year *	**(479,063)**	(1,078,089)
Franking credits available for subsequent reporting years	**1,379,694**	324,693

* The dividend to be paid on 29 September 2017 will utilise $479,063 of the above franking credits based on the current shares on issue.

The Company's ability to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

18 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

Short-term employee benefits	**143,594**	147,796
Post-employment benefits	**5,856**	3,904
	149,450	151,700

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 11.

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company that were held during the financial year by each Director and other key management personnel of the Company, including their personally related parties, are set out below:

2017	Balance at 30 June 2016	Options Acquired	Expired	Balance at 30 June 2017
Director				
Alan Schoenheimer	**25,000**	**–**	**(25,000)**	**–**
Paul Clitheroe **	**500,000**	**–**	**(500,000)**	**–**
Richard Morath	**30,000**	**–**	**(30,000)**	**–**
Anthony Patterson **	**2,000,000**	**–**	**(2,000,000)**	**–**
John Murray **	**1,000,000**	**–**	**(1,000,000)**	**–**
	3,555,000	**–**	**(3,555,000)**	**–**

The company's options expired unexercised on 23 November 2016.

2016	Balance at 30 June 2015	Granted	Excercised	Balance at 30 June 2016
Director				
Alan Schoenheimer	25,000	–	–	25,000
Paul Clitheroe **	500,000	–	–	500,000
Richard Morath	30,000	–	–	30,000
Anthony Patterson **	2,000,000	–	–	2,000,000
John Murray **	1,000,000	–	–	1,000,000
	3,555,000	–	–	3,555,000

** Held through indirect interests

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each Director and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting year as compensation.

2017	Balance at 30 June 2016	Net movement	Balance at 30 June 2017
Director			
Alan Schoenheimer	**25,000**	**1,004**	**26,004**
Paul Clitheroe **	**500,000**	**–**	**500,000**
Richard Morath	**30,000**	**–**	**30,000**
Anthony Patterson **	**2,025,917**	**54,404**	**2,080,321**
John Murray **	**1,000,000**	**–**	**1,000,000**
	3,580,917	**55,408**	**3,636,325**

2016	Balance at 30 June 2015	Net movement	Balance at 30 June 2016
Director			
Alan Schoenheimer	25,000	–	25,000
Paul Clitheroe **	500,000	–	500,000
Richard Morath	30,000	–	30,000
Anthony Patterson **	2,000,001	25,916	2,025,917
John Murray **	1,000,000	–	1,000,000
	3,555,001	25,916	3,580,917

** Held through indirect interests

19 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2017 $	2016 $
Pitcher Partners		
Audit and other assurance services		
– Audit and review of financial statements	**41,852**	40,843
Other assurance services		
– Other assurance	**–**	1,155
– Other non-assurance	**–**	–
Total remuneration for audit and other assurance services	**41,852**	41,998
Taxation services		
– Tax compliance services	**11,350**	32,747
Total remuneration of Pitcher Partners	**53,202**	74,745

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

20 CONTINGENCIES

The Company had no contingent liabilities at 30 June 2017.

21 RELATED PARTY TRANSACTIONS

(a) Transactions with other related parties

All transactions with related entities were made on normal commercial terms and conditions.

Anthony Patterson and John Murray are both Directors of Perennial Value Management Limited ("Perennial Value"), the entity appointed to manage the investment portfolio of the Company. Perennial Value, in its capacity as manager, earned management fees amounting to $1,138,922 (inclusive of GST but net of reduced input tax credit) for the year (2016: $1,133,198).

The management fee is calculated at 0.98% per annum (plus GST) of the first $250 million of the net asset value of the portfolio and 0.8% per annum thereafter.

As at 30 June 2017, the balance payable to the manager was $95,600 (2016: $114,499) (including GST).

