ANNUAL REPORT

FOR THE PERIOD ENDING 30 JUNE 2018

Wealth Defender Equities Limited
ACN 602 517 528

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CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to announce that the full year profit for Wealth Defender Equities ("the Company") was $2,737,219 compared to a loss of $178,943 that was recorded last year. Improved trading results have also resulted in earnings per share of 2.16 cents up from (0.14 cents) last year.

The Directors consider that the improvement in pre-tax Net Tangible Assets (NTA), after fees and expenses, combined with the flow of dividends, is an accurate measure of the performance of the Company. This measure is, in the Board's view, also the most appropriate way to assess the performance of the Investment Manager. For the 12 month period, the Company's pre-tax NTA increased from $0.92 per share to $0.96 per share while the dividend flow for the period was 3.0 cents per share fully franked. This translates into a net return of 7.74% assuming dividends for the year have been reinvested.

Subsequent to year end, the Board also declared a final dividend of 2.0 cents per share fully franked, meaning that the total dividends declared for the year are 4.0 cents per share fully franked. This is up from 1.0 cent per share fully franked last year.

The Board remains committed to building and growing reserves to build a buffer to assist in our desire to pay regular dividends. Post the payment of the final dividend in October, based on the result at 30 June, the Company will have approximately $3.15m remaining in the Company's Profits Reserve Account from which up to 2.8 cents per share could be paid. The early years of a Listed Investment Company can generally be characterised by a lack of reserves, therefore giving the Board less flexibility in delivering a consistent dividend flow to shareholders in an environment where market conditions may be unfavourable. It is pleasing that the Company has built reserves over the past year.

Portfolio Return

The underlying equities portfolio returned 11.4% for the year which was below the 13.2% return for the ASX 300 Accumulation Index. Our Manager's value style continued to be under rewarded. Perennial has remained true to label and have not allowed their style to drift. Hence they have not participated in a number of the strongly performing "flavour of the month" stocks on the basis of overvaluation.

The cost of the hedging strategy for the year was 1.9% which was lower than the prior year's cost of 4.0%. This is a better result but although this cost of protection has come down, it is the Board's view that the more flexible approach to the provision of protection that was communicated to WDE shareholders in May 2018, is the most appropriate mechanism to balance the needs and objectives of our broad and diverse shareholder base.

Strategy Review

As communicated to shareholders, from 1 August 2018 the Directors decided that the portfolio should no longer constantly carry a level of protection. This means that in the future, Perennial Value Management Limited (the Manager) will be able to implement protection strategies on a fully dynamic, discretionary basis. To implement this change the Manager has altered its neutral position, from always ensuring some level of protection, to a position where the Manager will only hold protection at times when it considers it is appropriate in view of their market outlook.

This does not mean that the Manager will never hold protection. Rather they will more actively consider the market outlook when determining the overall strategy to employ. Although this change was effective from 1 August, it currently is the Manager's view that, given current macro factors and the fact that we are some nine years into a bull market, they should continue to maintain downside protection and are also carrying higher levels of cash.

Whilst bringing some additional risk, including the risk that the Company's investment portfolio may be left without protection at a time when markets suddenly turn down, the Board believes that the change in strategy improves prospects for stronger investment performance and a more consistent stream of dividends. The Board was mindful that the high cost of protection in 2016, as detailed in my report last year, meant that the dividend stream in 2017 was well below expectations with no interim dividend declared.

The Board has received feedback from many shareholders about these changes. We have sought to balance and meet the clearly articulated views and objectives of our broad and diverse shareholder base.

We recognise that not all have been happy with this change, but we also understand that our shareholders have expectations that the Company will continue to deliver a steady and growing dividend stream, coupled with strong investment performance over the long term.

To coincide with this strategic change, the Board has also agreed with the Manager that from 1 August 2018 the management fee will be reduced from 0.98% (plus GST) to 0.80% (plus GST) per annum.

Capital management and discount to NTA

Listed Investment Companies (LIC's) are traded on the ASX and as such the shares can trade at either a discount or premium to their underlying NTA. In the case of WDE, the share price has lagged the NTA, which is not what either your Board or investors want. It is our view that the most appropriate way to reduce this discount is to ensure that the Company is performing well and delivering regular dividends to investors.

We also believe that increased liquidity and scale will bring the benefit of lower NTA discounts.

There are however, views that have been put forward by some shareholders that the only solution to bridge the share price discount to NTA is to offer an exit mechanism like a unit trust via a buy back at NTA. We contend that unit trusts and LIC's have their own characteristics and it is for this reason that both exist. WDE is a Company and not a Trust, with this difference bringing specific benefits. These include converting all income into potentially franked dividends and the ability to grow reserves to smooth dividend flows.

It is also the Board's view that a buyback at NTA is rarely in the best interests of all shareholders and we are conscious of our duty to act for all shareholders. Such a buyback may advantage one group of shareholders over others who have differing objectives and differing investment time horizons.

As I have said previously, it is also our view that shrinking the Company generally exacerbates the problems in the long term rather than resolving them. It is not at all unusual for smaller LIC's to trade at discounts to NTA and that is why the Board remains focused on growing the Company.

During the course of the year, the Company did announce an on market buy-back of up to 10% of its issued capital. This was done to provide additional liquidity. Buying back some shares on market when WDE is trading at a material discount to its underlying net asset value results in a benefit to all of the remaining shareholder base, with such a strategy being value accretive.

Under the on market buyback, 264,992 WDE shares were bought back prior to 30 June 2018 and the current program remains in place.

In my Chairman's Letter in 2016, I outlined our desire to grow the Company in scale and to keep the costs of the Company relatively low. Directors remain united in our view that doing this, along with enhancing the investment strategy and the other changes that were implemented over the past year, is the best way to deliver value to you, our shareholders. We recognise that there are, and will remain differing views and continue to welcome your feedback.

We look forward to meeting with shareholders at our AGM in November.

A N Schoenheimer

Alan Schoenheimer
Chairman

Sydney
28 August 2018

PORTFOLIO MANAGER'S REPORT

PERFORMANCE

For the 12 months to 30 June 2018, the company's equities portfolio delivered a gross return of 11.4%. The overall performance of the portfolio was a positive return of 9.5%. This included the protection portfolio cost which was 1.9%, in line with expectations. This is considered a reasonable outcome when over the last financial year the portfolio at all times carried significant downside protection to protect investors from sharp market falls. Further, we are able to purchase this protection at wholesale rates which we consider to be cheaper than available to retail investors, in general, given our market presence.

