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Annual Report

Year ended 30 June 2017

ABN: 64 169 154 858

Corporate Directory

Directors

Peter McKillop (Independent Director, Chairman)
John McBain (Independent Director)
Jennifer Horrigan (Independent Director)
Anton Tagliaferro (Non-independent Director)
Simon Conn (Non-independent Director)

Secretary

Zac Azzi

Investment Manager

Investors Mutual Limited
Level 24, 25 Bligh Street
Sydney NSW 2000
(AFSL 229988)

Registered Office

Level 24, 25 Bligh Street
Sydney NSW 2000
Telephone: (02) 9232 7500
Fax: (02) 9232 7511
Email: info@qvequities.com
Website: www.qvequities.com

Share Registrar

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Telephone: 1800 868 464

Auditor

Pitcher Partners
Level 22 MLC Centre, 19 Martin Place
Sydney NSW 2000

Stock Exchange

Australian Securities Exchange (ASX)
ASX code: QVE Ordinary shares



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Corporate Governance Statement

The Board of Directors of QV Equities Limited ('Company') is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ('CGS') in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a company's website. Accordingly, a copy of the Company's CGS is available on the Company's website.

Year in Summary FY2017

Profit after tax

\$8,497,402

Earnings Per Share

(cents)

3.61 Basic

Dividends

3.3 cps Fully Franked
(declared for FY 2016)

4.0 cps Fully Franked
(declared for FY 2017)

Net Assets

\$320,401,651

Management Expense Ratio

1.01 %

Portfolio Return
(Pre-tax)*

+12.7%

Portfolio Return
(Post-tax)*

+12.0%

Benchmark**

+13.6%

ASX 300

+13.8%

Net Tangible Assets (NTA)

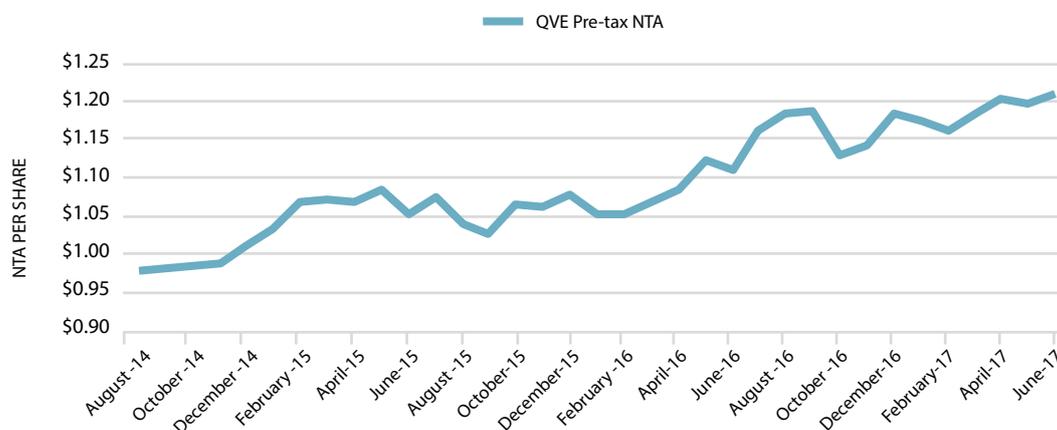
1.21 (pre-tax cum div) 1.16 (post tax cum div)