In addition, Perennial Value is to be paid, annually in arrears, a performance fee of 15% (exclusive of GST) of the portfolio's outperformance of the benchmark over the performance calculation period, calculated using the following:

Performance Fee = ((CV-PV) – (BI x PV)) x 0.15

Where

- **CV** is the net asset value of the portfolio before all taxes and current performance fee accrual calculated on the last business day of the relevant performance calculation period;
- **PV** is the net asset value of the portfolio before all taxes and current performance fee accrual calculated on the last business day of the immediately preceding performance calculation period, or in the case of the first performance calculation period, the net asset value of the portfolio before all taxes at listing; and
- **BI** is the increase in the benchmark over the performance calculation period expressed as percentage. The benchmark is the S&P/ASX 300 Accumulation Index.

If the amount calculated using the formula above is a negative number, no performance fee is payable in respect of that performance calculation period. Where the amount calculated is a negative, it is to be carried forward to the following performance calculation period(s) until it has been recouped in full against future performance fees payable.

There was no performance fee earned by the Manager during the year ended 30 June 2017 (2016: $nil).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

22 EVENTS OCCURRING AFTER THE REPORTING YEAR

Subsequent to year-end, the Company declared a final fully-franked (franked at 27.5%) dividend of 1.0 cent per share to be paid on Friday, 29 September 2017.

Apart from the dividends declared subsequent to year-end, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

23 RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

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

	2017 $	2016 $
(Loss)/Profit for the year	**(178,943)**	1,655,758
Unrealised (gains)/losses on market value movement	**(485,093)**	1,235,782
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	**251,561**	(795,866)
Decrease in other assets	**3,649**	12,215
(Decrease)/Increase in trade and other payables	**(54,595)**	117,812
(Increase) in investments held-for-trading	**(806,957)**	(463,685)
(Decrease) in deferred taxes	**(982,151)**	(1,191,224)
Net cash inflow from operating activities	**(2,252,529)**	570,792

(b) Non-cash financing activities

Dividends reinvested	**377,829**	57,883

24 EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

	2017 Cents	2016 Cents
Basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(0.14)**	1.32

(b) Weighted average number of shares used as denominator

	Number 2017	Number 2016
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**126,164,148**	125,711,498

25 HOLDINGS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following holdings are valued at fair value through other comprehensive income.

	Market Value 30 June 2017 $	Market Value 30 June 2016 $
BHP Billiton Limited	**7,607,625**	5,654,792
Commonwealth Bank of Australia	**7,369,924**	7,247,728
National Australia Bank Limited	**6,701,484**	5,297,857
Westpac Banking Corporation	**5,596,907**	6,195,168
Australia & New Zealand Banking Group Limited	**4,782,282**	4,909,674
Suncorp Group Limited	**4,044,808**	2,115,508
AMP Limited	**3,985,816**	3,012,289
Telstra Corporation Limited	**3,928,536**	6,555,023
Woodside Petroleum Limited	**3,643,154**	3,355,778
Macquarie Group Limited	**3,559,913**	2,843,503
Woolworths Limited	**3,357,488**	3,458,987
Westfield Corporation	**3,316,286**	3,031,544
Caltex Australia Limited	**3,165,678**	528,522
Amcor Limited	**2,972,055**	–
CYBG PLC	**2,844,388**	877,697
Vocus Group Limited	**2,566,787**	90,908
Janus Henderson Group	**2,510,299**	687,731
Gateway Lifestyle Group	**2,428,360**	819,968
Wesfarmers Limited	**2,302,326**	4,205,808
Lendlease Group	**2,111,703**	1,888,186
Rio Tinto Limited	**2,074,813**	2,519,380
Crown Limited	**1,920,678**	1,729,613
Newcrest Mining Limited	**1,800,449**	–
Newscorp Class B CDI	**1,776,364**	1,406,802
Iluka Resources Limited	**1,711,149**	–
Star Entertainment	**1,655,259**	–
Graincorp Limited	**1,596,917**	1,813,344
Imdex Limited	**1,540,347**	–
Platinum Asia Management	**1,464,330**	–
PWR Holdings Limited	**1,364,276**	–
HFA Holdings Limited	**1,346,568**	288,755
Pacific Energy Limited	**1,028,958**	119,747
Super Retail Group Limited	**1,020,670**	–
Orica Limited	**975,165**	510,215
Prime Media Group Limited	**841,505**	120,072
Speedcast International Limited	**837,271**	–