Most major markets rallied during the year, with the S&P500 +14.4%, FTSE100 +8.7%, Nikkei 225 +13.5% and Shanghai Composite -10.8%. Developed markets fared better than emerging markets over the year with the US the better performer. The Australian market performed relatively well with the ASX300 Accumulation Index rising 13.2%.

The past year has seen a continued improvement in the global economic environment, led by the strength of the US recovery. In most key regions and markets economic activity is increasing, with rising business investment and strong job creation, seeing unemployment falling to very low levels. The Australian economy continues to perform well, supported by a combination of a robust residential construction sector, increasing investment in major infrastructure projects and a pick-up in mining activity on the back of a recovery in commodity prices.

However, this positive economic backdrop has been tempered by an increased level of global political uncertainty. In particular, the escalating trade tensions between the US and China, as well as other trading partners, is having a dampening effect on sentiment. Other areas of concern have included uncertainty around Brexit discussions. These developments have seen an increased level of volatility in markets overall. In these situations, however, the Australian market tends to benefit as it is seen as a relative "safe-haven" in the region and as such outperformed many other markets over the period.

While many risks and challenges remain, not least the political situations in many key economies, it does appear as though the world may be returning to self-sustaining economic growth. In this environment, interest rates are likely to continue to rise towards more normal levels and the distortions caused by extremely low interest rates over recent years will subside. In particular, the "expensive defensive" sectors of the market, where we have been underweight on the basis of overvaluation and balance sheet concerns, are likely at some point to underperform. Time will tell however, and while the portfolio is well-placed to benefit from improving growth, we continue to focus on investing in companies with strong underlying businesses and solid balance sheets.

In Australia, resources was the standout sector, returning +40.3% for the year, driven by a strong rally in the oil price and healthy prices for most other major commodities. Industrials returned +8.1% for the year, weighed down by the major banks, which suffered from the negative sentiment generated by the Royal Commission. The telecommunications sector was the standout negative performer for the year.

As an investment style, value has again had a difficult time in the 2018 financial year. As with our peers, stock performance was challenging. However, the portfolio benefited from our overweight positions in a number of resources names including BHP, Woodside and Newcrest. A number of our small cap holdings performed very well such as Navigator Global Investments, Integral Diagnostics, Lifehealthcare Group and Imdex Limited.

Key detractors in the portfolio for the year included our holdings in Vocus, Perpetual and Graincorp. In terms of stocks not held however, the portfolio struggled as it was underweight well known growth names such as CSL, Treasury Wines and A2 Milk, which rallied +41%, +34% and +180% respectively during the financial year and are trading on very high valuations.

Throughout the year the portfolio carried significant levels of protection with the actual cost of that protection being in line within expectations. Economies on the whole look healthy as discussed, but valuations are not overly cheap, in our view. Additionally there have been a number of geopolitical risks during the year.

Finally, the levels of volatility over the second half of the year were quite high. Particularly in early February 2018, we saw significant moves in the volatility indices and since then reasonably elevated levels of implied volatility. Pleasingly the protection portfolio has fared well through these times.

PORTFOLIO POSITIONING

The portfolio has exposure to a range of themes we believe will be rewarded in the coming year. This includes being overweight resource companies such as BHP and Woodside Petroleum, which are generating very strong cash flows with their continued focus on cost and capex control. With growth globally continuing to be strong we hold overweight positions in a number of offshore earners that will benefit from stronger economic growth. These exposures include Amcor, News Corp, Navigator Global Investments and Macquarie. We hold exposure to infrastructure through Lend Lease, as well as tourism through the Star Entertainment Group. Key underweight positions include what we consider to be expensive stocks in the Healthcare, REIT, and Utilities sectors.

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

While the level of volatility in markets is likely to increase going forward, driven by factors such as ongoing trade policy uncertainty, the global economic backdrop continues to be positive, with all major regions delivering improved growth. In Australia, recent economic data has been positive. Should this continue, the company will likely benefit from being overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies which are trading on attractive valuations. This scenario would also see continued upwards pressure on interest rates, which would benefit the company through its underweight position in the expensive defensive sectors such as healthcare, REITs and infrastructure.

Currently, in line with our view of the market, a significant level of protection remains in place. This is partly due to the relatively uncertain geopolitical outlook (tariffs uncertainty), and also as we are a long way thorough a bull market (nine years) with valuations generally not considered particularly cheap.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations, while carrying a level of protection when it is appropriate given our market outlook, sufficient to reduce the magnitude of significant negative returns during sharp equity markets falls.

Portfolio Composition – Top 20 Holdings as at 30 June 2018

Equities in Listed Companies

	Company name	Value $
1	BHP Billiton Limited	9,528,439
2	Commonwealth Bank of Australia	9,298,503
3	Westpac Banking Corporation	9,090,911
4	Australia & New Zealand Banking Group Limited	7,833,748
5	National Australia Bank Limited	7,133,069
6	Woolworths Limited	5,507,242
7	Woodside Petroleum Limited	4,792,845
8	Tabcorp Holdings Limited	2,981,827
9	Stockland Property Trust	2,605,841
10	Telstra Corporation Limited	2,531,963
11	QBE Insurance Group Limited	2,273,501
12	Origin Energy Limited	2,243,450
13	Macquarie Group Limited	2,202,825
14	Janus Henderson Group	2,182,810
15	Scentre Group	2,091,242
16	Graincorp Limited	1,931,412
17	Amcor Limited	1,861,772
18	Vocus Group Limited	1,806,824
19	Perpetual Limited	1,691,664
20	Star Entertainment Group Limited	1,679,365
	Total	**81,269,253**

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 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 2018.

DIRECTORS

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

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 – resigned 1 June 2018

John Murray Executive of the Manager and Director

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.

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

On 8 November 2017, the Directors reviewed and approved a proposal from the Manager to amend the investment guidelines that were detailed in the Company's Prospectus; which is to increase the maximum allowable allocation in small cap companies from the current 20% allocation limit to 30% of the gross value of the portfolio.