All data as at 30 June 2017

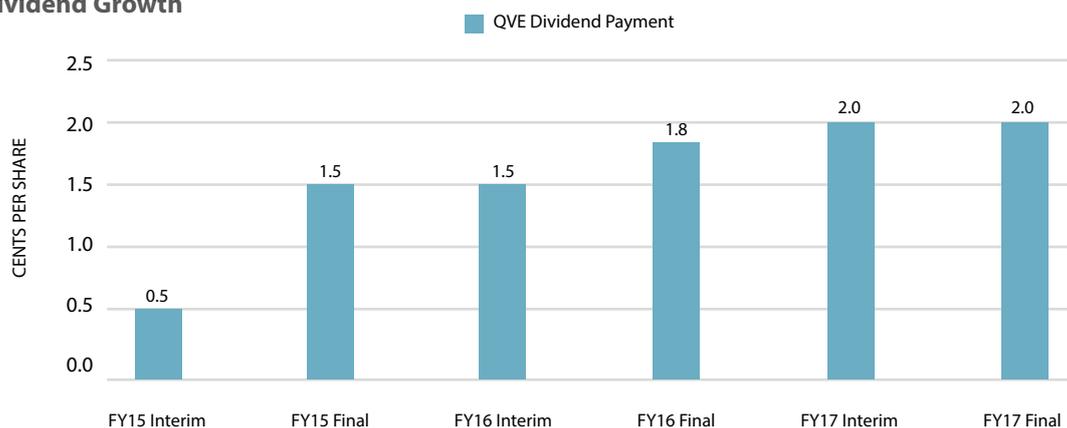
* Returns are measured for the 2017 financial year

** S&P/ASX300 ex20 index

Historical NTA Growth



Historical Dividend Growth



QVE Overview

QV Equities Limited (the “Company”) is a Listed Investment Company, established to invest in a diversified portfolio of ASX listed entities outside the S&P/ASX 20 Index. The Company’s investment portfolio is managed by Investors Mutual Limited (IML).

Investment Objective

The Company’s primary objective is to deliver long term value to shareholders through a combination of capital growth and income, by investing in a diversified portfolio of good quality ASX listed entities outside the S&P/ASX 20 Index. The Company aims to achieve after-fee returns over a five-year plus investment period that are higher than the S&P/ASX 300 Accumulation Index, excluding that part of the return that is generated by the securities comprised in the S&P/ASX 20 Accumulation Index.

Foundation of the Company’s Investment Strategy

The Australian sharemarket is heavily concentrated amongst the larger entities both in terms of market capitalisation and industry sector. The S&P/ASX 20 Index (representing the 20 largest entities by market capitalisation on the ASX) accounts for 54% of the market capitalisation of the S&P/ASX 300 Index and has a heavy, 70% concentration in the Financial and Resource sectors as at 30 June 2017.

Investment Strategy

The Company’s investment strategy is to create a diversified and balanced portfolio of ASX listed securities outside the S&P/ASX 20 Index, aiming to capitalise on IML’s disciplined investment approach and intensive research process. When assessing investment opportunities, IML’s team of highly experienced analysts undertake a comprehensive ‘bottom-up’ approach in identifying, researching and valuing companies. IML’s approach to identifying opportunities for the portfolio is systematic, disciplined and focuses on finding those entities that meet IML’s investment criteria and then determining an appropriate valuation for those entities. This is the same approach that has been applied successfully by IML since 1998.

In addition to long term capital growth, IML is focused on long term income growth for the portfolio, seeking investment opportunities that pay sustainable and growing dividends with attractive franking credits, with the portfolio being diversified across both industry and individual securities.



A letter from the Chairman, Peter McKillop

Dear Shareholders,

This is the third annual report to shareholders from QV Equities Limited (the "Company") after the Company listed on the Australian Stock Exchange ('ASX') on 22 August 2014. I would like to thank all QVE shareholders for their continued support of the Company during the 2017 financial year. I would also like to take this opportunity to welcome new shareholders who have joined the register following the completion of the successful capital raising that occurred in March.

Our objective

The Company's key objective is to provide investors with the opportunity to invest in a diversified portfolio of securities listed on the ASX other than those included in the S&P/ASX top 20 index. Our objective is to deliver both long-term capital growth and income to our shareholders.

The twenty largest entities listed on the ASX account for about half of the market capitalisation of the broader market as measured by the ASX300 index. The top 20 is heavily concentrated in the volatile Financial and Resources sectors and accordingly may not provide investors with an opportunity to diversify their portfolios.