	Market Value 30 June 2017 $	Market Value 30 June 2016 $
Runge Limited	**730,831**	150,370
Global Construction Services Limited	**723,235**	99,053
Bingo Industries Limited	**698,671**	–
Emerchants Limited	**664,989**	327,026
HT & E Limited	**659,966**	–
National Veterinary Care Limited	**643,520**	97,338
Austin Engineering Limited	**639,980**	–
Evolution Mining Limited	**633,861**	240,090
The Reject Shop	**629,470**	–
Integral Diagnostics Limited	**593,008**	–
Smartgroup Corporation Limited	**569,664**	312,886
Tox Free Solutions Limited	**500,534**	254,421
Melbourne IT Limited	**490,869**	338,161
Oroton Group Limited	**391,459**	–
Australian Worldwide Exploration Limited	**366,336**	595,596
QBE Insurance Group Limited	–	2,544,013
Stockland Property Trust	–	2,255,327
Harvey Norman Holdings Limited	–	1,743,313
Washington H. Soul Pattinson and Company Limited	–	1,636,658
Resmed Inc.	–	1,405,431
Downer EDI Limited	–	1,388,539
Aristocrat Leisure Limited	–	1,230,863
Flight Centre Limited	–	1,100,500
AGL Energy Limited	–	1,039,731
Boral Limited	–	940,588
Event Hospitality and Entertainment Limited	–	916,988
Brickworks Limited	–	817,788
Navitas Limited	–	728,743
Sims Group Limited	–	665,419
APN News & Media Limited	–	604,166
Fantastic Holdings Limited	–	387,720
AVJennings Limited	–	369,761
Skydive The Beach Group Limited	–	229,539
Aveo Group	–	219,294
Thorn Group Limited	–	203,338
GUD Holdings Limited	–	201,121
Intecq Limited	–	200,135
QMS Media Limited	–	196,877

	Market Value 30 June 2017 $	Market Value 30 June 2016 $
Independence Group NL	–	193,195
Myer Holdings Limited	–	188,959
Ridley Corporation Limited	–	183,953
Sealink Travel Group Limited	–	183,629
Capral Aluminium Limited	–	174,434
Vitaco Holdings Limited	–	166,077
Breville Group Limited	–	155,837
Collins Foods Limited	–	148,769
LifeHealthcare Group Limited	–	147,672
Automotive Holdings Group Limited	–	143,579
Sino Gas & Energy Holdings Limited	–	135,354
Australian Agricultural Company	–	130,647
NZME Limited	–	113,963
Infomedia Limited	–	110,596
A2 Milk Company Limited	–	98,445
Mint Payments Limited	–	95,065
Pulse Health Limited	–	94,558
Nufarm Limited	–	92,891
Galaxy Resources Limited	–	90,987
Ardent Leisure Trust Group	–	83,258
Australian Pharmaceutical Limited	–	76,422
Tower Limited	–	59,703
Austex Oil Limited	–	57,306
Sundance Energy Australia Limited	–	55,759
Simonds Group Limited	–	54,462
Beach Energy Limited	–	52,375
Southern Cross Media Group Limited	–	48,396
Steadfast Group Limited	–	40,029
Tassal Group Limited	–	36,385
Total	**110,686,931**	97,938,097

DIRECTORS’ DECLARATION

FOR THE PERIOD ENDED 30 JUNE 2017

In accordance with a resolution of the Directors of Wealth Defender Equities Limited, the Directors of the Company declare that:

(a) the financial statements and notes, as set out on pages 20 to 46, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, which as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

  (ii) giving a true and fair view of the Company’s financial position as at 30 June 2017 and of its performance for the year ended on that date, 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

(c) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

Alan Schoenheimer
Chairman

Sydney
24 August 2017

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ACCOUNTANTS • AUDITORS • ADVISORS

Independent Auditor's Report
to the Members of the Wealth Defender Equities Limited
ABN 15 602 517 528

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Wealth Defender Equities Limited (the "Company"), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

Opinion

In our opinion

a) the accompanying financial report of Wealth Defender Equities Limited, is 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 2017 and of its financial performance for the year then ended; and

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

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibility* 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have communicated the key audit matters to the Audit Committee, but they are not comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. 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.