Investment operations over the year ended 30 June 2018 resulted in a comprehensive profit, net of tax of $8,222,118 (2017: profit of $7,609,275) and an operating profit after tax of $2,737,219 (2017: loss of $178,943).

NTA PERFORMANCE

The Directors consider that pre-tax Net Tangible Assets ("NTA"), after fees and expenses, combined with the flow of dividends, is an accurate measure of the performance of the Company.

For the 12 months to 30 June 2018, the Company's NTA on a pre-tax basis, after fees and expenses increased from $0.92 per share to $0.96 per share while the dividend flow for the period was 3.0 cents per share. This translated into a net return of 7.74% for WDE with dividends reinvested.

On an after tax basis the net tangible asset backing for each ordinary share at 30 June 2018 amounted to $0.98 per share after tax (2017: $0.95 per share).

DIVIDENDS

A fully-franked interim dividend of 2.0 cents per share was paid on 20 April 2018. The record date for entitlement to the interim dividend was 29 March 2018. The ex-dividend date was 28 March 2018.

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, 9 April 2018 and included a 2.5 percent discount.

The last day for the receipt of an election notice for participation in the DRP was 3 April 2018.

ON-MARKET BUY-BACK

On 25 January 2018, the Company announced that it intended to undertake an on market share buy-back of up to 12,629,838 [1] ordinary shares as part of a capital management plan over the next 12 months. The share buy-back commenced on 28 May 2018 and during the year ended 30 June 2018, 264,992 shares have been bought-back at $0.84 per share. The shares bought back were subsequently cancelled.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to year-end, the Company declared a final fully-franked dividend of 2.0 cents per share to be paid on 19 October 2018.

The Company's Investment Strategy was modified on 1 August 2018. From this date the Directors decided that the portfolio should no longer constantly carry a level of protection. This means that in the future, Perennial Value Management Limited (the Manager) will be able to implement protection strategies on a fully dynamic, discretionary basis. To implement this change the Manager has altered its neutral position, from always ensuring some level of protection, to a position where the Manager will only hold protection at times when it considers it is appropriate in view of their market outlook.

There were changes made on 1 August 2018 to the current fees that the Manager received:

- The management fee of 0.98% (plus GST) per annum was reduced to 0.80% (plus GST) per annum; and
- The Manager is currently entitled to a performance fee of 15% of the Company's net return in excess of the Benchmark (ASX 300 Accumulation Index) return, and this may be payable even when the Manager achieves negative absolute returns. This was amended so that the performance fee will continue to accrue but not be payable during periods of negative returns. Furthermore, the Manager will still be required to make up all past underperformance against the Benchmark to date before any future performance fee is payable.

Subsequent to balance date, the "Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2018" has been passed by parliament, but not yet enacted. A consequence of enactment would be to increase the Company's income tax rate to 30% (from 27.5%). Based on values at balance date, this would increase deferred tax assets by $293,186, increase deferred tax liabilities by $825, increase equity by $168,644, with a corresponding income tax expense of $(123,717).

Apart from the above, 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.

1 There is no guarantee that the Company will purchase the full 12,629,838 shares (being the maximum permitted to be bought back by the Company without shareholder approval under section 257B (4) of the *Corporations Act 2001*) and the Company reserves the right to suspend or terminate the share buy-back program at any time and to buy back less than 12,629,838 shares.

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 has not held any other directorships of listed companies within the last 3 years. **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.
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. **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 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** Paul’s past directorships include being a Director of ipac Securities/ipac Asset Management. **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.

Director	Experience and expertise
Richard Morath *Non-Executive Director*	Richard Morath has over 41 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 BNZ Investment Services Limited. He is also a Director of JANA Investment Advisors Limited and BNZ Life. 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** Richard's past directorships include being Chairman of National Australia Trustees. **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.
John Murray *Executive of the Manager and Director*	John Murray established Perennial Value in January 2000 and has some 31 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.

Director	Experience and expertise
Anthony Patterson (resigned on 1 June 2018) *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.

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 2018, and the number of meetings attended by each Director were:

			Meetings of committees			
	Directors' Meetings		Audit & Risk		Independent Directors' Meetings	
	A	**B**	**A**	**B**	**A**	**B**
Alan Schoenheimer	9	9	2	2	1	1
Paul Clitheroe	7	9	*	*	1	1
Richard Morath	9	9	2	2	1	1
Anthony Patterson	9	9	*	*	*	*
John Murray	9	9	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.

2018	Short term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Alan Schoenheimer	**47,489**	**4,511**	**52,000**
Paul Clitheroe	**41,096**	**3,904**	**45,000**
Richard Morath	**41,096**	**3,904**	**45,000**
Sub-total non-executive Directors	**129,681**	**12,319**	**142,000**
Executive Directors			
Anthony Patterson	**–**	**–**	**–**
John Murray	**–**	**–**	**–**
Total compensation	**129,681**	**12,319**	**142,000**

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

* 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 $1,202,776 (inclusive of GST but net of reduced input tax credit) for the year (2017: $1,138,922).

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 2018, the balance payable to the manager was $98,989 (2017: $95,600) (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 2018 (2017: $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.

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 2018, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares held

2018

Director	Balance at 30 June 2017	Acquisitions/ Options Exercised	Disposals	Balance at 30 June 2018
Alan Schoenheimer	**26,004**	**961**	**–**	**26,965**
Paul Clitheroe [1]	**500,000**	**–**	**–**	**500,000**
Richard Morath	**30,000**	**–**	**–**	**30,000**
Anthony Patterson [2 ^]	**2,080,321**	**7,111,450**	**–**	**9,191,771**
John Murray [3]	**1,000,000**	**7,071,524**	**–**	**8,071,524**

1 500,000 shares beneficially held by Kelrill Pty Limited.

2 1,078,601 shares beneficially held by Patterson Family Holdings Pty Limited, 1,078,601 shares beneficially held by A&E Patterson Investments Pty Limited and 7,034,568 shares beneficially held by Perennial Value Management Limited and its subsidiary Perennial Investment Management Limited.

^ Holdings as at the date of resignation on 1 June 2018.

3 1,036,956 shares beneficially held by Nandaroo Pty Limited and 7,034,568 shares beneficially held by Perennial Value Management Limited and its subsidiary Perennial Investment Management Limited.