In comparison, the ex-20 part of the market is much more diversified by stock and sector which offers investors the opportunity for greater diversification. It is a segment which is less researched than the larger companies listed on the ASX and as such, offers investors an enhanced opportunity to gain the long-term capital growth and income they are seeking.

Our portfolio of securities is managed by Investors Mutual Limited (the "Manager"), a multi award-winning and experienced fund manager with an excellent track record of successfully managing Australian equities since 1998. Notably, the Manager added to their list of awards during the year when respected ratings house, Morningstar, named IML as their Small Cap manager of the year for 2017, further enhancing their reputation.

The Manager seeks to target quality entities led by capable management, which have competitive advantages, a recurring and predictable earnings stream which can grow over time, and whose securities can be bought at an attractive entry price.

"... the ex-20 part of the market is much more diversified by stock and sector which offers investors the opportunity for greater diversification"

Market overview

The ASX300 Accumulation Index had a solid year gaining +13.8% for the 12 months to 30 June 2017, with the bulk of the gains occurring in the months following Donald Trump's election as President of the United States in November 2016.

Whilst global market returns were less volatile than previous years, 2016/2017 was an eventful year in world politics with the likes of Brexit and Trump's election catching global markets off-guard. Ironically the election of Trump to President in November proved to be the catalyst for a rerating of global equity markets and the turning point as investors repositioned portfolios for the new President's pro-growth agenda. This 'Trump Trade' has had a strong positive influence on the Australian Share market, with the ASX300 gaining +10.6% since 9th November 2016.

Additionally, positive influences on the Australian sharemarket over the year have included solid returns in the Utilities and Healthcare sectors.

The highly cyclical Resources sector remained true to form, with commodity price volatility continuing. Iron ore gained +17% over the year, despite falling -18% in the second half. Similarly, the oil price fell -9% over the year and -17% in the second half of the financial year.

The volatile Financial sector de-rated in the second half, due to lacklustre interim results coupled with the impact of the surprise bank levy announced by the Federal Government in the May Budget.

The QV Equities investment performance

For the 12 months to 30 June 2017, the Company's portfolio enjoyed a solid year, returning +12.7% before tax, which, while a pleasing outcome, was slightly behind the benchmark return of +13.6%. The Manager will discuss the Company's performance in more detail and provide an overview of holdings and activity in the Investment Management Report on page 8.



A letter from the Chairman, Peter McKillop (continued)

Placement & Share Purchase Plan

In March, the Company raised \$65m before costs through an institutional Placement and Shareholder Purchase Plan (SPP). The capital raising provided an opportunity for shareholders to increase their shareholding in the Company at a slight discount to the prevailing market price, but at a premium to the pre-existing NTA.

The Manager has taken a prudent and cautious approach to investing these funds by using any pullback in favoured companies share prices to invest these additional funds. At the date of writing the Company is around 75% invested.

Financial results

For the year ended 30 June 2017, the Company delivered a net after-tax profit of \$8.5 million. On an earnings per share basis, the FY 2017 result equates to after-tax earnings of 3.61 cents.

A fully franked interim dividend of 2 cents per share was paid on 3 April 2017. A final fully franked dividend for the 2017 financial year, of 2 cents per share, will be paid on 31 October 2017 (the ex-dividend date for the final dividend will be 2 October 2017). Pleasingly, this means that shareholders who subscribed at IPO have now been paid a total of 9.3cps in fully franked dividends in addition to the growth in the NTA which the Manager has been able to achieve over the last 3 years.

AGM

Shareholders are invited to attend our third Annual General Meeting to be held at the Sofitel Sydney Wentworth, Sydney on Wednesday 1 November at 10am in the Adelaide Room. Further details regarding the AGM proceedings will be sent to shareholders shortly.