Key audit matter	***How our audit addressed the matter***
Existence, Completeness and Valuation of Financial Assets ***Refer to Note 10: Financial Assets***	
We focused our audit effort on the existence, completeness and valuation of the Company's financial assets as they are its largest asset and represent the most significant driver of the Company's net tangible assets and profits. The quantum of investments held inherently makes financial assets a key audit matter, in addition however, there may be judgements involved in determining the fair value of investments. In relation to investments, there can be a risk that these are not owned by the Company. We therefore identified the valuation, existence and completeness of investments as an area of focus.	Our procedures included, amongst others: ▪ We obtained an understanding of the investment management process and controls; ▪ We reviewed the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the period 1 July 2016 to 30 June 2017; ▪ We agreed the investment holdings to a confirmation obtained directly from the Custodian; ▪ We assessed the Company's valuation of individual investment holding to independent sources of information to determine an acceptable range of valuations of securities held at 30 June 2017, and compared this to the valuations recorded by the Company; ▪ We evaluated the appropriateness of the accounting treatment of revaluations of financial assets for current/deferred tax and realised/unrealised gains or losses; ▪ We assessed the adequacy of disclosures in the financial statements.

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Accuracy and Completeness of Management and Performance Fees *Refer to Note 21: Related party transactions and Remuneration Report*	
We focused our audit effort on the accuracy and completeness of management and performance fees as they are significant expenses of the Company and their calculation may require adjustments for events in accordance with the Investment Management Agreement between the Company and the Investment Manager. In addition to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party. We therefore identified the accuracy and completeness of management and performance fees as an area of focus.	Our procedures included, amongst others: ▪ Making enquiries with the Investment Manager and the Directors with respect to any significant events during the period and associated adjustments made as a result, in addition to having reviewed ASX announcements; ▪ In order to verify the Company's calculation, we recalculated management and performance fees in accordance with our understanding of the Investment Management Agreement; ▪ Considered the treatment of events that may be significant to the calculation of management and performance fees; ▪ Tested key inputs used in the calculation of the management and performance fees and performed a reasonableness test; ▪ Considered the appropriateness of the current methodology in relation to calculation of the management and performance fees; ▪ We also assessed the adequacy of disclosures made in the financial statements in relation to these related party transactions.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PITCHER PARTNERS

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors 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 responsibility is to express an opinion on the financial report based on our audit. Our objectives are 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 and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

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the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the Directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Wealth Defender Equities Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of Wealth Defender Equities Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

SWhiddett — Pitcher Partners

S M Whiddett
Partner

Pitcher Partners
Sydney

Dated in Sydney this 24th of August 2017

SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable as at 1 August 2017.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares		
Holding	No of Shareholders	Shares	Percentage
1 – 1,000	23	13,464	0.01
1,001 – 5,000	319	1,035,967	0.82
5,001 – 10,000	310	2,786,308	2.21
10,001 – 100,000	1,528	57,654,599	45.65
100,001 and over	205	64,808,049	51.31
	2,385	126,298,387	100.00