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

A resolution that the remuneration report for the 2017 financial year be adopted was put to vote at the Company's most recent AGM and had more than 25% of votes cast against the resolution.

The Directors have both reflected on and discussed with major shareholders the basis of, and reasons behind this vote against the remuneration report by some shareholders. The Directors however remain committed to managing the Company in the interest of all shareholders and recognise that whilst there will remain differing views and objectives of some, it is the Directors' role to represent the shareholder base as a whole.

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
28 August 2018

AUDITOR'S INDEPENDENT DECLARATION

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

In relation to the independent auditor for the year ended 30 June 2018, 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

28 August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Income			
Interest received		113,802	76,629
Dividends received		5,534,096	4,822,905
Realised (losses) on investments held for trading		(2,599,050)	(4,651,340)
Unrealised gains on investments held for trading		263,362	485,093
Sundry income		–	171
		3,312,210	733,458
Expenses			
Portfolio Administration fees		(50,967)	(49,924)
Management fees		(1,202,776)	(1,138,922)
Custodian fees		(22,971)	(39,149)
Operation services fees		(113,263)	(113,263)
Brokerage expenses		(11,337)	(1,215)
Share registry fees		(54,342)	(53,288)
Taxation service fees		(10,450)	(11,350)
Directors' fees		(142,000)	(149,450)
Legal fees		(44,050)	–
ASX fees		(62,343)	(64,718)
Accounting fees		(48,180)	(54,439)
Audit fees		(41,755)	(41,852)
Secretarial fees		(52,213)	(41,996)
Printing fees		(28,642)	(16,360)
Other expenses		(50,588)	(118,628)
		(1,935,877)	(1,894,554)
Profit/(Loss) before income tax		1,376,333	(1,161,096)
Income tax benefit		1,360,886	982,153
Profit/(Loss) attributable to members of the Company		**2,737,219**	(178,943)
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		5,484,899	7,788,218
Total comprehensive income/(loss) for the period		**8,222,118**	7,609,275

		Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:			
From Continuing Operations			
Basic earnings/(loss) per share	24	**2.16**	(0.14)

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 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	8	7,202,679	5,313,858
Trade and other receivables	9	3,062,998	744,413
Financial assets	10	4,081,521	3,023,776
Other assets	11	39,888	30,868
Total current assets		**14,387,086**	9,112,915
Non-current assets			
Financial assets	10	108,379,257	110,686,931
Deferred tax assets	12	3,225,046	3,830,818
Total non-current assets		**111,604,303**	114,517,749
Total assets		**125,991,389**	123,630,664
Liabilities			
Current liabilities			
Financial liabilities	10	689,420	1,706,516
Trade and other payables	13	772,512	1,939,505
Total current liabilities		**1,461,932**	3,646,021
Non-current liabilities			
Deferred tax liabilities	14	9,077	37,450
Total non-current liabilities		**9,077**	37,450
Total liabilities		**1,471,009**	3,683,471
Net Assets		**124,520,380**	119,947,193
Equity			
Issued Capital	15	123,262,919	123,118,558
Reserves	16	3,366,182	(1,062,644)
Accumulated Losses	16	(2,108,721)	(2,108,721)
Total Equity		**124,520,380**	119,947,193

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 2018

	Issued Capital $	Capital Profits Reserve $	Asset Revaluation Reserve $	Profits Reserve $	(Accumulated Losses) $	Total $
Balance at 1 July 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
Profit for the year	–	–	–	–	2,737,219	2,737,219
Other comprehensive income for the year:						
Net unrealised gains for long-term equity investments	–	–	5,484,899	–	–	5,484,899
Total comprehensive income for the year	–	–	5,484,899	–	2,737,219	8,222,118
Transfer to profits reserve	–	–	–	2,737,219	(2,737,219)	–
Gains on disposal of long-term equity investments, net of tax	–	5,634,307	(5,634,307)	–	–	–
Transactions with equity holders in their capacity as owners:						
Shares bought back during the year	(222,593)	–	–	–	–	(222,593)
Shares issued on dividends reinvested	366,954	–	–	–	–	366,954
Dividends paid	–	(518,106)	–	(3,275,186)	–	(3,793,292)
Transfer to profits reserve	–	(6,098,035)	–	6,098,035	–	(3,793,292)
Balance at 30 June 2018	**123,262,919**	**–**	**(2,731,853)**	**6,098,035**	**(2,108,721)**	**124,520,380**

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 2018

	Note	For the year ended 30 June 2018 $	For the year ended 30 June 2017 $
Cash flows from operating activities			
Interest received		109,890	86,101
Dividends received		5,309,439	5,019,266
Payment for other expenses		(655,877)	(660,974)
Management fees paid		(1,287,147)	(1,219,662)
Proceeds from sale of investments held for trading		24,250,501	4,219,590
Purchase of investments held for trading		(28,661,030)	(9,696,850)
Net cash (used in) operating activities	23(a)	**(934,224)**	(2,252,529)
Cash flows from investing activities			
Proceeds from sale of long-term equity investments		133,643,023	80,540,358
Purchase of long-term equity investments		(127,171,048)	(80,347,908)
Net cash provided by investing activities		**6,471,975**	192,450
Cash flows from financing activities			
Shares issued on options exercised		–	14,000
Shares bought back		(222,593)	–
Dividends paid		(3,426,337)	(2,137,713)
Net cash (used in) financing activities		**(3,648,930)**	(2,123,713)
Net increase/(decrease) in cash and cash equivalents held		1,888,821	(4,183,792)
Cash and cash equivalents at beginning of financial year		5,313,858	9,497,650
Cash and cash equivalents at end of financial year	8	7,202,679	5,313,858
Non cash financing activities			
Dividends reinvested	23(b)	366,954	377,829

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 2018

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 28 August 2018.

In accordance with ASIC Corporations (rounding in Financial/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 early adopted AASB 9 *Financial Instruments* Standard which applies to annual reporting periods beginning from 1 January 2018 in the 2015 financial year. 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 2018, 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 using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year 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 three business days of the trade date.

None of the receivables are overdue or considered to be impaired. The collectability of trade receivables is assessed continuously. No write-off policy is in place as the Company does not deem any of them to be unrecoverable.