Shareholder engagement and QVE communication

We are committed to maintaining regular and consistent communication with our shareholders through a variety of formats:

- Monthly NTA reports & investment updates
- Regular investment videos
- Annual shareholder briefings in major cities
- Regular webinars

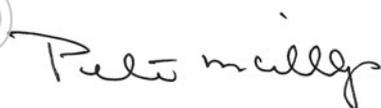
If you have not already, we would encourage shareholders to subscribe to receive these updates & invitations via the QVE website: www.qvequities.com

“...For the year ended 30 June 2017, the Company delivered a net after-tax profit of \$8.5 million”

In summary

The Board continues to believe that a carefully-selected holding of ex-20 stocks, managed by Investors Mutual Limited, will provide good opportunities for investors going forward. This portfolio should be able to deliver long-term capital growth and sustainable income from a more diversified range of investments than is currently available from those companies that comprise the top-20 index.

I look forward to further discussing the results presented in this Annual Report and to meeting as many of our shareholders as possible at the Annual General Meeting on 1 November 2017.



Peter McKillop,

Chairman

16 August 2017



Investment Manager's Report

Investment Manager's Report

Investors Mutual Limited ('IML') is pleased to deliver its third investment report for QV Equities Limited.

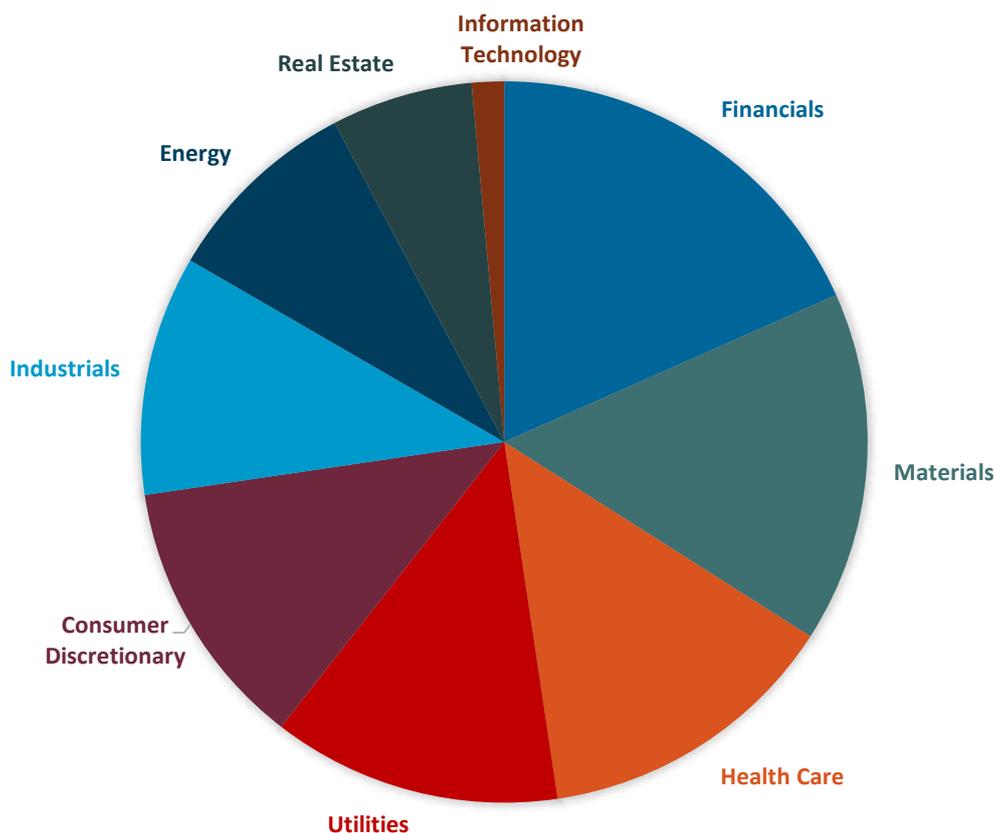
Economic conditions both in Australia and overseas have remained uneven over the last 12 months and as such, the Manager has remained cautious and prudent in managing the QVE portfolio of stocks outside the top 20.