There were 13 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

Name	A/C Designation	1 August 2017	%IC
RBC Investor Services Australia Nominees Pty Ltd	<VFA A/C>	9,267,459	7.34
R & R Corbett Pty Ltd	<R C Corbett Family A/C>	5,000,000	3.96
CS Third Nominees Pty Limited	<HSBC Cust Nom Au Ltd 13 A/C>	2,910,383	2.30
Moya Pty Ltd	<JAAM A/C>	2,000,000	1.58
Egmont Pty Ltd	<Craig Carter Super Fund A/C>	1,500,000	1.19
A & E Patterson Investments Pty Ltd	<A & E Patterson S/F A/C>	1,040,160	0.82
Patterson Family Holdings Pty Ltd		1,040,160	0.82
Nandaroo Pty Limited		1,000,000	0.79
Angueline Capital Pty Limited		800,000	0.63
J P Morgan Nominees Australia Limited		760,000	0.60
HSBC Custody Nominees (Australia) Limited		699,577	0.55
Angueline Capital Pty Limited		650,000	0.51
Mr Angus Youngman Graham & Mrs Helen Kay Graham	<A Y Graham Fam Sett S/F A/C>	639,035	0.51
Mr David Rex Elliott Merrin & Mrs Rosemary Anne Merrin	<Merrin Family A/C>	616,111	0.49
Borg Acquisitions Pty Limited	<Borg Acquisition A/C>	594,000	0.47
BNP Paribas Nominees Pty Ltd	<IB Au Noms Retailclient Drp>	542,302	0.43
A & K Quoyle Pty Ltd	<Quoyle Super Fund A/C>	500,000	0.40
Mr Thomas David Jenki & Mrs Anne Elizabeth Jenkins	<The T J Super Fund A/C>	500,000	0.40
Bawden Custodians Pty Ltd	<Terton Corp P/L S/F A/C>	500,000	0.40
Kelrill Pty Ltd		500,000	0.40
Dr Abraham Phillip Dorevitch & Mrs Vera Dorevitch	<A + V Dorevitch S/F A/C>	451,783	0.36
Mr Geoffrey Victor Day & Mrs Anne Margaret Day	<G V Day Super Fund A/C>	450,000	0.36
Dr Thomas Reginald Sutterby	<SRT A/C>	430,000	0.34
Indiginata Investments Pty Ltd	<Indiginata Super Fund A/C>	417,500	0.33
Total		**32,808,470**	**25.98**
Balance of register		**93,489,917**	**74.02**
Grand total		**126,298,387**	**100.00**

C. SUBSTANTIAL HOLDERS

The Company has been notified of the following substantial holders of its securities:

Name	Number held	Percentage of issued shares (%)
Wilson Asset Management Group	9,255,459	7.33

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options do not have any voting rights until they vest and are exercised.

E. STOCK EXCHANGE LISTING

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.

F. UNQUOTED SECURITIES

There are no unquoted shares.

G. SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are no securities subject to voluntary escrow.

H. BROKERAGE

During the year ended 30 June 2017, the Company recorded 5,840,255 transactions (2016: 2,706,500) in securities. Total brokerage paid and accrued was $451,190 (2016: $615,533) for the year.

I. ON MARKET BUY-BACK

There is currently no on market buy-back.

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CORPORATE DIRECTORY

DIRECTORS

Alan Schoenheimer
Chairman and Non-Executive Director

Paul Clitheroe
Non-Executive Director

Richard Morath
Non-Executive Director

Anthony Patterson
Executive of the Manager and Director

John Murray
Executive of the Manager and Director

SECRETARY

Sarah Prince
Company Matters Pty Ltd
Level 12
680 George Street
Sydney NSW 2000

INVESTMENT MANAGER (“MANAGER”)

Perennial Value Management Limited
Level 27
88 Phillip Street
Sydney NSW 2000
Ph: (02) 8274 2700

AUDITORS

Pitcher Partners
Level 22
MLC Centre
19 Martin Place
Sydney NSW 2000
Ph: (02) 9221 2099

REGISTERED OFFICE

Level 27
88 Phillip Street
Sydney NSW 2000
Telephone: 1800 645 202

SHARE REGISTRAR

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: 1300 554 474

STOCK EXCHANGE

Australian Securities Exchange (ASX)
The home exchange is Sydney
ASX code: WDE Ordinary Shares

Wealth
Defender
Equities