(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 three 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 2018			
Financial assets			
Cash and cash equivalents [(i)]	7,202,679	–	7,202,679
Trade and other receivables	–	3,062,998	3,062,998
Financial assets available for sale	–	108,379,257	108,379,257
Financial assets held at fair value through profit or loss	–	4,081,521	4,081,521
Other assets	–	39,888	39,888
	7,202,679	**115,563,664**	**122,766,343**
Financial liabilities			
Financial liabilities held at fair value through profit or loss	–	(689,420)	(689,420)
Trade and other payables	–	(772,512)	(772,512)
	–	**(1,461,932)**	**(1,461,932)**
	7,202,679	**114,101,732**	**121,304,411**
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	–	3,023,776	3,023,776
Other assets	–	30,868	30,868
	5,313,858	114,485,988	119,799,846
Financial liabilities			
Financial liabilities held at fair value through profit or loss	–	(1,706,516)	(1,706,516)
Trade and other payables	–	(1,939,505)	(1,939,505)
	–	(3,646,021)	(3,646,021)
	5,313,858	110,839,967	116,153,825

(i) The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2018 is 1.02% (2017: 1.04%).

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.

	2018 $	2017 $
Price risk		
Held for trading financial assets and liabilities		
Change in Profit before tax		
– Increase in portfolio prices by 5%	169,605	65,863
– Decrease in portfolio prices by 5%	(169,605)	(65,863)
Long term equity investments		
Change in Equity before tax		
– Increase in portfolio prices by 5%	5,418,963	5,534,347
– Decrease in portfolio prices by 5%	(5,418,963)	(5,534,347)
Interest rate risk		
Change in Profit before tax		
– Increase in interest rate by 0.5%	36,013	26,569
– Decrease in interest rate by 0.5%	(36,013)	(26,569)
Change in Equity before tax		
– Increase in interest rate by 0.5%	36,013	26,569
– Decrease in interest rate by 0.5%	(36,013)	(26,569)

(b) Credit risk

The main exposure to credit risk is in relation to outstanding dividends and distributions receivables and any balances arising from sales of financial instruments held by brokers at the reporting date. The investments as such do not expose the Company to credit risk because they are at fair value.

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 2018	Less than 1 month $	More than 1 month $	Total contractual undiscounted cash flows $
Non-derivatives			
Trade and other payables	772,512	–	772,512
Total non-derivatives	**772,512**	**–**	**772,512**

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

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):

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- 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 2018.

At 30 June 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Long term equity investments				
– Shares in listed corporations	108,379,257	–	–	108,379,257
Held-for-trading financial assets				
– Derivatives	4,081,521	–	–	4,081,521
Total financial assets	**112,460,778**	**–**	**–**	**112,460,778**
Financial liabilities				
Held-for-trading financial liabilities				
– Derivatives sold short	(689,420)	–	–	(689,420)
Total financial liabilities	**(689,420)**	**–**	**–**	**(689,420)**

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	3,023,776	–	–	3,023,776
Total financial assets	113,710,707	–	–	113,710,707
Financial liabilities				
Held-for-trading financial liabilities				
– Derivatives sold short	(1,706,516)	–	–	(1,706,516)
Total financial liabilities	(1,706,516)	–	–	(1,706,516)

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

	2018 $	2017 $
Profit/(Loss) from continuing operations before income tax expense	1,376,333	(1,161,096)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	378,491	(319,301)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
– Franking credits on dividends received	(1,928,521)	(1,410,146)
– Foreign tax credits on dividends received	–	2,057
– Imputation credit gross up	530,343	387,790
– Adjustment for tax losses not recognised in prior years	(344,094)	–
– Adjustment for change in tax rates	–	290,765
– Other adjustment	93,049	11,435
– Accrued dividend receivable	(90,154)	55,247
Income tax (benefit)	**(1,360,886)**	(982,153)
The effective tax rates are as follows:	(98.88%)*	(84.59%)*

* 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	(28,373)	(2,046)
Deferred tax asset	(1,332,513)	(980,107)
Income tax (benefit)	**(1,360,886)**	(982,153)

(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	(2,057,811)	(3,013,918)
Net deferred tax – (credited)/charged directly to equity	**(2,057,811)**	(3,013,918)

8 CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Current		
Cash at bank and financial institutions	**7,202,679**	5,313,858

(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	**7,202,679**	5,313,858

(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	AA-
Credit Suisse	A-1

9 TRADE AND OTHER RECEIVABLES

	2018 $	2017 $
Current		
Dividends and distributions receivable	921,497	696,840
Interest receivable	8,192	4,281
GST receivable	46,058	35,072
Other receivable	2,087,251	8,220
	3,062,998	744,413

Receivables are non-interest bearing and unsecured. No loss allowance was recognised in respect to receivables as none of the balances are deemed to be unrecoverable.

10 FINANCIAL ASSETS AND LIABILITIES

		2018 $	2017 $
Financial assets			
Current & Non-Current			
Current – Held-for-trading financial assets	10(a)	4,081,521	3,023,776
Non-Current – Long term equity investments	10(b)	108,379,257	110,686,931
Total financial assets		**112,460,778**	113,710,707

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

		2018 $	2017 $
Derivative instruments		**4,081,521**	3,023,776

(b) Long term equity investments:

Shares in listed corporations		**108,379,257**	110,686,931
Financial liabilities			
Current			
Current – Held-for-trading financial liabilities sold short	10(c)	**689,420**	1,706,516

(c) Financial liabilities held-for-trading comprise:

Derivative Instruments sold short	**689,420**	1,706,516

During the year, the total fair value of investments sold in the normal course of the business and to preserve capital were $135,722,055 (2017: $80,459,604), and total dividends received on these investments sold were $1,611,070 (2017: $793,093) which are included in the Statement of Profit or Loss and Other Comprehensive Income. Total dividends received on investments held at year-end were $5,967,887 (2017: $4,029,812).