IML's approach to investing in the share market has been consistent since inception in 1998 and involves investing in companies at an attractive entry price, which possess the following four clear quality characteristics:

- a competitive advantage over their peers;
- recurring predictable earnings;
- a capable management team; and
- the ability to grow earnings and dividends over time.

At the time of writing the Company's portfolio was made up of 44 listed securities spread across various ASX sectors. Some of the top holdings of the Company include well-known companies such as Caltex, Sonic Healthcare and Amcor as well as other lesser known but quality companies such as Pact Group, Spark Infrastructure and Tox Free.

Portfolio allocation as at 30 June 2017



Investment Manager's Report (continued)

Key equity investments	Description	Holding weight*
Sonic Healthcare	Global pathology company	3.63%
Pact Group	Rigid plastics packaging company	3.23%
Fletcher Building	NZ building materials company	3.19%
Clydesdale Bank	UK retail bank	3.18%
Amcor Limited	Global packaging company	2.91%
Spark Infrastructure	Owner of electricity distribution and transmission assets	3.14%
Ansell	Global glove manufacturer	3.13%
Bank of Queensland	Australian Regional bank	3.09%
Caltex Australia	Petrol retailer and refinery company	3.03%
Tox Free	Industrial Waste disposal company	2.88%
Steadfast	Insurance Broker	2.87%
Orica	Manufacturer of commercial grade explosives & chemicals	2.52%
GWA	Owner & importer of bathroom brands incl. Caroma	2.36%
Mayne Pharma	Global Pharmaceutical company	2.28%
ASX	Australian Stock Exchange	2.00%
AusNet	Owner of monopoly electricity and gas assets	2.08%
Shopping Centres Australasia	Neighbourhood retail property trust	1.97%
Aurizon	Australian rail company	1.49%
Oil Search	PNG LNG producer	1.84%
Z Energy	NZ Petrol retailer and refinery company	1.81%

*Holding weight as at 30 June 2017

The complete portfolio is shown on page 53 of this financial report.

During the year, the Company raised \$65m before costs through an institutional placement and shareholder purchase plan (SPP). The capital raising provided an opportunity for shareholders to increase their shareholding in QVE, while also allowing shareholders to benefit from a lower investment management fee payable on the portfolio due to the sliding scale of investment management fees. The capital raising was also accretive to the Company's NTA. The Manager took advantage of any pullback in share prices to invest some of these additional funds so that at the date of writing the Company is around 75% invested in equity holdings. We remain alert to opportunities in periods of weakness to add to the Company's holdings.

For the 12 months to 30 June 2017 the QVE portfolio enjoyed a solid year returning +12.7% before tax and after fees. While a pleasing outcome, it was slightly behind the benchmark's return of +13.6%. The portfolio benefitted from its exposure to holdings such as Pinnacle Investments, Duet Group, Orica and GWA Group which all performed well. At the same time we avoided the likes of Vocus, TPG and Domino's Pizza, companies whose share prices already incorporated high growth expectations and which all de-rated over the period. The benchmark benefitted from gains in the cyclical Materials sector, with commodity stocks such as Fortescue, Bluescope Steel and South 32 all performing strongly over the 2017 financial year. These are stocks which do not fit the 4 quality criteria that we look for in companies. Their earnings, dividends and share prices are very unpredictable and volatile.

Global conditions remain challenging for investors in our view. On the one hand, low global growth and high consumer debt levels in most developed economies means that earnings growth for many companies is difficult. At the same time, investors are likely to be confronted with the current lower interest rate environment for the foreseeable future. This is even though we are seeing some move towards normalising cash rates by the Federal Reserve in the US and elsewhere (with the Bank of Canada recently surprising markets

Investment Manager's Report (continued)

by increasing its cash rate). Australia's inflation rate remains benign at 2.1%, and with household debt at record levels, there is little incentive for the RBA to raise the cash rate from its current record low of 1.5% in the near term.