11 OTHER ASSETS

Current		
Prepayments	**39,888**	30,868

12 DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Capitalised expense deduction	238,326	476,651
Accrued expenses	9,862	–
Tax loss	1,852,629	2,253,287
Unrealised losses in movement in market value of derivatives	65,341	137,766
Unrealised losses in movement in market value of investments	1,058,888	963,114
	3,225,046	3,830,818
Movements:		
Opening balance	3,830,818	6,265,782
Credited/(charged) to profit or loss	1,452,039	578,954
Credited/(charged) directly to equity	(2,057,811)	(3,013,918)
Closing balance	**3,225,046**	3,830,818

13 TRADE AND OTHER PAYABLES

	2018 $	2017 $
Current		
Management fees payable	98,989	95,600
Performance fees payable	–	–
Other payables	673,523	1,843,905
	772,512	1,939,505

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	9,077	37,450
	9,077	37,450
Movements:		
Opening balance	37,450	39,496
(Credited)/charged to profit or loss	(28,373)	(2,046)
Closing balance	**9,077**	37,450

15 ISSUED CAPITAL

(a) Share capital

	30 June 2018		30 June 2017	
	No of shares	$	No of shares	$
Ordinary shares	**126,482,565**	**123,262,919**	126,298,387	123,118,558

(b) Movements in ordinary share capital

Date	Details		No of shares	$
30 June 2016	Opening balance		125,777,091	122,726,729
	Shares issued on options exercised		14,000	14,000
	DRP shares issued for dividend	(d)	507,296	377,829
30 June 2017	**Closing balance**		126,298,387	123,118,558
30 June 2017	Opening balance		126,298,387	123,118,558
	Shares bought-back	(e)	(264,992)	(222,593)
	DRP shares issued for dividend	(d)	449,170	366,954
30 June 2018	**Closing balance**		**126,482,565**	**123,262,919**

(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) Dividend reinvestment plan

A fully franked interim dividend of 2.0 cents per share was paid on 20 April 2018. The record date for entitlement to the interim dividend was 29 March 2018. The ex-dividend date was 28 March 2018.

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

(e) Share buy-back

On 25 January 2018, the Company announced that it intended to undertake an on market share buy-back of up to 12,629,838[1] ordinary shares as part of a capital management plan over the next 12 months. The share buy-back commenced on 28 May 2018 and during the year ended 30 June 2018, 264,992 shares have been bought-back at $0.84 per share. The shares bought back were subsequently cancelled.

(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.

1 There is no guarantee that the Company will purchase the full 12,629,838 shares (being the maximum permitted to be bought back by the Company without shareholder approval under section 257B (4) of the *Corporations Act 2001*) and the Company reserves the right to suspend or terminate the share buy-back program at any time and to buy back less than 12,629,838 shares.

16 RESERVES AND RETAINED EARNINGS

(a) Reserves

		2018 $	2017 $
(i)	Capital Profits Reserve	–	981,834
(ii)	Asset Revaluation Reserve	(2,731,853)	(2,582,445)
(ii)	Profits Reserve	6,098,035	537,967
		3,366,182	(1,062,644)

(i) Capital Profits Reserve

The reserve records gains or losses arising from disposal of long-term equity investments. It is also available for future dividend payments.

Movements in capital profits reserve were as follows:

Opening balance	981,834	(1,245,403)
Realised gains/(losses) on disposal of investments, net of tax	5,634,307	2,227,237
Dividend paid	(518,106)	–
Transfer (to) profits reserve	(6,098,035)	–
	–	981,834

(ii) Asset Revaluation Reserve

The reserve records revaluations of long-term equity investments.

Movements in asset revaluation reserve were as follows:

Opening balance	(2,582,445)	(8,143,426)
Movement in fair value of long-term equity investments, net of tax	5,484,899	7,788,218
Realised (gains)/losses on sale of investments, net of tax transferred to capital profits reserve	(5,634,307)	(2,227,237)
	(2,731,853)	(2,582,445)

(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	537,967	2,831,613
Transfer from retained earnings	2,737,219	221,896
Dividends paid	(3,275,186)	(2,515,542)
Transfer from capital profits reserve	6,098,035	–
	6,098,035	537,967

(b) (Accumulated Losses)

Movements in (accumulated losses) were as follows:

	2018 $	2017 $
Opening balance	(2,108,721)	(1,707,882)
Net profit/(loss) for the period	2,737,219	(178,943)
Transfer (to) profits reserve	(2,737,219)	(221,896)
	(2,108,721)	(2,108,721)

17 DIVIDENDS

A fully franked interim dividend of 2.0 cents per share was paid on 20 April 2018. The record date for entitlement to the interim dividend was 29 March 2018. The ex-dividend date was 28 March 2018.

Dividend franking account		
Opening balance of franking account	1,858,757	1,402,782
Prior year adjustment	(7,123)	–
Dividend paid	(1,438,834)	(954,171)
Franking credits on dividends received	1,928,521	1,410,146
Closing balance of franking account	**2,341,321**	1,858,757
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	**2,341,321**	1,858,757
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 *	(959,523)	(479,063)
Franking credits available for subsequent reporting years	**1,381,798**	1,379,694

* The dividend to be paid on 19 October 2018 will utilise $959,523 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

	2018 $	2017 $
Short term employee benefits	129,681	143,594
Post employment benefits	12,319	5,856
	142,000	149,450

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 17.

(b) Equity instrument disclosures relating to key management personnel

(i) 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.

2018	Balance at 30 June 2017	Net movement	Balance at 30 June 2018
Director			
Alan Schoenheimer	26,004	961	26,965
Paul Clitheroe [1]	500,000	–	500,000
Richard Morath	30,000	–	30,000
Anthony Patterson [2 ^]	2,080,321	7,111,450	9,191,771
John Murray [3]	1,000,000	7,071,524	8,071,524

1 500,000 shares beneficially held by Kelrill Pty Limited.

2 1,078,601 shares beneficially held by Patterson Family Holdings Pty Limited, 1,078,601 shares beneficially held by A&E Patterson Investments Pty Limited and 7,034,568 shares beneficially held by Perennial Value Management Limited and its subsidiary Perennial Investment Management Limited.

^ Holdings as at the date of resignation on 1 June 2018.

3 1,036,956 shares beneficially held by Nandaroo Pty Limited and 7,034,568 shares beneficially held by Perennial Value Management Limited and its subsidiary Perennial Investment Management Limited.

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

** 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:

	2018 $	2017 $
Pitcher Partners		
Audit and other assurance services		
– Audit and review of financial statements	43,120	41,852
Other assurance services		
– Other assurance	–	–
– Other non-assurance	–	–
Total remuneration for audit and other assurance services	**43,120**	41,852
Taxation services		
– Tax compliance services	9,500	11,350
Total remuneration of Pitcher Partners	**52,620**	53,202

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 2018.

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 $1,202,776 (inclusive of GST but net of reduced input tax credit) for the year (2017: $1,138,922).

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 2018, the balance payable to the manager was $98,989 (2017: $95,600) (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 2018 (2017: $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 dividend of 2.0 cents per share to be paid on 19 October 2018.

The Company's Investment Strategy was modified on 1 August 2018. From this date the Directors decided that the portfolio should no longer constantly carry a level of protection. This means that in the future, Perennial Value Management Limited (the Manager) will be able to implement protection strategies on a fully dynamic, discretionary basis. To implement this change the Manager has altered its neutral position, from always ensuring some level of protection, to a position where the Manager will only hold protection at times when it considers it is appropriate in view of their market outlook.

There were changes made on 1 August 2018 to the current fees that the Manager received:

- The management fee of 0.98% (plus GST) per annum was reduced to 0.80% (plus GST) per annum; and
- The Manager is currently entitled to a performance fee of 15% of the Company's net return in excess of the Benchmark (ASX 300 Accumulation Index) return, and this may be payable even when the Manager achieves negative absolute returns. This was amended so that the performance fee will continue to accrue but not be payable during periods of negative returns. Furthermore, the Manager will still be required to make up all past underperformance against the Benchmark to date before any future performance fee is payable.

Subsequent to balance date, the "Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2018" has been passed by parliament, but not yet enacted. A consequence of enactment would be to increase the Company's income tax rate to 30% (from 27.5%). Based on values at balance date, this would increase deferred tax assets by $293,186, increase deferred tax liabilities by $825, increase equity by $168,644, with a corresponding income tax expense of $(123,717).

Apart from the above, 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 PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

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

	2018 $	2017 $
Profit/(Loss) for the year	2,737,219	(178,943)
Unrealised (gains) on market value movement	(263,362)	(485,093)
Change in operating assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(228,568)	251,561
(Increase)/Decrease in other assets	(20,005)	3,649
Increase/(Decrease) in trade and other payables	12,858	(54,595)
(Increase) in investments held-for-trading	(1,811,479)	(806,957)
(Decrease) in deferred taxes	(1,360,887)	(982,151)
Net cash inflow from operating activities	**(934,224)**	(2,252,529)

(b) Non-cash financing activities

Dividends reinvested	**366,954**	377,829

24 EARNINGS PER SHARE

(a) Basic earnings/(loss) per share

	2018 Cents	2017 Cents
Basic earnings/(loss) per share attributable to the ordinary equity holders of the Company	**2.16**	(0.14)

(b) Weighted average number of shares used as denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**126,485,830**	126,164,148

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 2018 $	Market Value 30 June 2017 $
BHP Billiton Limited	9,528,439	7,607,625
Commonwealth Bank of Australia	9,298,503	7,369,924
Westpac Banking Corporation	9,090,911	5,596,907
Australia & New Zealand Banking Group Limited	7,833,748	4,782,282
National Australia Bank Limited	7,133,069	6,701,484
Woolworths Limited	5,507,242	3,357,488
Woodside Petroleum Limited	4,792,845	3,643,154
Tabcorp Holdings Limited	2,981,827	–
Stockland Property Trust	2,605,841	–
Telstra Corporation Limited	2,531,963	3,928,536
QBE Insurance Group Limited	2,273,501	–
Origin Energy Limited	2,243,450	–
Macquarie Group Limited	2,202,825	3,559,913
Janus Henderson Group	2,182,810	2,510,299
Scentre Group Limited	2,091,242	–
Graincorp Limited	1,931,412	1,596,917
Amcor Limited	1,861,772	2,972,055
Vocus Group Limited	1,806,824	2,566,787
Perpetual Limited	1,691,664	–
Star Entertainment Group Limited	1,679,365	1,655,259
Atlas Arteria Limited	1,646,074	–
Incitec Pivot Limited	1,542,006	–
Caltex Australia Limited	1,526,451	3,165,678
Pacific Energy Limited	1,352,381	1,028,958
Sealink Travel Group Limited	1,226,228	–
Newscorp Class B CDI	1,217,681	1,776,364
Eclipx Group Limited	1,133,763	–
Suncorp Group Limited	1,122,438	4,044,808
Emerchants Limited	1,114,337	664,989
Alliance Aviation Services Limited	1,104,294	–
Lendlease Group	1,023,187	2,111,703
People Infrastructure Limited	926,821	–
Otto Energy Limited	902,977	–
Clover Corporation Limited	899,698	–
Codan Limited	898,578	–
Austal Limited	827,546	–
Navigator Global Investments Limited (previously HFA Holdings Limited)	793,823	1,346,568
National Veterinary Care Limited	784,575	643,520
Ingenia Communities Group	779,286	–

	Market Value 30 June 2018 $	Market Value 30 June 2017 $
Huon Aquaculture Group Limited	727,096	–
Newcrest Mining Limited	724,806	1,800,449
Integral Diagnostics Limited	716,975	593,008
Doray Minerals Limited	644,204	–
Seven West Media Limited	570,809	–
Veris Limited	547,646	–
Fleetwood Corporation Limited	509,828	–
3P Learning Limited	508,927	–
PolyNovo Limited	484,510	–
IVE Group Limited	482,897	–
QMS Media Limited	370,162	–
AMP Limited	–	3,985,816
Westfield Corporation	–	3,316,286
CYBG PLC	–	2,844,388
Gateway Lifestyle Group	–	2,428,360
Wesfarmers Limited	–	2,302,326
Rio Tinto Limited	–	2,074,813
Crown Limited	–	1,920,678
Iluka Resources Limited	–	1,711,149
Imdex Limited	–	1,540,347
Platinum Asia Management	–	1,464,330
PWR Holdings Limited	–	1,364,276
Super Retail Group Limited	–	1,020,670
Orica Limited	–	975,165
Prime Media Group Limited	–	841,505
Speedcast International Limited	–	837,271
Runge Limited	–	730,831
Global Construction Services Limited	–	723,235
Bingo Industries Limited	–	698,671
HT & E Limited	–	659,966
Austin Engineering Limited	–	639,980
Evolution Mining Limited	–	633,861
The Reject Shop	–	629,470
Smartgroup Corporation Limited	–	569,664
Tox Free Solutions Limited	–	500,534
Melbourne IT Limited	–	490,869
Oroton Group Limited	–	391,459
Australian Worldwide Exploration Limited	–	366,336
Total	**108,379,257**	110,686,931

DIRECTORS' DECLARATION

FOR THE PERIOD ENDED 30 JUNE 2018

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 47, 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 2018 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
28 August 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Wealth Defender Equities Limited ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ending 30 June 2018, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, 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 2018 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

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 year. We have communicated the key audit matters to the Audit and Risk Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit and Risk 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.

PITCHER PARTNERS

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

Key audit matter	***How our audit addressed the matter***
Existence, Completeness and Valuation of Financial Assets and Financial Liabilities ***Refer to Note 10: Financial assets and liabilities***	
We focused our audit effort on the existence, completeness and valuation of the Company's financial assets and financial liabilities as they are its largest asset and liabilities and represent the most significant driver of the Company's Net Tangible Assets and profits. Investments mostly consist of listed Australian securities. Investments are valued by multiplying the quantity held by the respective market price.	Our procedures included, amongst others: ▪ Obtaining an understanding of the investment management process and controls; ▪ Reviewing and evaluating the independent audit report on internal controls (ISAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodians; ▪ Reviewing and evaluating the independent audit report on internal controls (ISAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures; ▪ Obtaining a confirmation of the investment holdings directly from the Custodians; ▪ Assessing the Company's valuation of individual investment holding to independent sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

PITCHER PARTNERS

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

Key audit matter	***How our audit addressed the matter***
Accuracy and Completeness of Management and Performance Fees ***Refer to Note 13: Trade and other payables, Note 21 Related party transactions***	
We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions 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.	Our procedures included, amongst others: ▪ Making enquiries with the Investment Manager and Those Charged With Governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements; ▪ Testing key inputs used in the calculation of management and performance fees recalculation in accordance with our understanding of the Investment Management Agreement; and ▪ Assessing the adequacy of disclosures made in the financial statements.

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 2018, 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.

Responsibilities of the Directors 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 ability of the Company 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.

PITCHER PARTNERS

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

Auditor's Responsibilities for the Audit of the Financial Report

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 the 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity 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.

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.

PITCHER PARTNERS

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

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 2018. In our opinion, the Remuneration Report of Wealth Defender Equities Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

S M Whiddett
Partner

Pitcher Partners
Sydney

28 August 2018

SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable as at 10 August 2018.

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	35	17,440	1.79
1,001 – 5,000	280	893,193	14.33
5,001 – 10,000	228	1,933,406	11.67
10,001 – 100,000	1,254	47,541,103	64.18
100,001 and over	157	75,968,923	8.03
	1,954	**126,354,065**	**100.00**

There were 19 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

Rank	Name	A/C designation	10 August 2018	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		24,171,107	19.13
2	NATIONAL NOMINEES LIMITED		7,317,765	5.79
3	R & R CORBETT PTY LTD	<R C CORBETT FAMILY A/C>	5,000,000	3.96
4	MOYA PTY LTD	<JAAM A/C>	2,000,000	1.58
5	EGMONT PTY LTD	<CRAIG CARTER SUPER FUND A/C>	1,500,000	1.19
6	A & E PATTERSON INVESTMENTS PTY LTD	<A & E PATTERSON S/F A/C>	1,078,601	0.85
6	PATTERSON FAMILY HOLDINGS PTY LTD		1,078,601	0.85
7	NANDAROO PTY LIMITED		1,036,956	0.82
8	DR THOMAS REGINALD SUTTERBY	<SRT A/C>	991,000	0.78
9	ABTOURK (SYD NO 415) PTY LTD	<MICHAEL JOHN COLE PSF A/C>	925,000	0.73
10	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP		777,104	0.62
11	ANGUELINE CAPITAL PTY LIMITED		700,000	0.55
12	CS THIRD NOMINEES PTY LIMITED	<HSBC CUST NOM AU LTD 13 A/C>	677,503	0.54
13	MR GEOFFREY VICTOR DAY & MRS ANNE MARGARET DAY	<G V DAY SUPER FUND A/C>	650,000	0.51
13	EQUITAS NOMINEES PTY LIMITED	<PB-600097 A/C>	650,000	0.51
14	BORG ACQUISITIONS PTY LIMITED	<BORG ACQUISITION A/C>	594,000	0.47
15	MR THOMAS DAVID JENKINS & MRS ANNE ELIZABETH JENKINS	<THE T J SUPER FUND A/C>	560,000	0.44
16	ANGUELINE CAPITAL PTY LIMITED		550,000	0.44
17	IOOF INVESTMENT MANAGEMENT LIMITED	<IPS SUPER A/C>	515,540	0.41
18	KELRILL PTY LTD		500,000	0.40
19	NETWEALTH INVESTMENTS LIMITED	<WRAP SERVICES A/C>	456,662	0.36
20	DR ABRAHAM PHILLIP DOREVITCH & MRS VERA DOREVITCH	<A + V DOREVITCH S/F A/C>	451,783	0.36
	Total		**52,181,622**	**41.30**
	Balance of register		**74,172,443**	**58.70**
	Grand total		**126,354,065**	**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	21,570,493	17.02

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 2018, the Company recorded 11,332,664 transactions (2017: 5,840,255) in securities. Total brokerage paid and accrued was $502,837 (2017: $451,190) for the year.

I. ON MARKET BUY-BACK

On 25 January 2018, the Company announced that it intended to undertake an on market share buy-back of up to 12,629,838[1] ordinary shares as part of a capital management plan over the next 12 months. The share buy-back commenced on 28 May 2018 and during the year ended 30 June 2018, 264,992 shares have been bought-back at $0.84 per share.

1 There is no guarantee that the Company will purchase the full 12,629,838 shares (being the maximum permitted to be bought back by the Company without shareholder approval under section 257B (4) of the *Corporations Act 2001*) and the Company reserves the right to suspend or terminate the share buy-back program at any time and to buy back less than 12,629,838 shares.

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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