With the economic environment being so uneven, it remains a challenge for many ASX listed companies to deliver earnings and dividend growth. Because of this environment, we have attempted to skew the portfolio towards those companies which we believe remain reasonably priced and which can continue to generate earnings growth and healthy dividends in the years ahead.

A key contributor to QVE's performance over 2017 was Duet Group. Duet is an owner of high quality infrastructure assets predominantly across the electricity and gas distribution and transmission sectors in Australia. Most of these assets are regulated monopolies in the markets they serve, providing reliable, recurrent earnings and cash flow to security holders. Duet securities rose +22% during the financial year (excluding dividends) as investors valued the company given the security of the company's cashflows and the attractive distributions that the company was paying. During the year, the company increased its stake in the Dampier to Bunbury gas pipeline and also purchased the Cullerin Range Wind Farm. The secure nature of the company's cashflow ultimately attracted corporate interest with Hong Kong based investor Cheung Kong Infrastructure (CKI) privatising the company for \$3.03 per security late in the financial year, a bid which we accepted and thereby crystallising very good capital gains for QVE.

Ansell was another strong contributor over the year, gaining +34%. Ansell is a company which has been in existence for over 100 years and while the company may be better known for its condom business, Ansell is in fact the largest manufacturer of industrial & surgical gloves in the world. Ansell is a global business and industry leader, with 5 innovation centres, 19 manufacturing plants in 55 countries and more than 15,000 employees spread around the world. Ansell's leadership position, its strong focus on innovation and unrivalled distribution provides us with confidence in the company's outlook over the long term. We were pleased with the attractive price at which the company sold its sexual wellness business during the year at US\$600m, which represented a multiple of 16 times EBITDA. This sale sees the company now debt free and well positioned to make accretive acquisitions in its core gloves division to further build out its product range and distribution footprint. Following this sale, the company announced a 10% share buyback and more recently a restructuring which will ultimately see US\$30m removed from the cost base by FY2020.

The Manager remains cautious on the outlook for markets. Given the low alternative rates of return from cash and bonds many equity valuations remain elevated as investors have bid up prices in search of income. Markets have also repriced higher on the back of the Trump Presidency. It remains to be seen, whether there will be any real benefits to flow from the Republican agenda in the US, but in the interim markets have priced in this optimism and valuations globally are near record levels. Thus, we continue to hold a higher cash weighting than normal, reflecting the high valuation of many companies in our coverage. In what is a volatile and low growth environment going forward, the Manager remains focused on investing in companies that we believe are reasonably valued and that can grow through their own initiatives rather than relying on general economic tailwinds.

The Manager continues to focus on companies that can grow their earnings through identified 'self-help' initiatives. These initiatives include; companies capable of making accretive bolt-on acquisitions, such as Tox Free; companies growing market share, such as Ansell; companies taking costs out of their business, such as Pact Group; or companies that have contracted revenue growth, such as Spark Infrastructure and Shopping Centres Australasia.

It remains our pleasure to bring IML's investing skills to the Company's portfolio for another year. Together with the investment team, we look forward to meeting shareholders either at the upcoming AGM or any of the investor education forums which we will be holding early in 2018. The ex-20 sector of the market is a sector which has delivered good returns for our investors over many years, and which we believe continues to offer investor good opportunities while also diversifying their exposure away from the top 20.

Our objective is clear; to deliver reasonable, long-term growth over time through a steadily growing NTA, whilst also paying a healthy dividend to the Company's shareholders sourced from the accumulation of dividends paid by our investee companies.



Anton Tagliaferro
Investment Director
Investors Mutual Limited

16 August 2017



Simon Conn
Senior Portfolio Manager
Investors Mutual Limited

16 August 2017

Directors' Report

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

Directors

The following persons were Directors of the Company from their appointment date and up to the date of this report:

Name	Position	Appointment date
Peter McKillop	Independent Director (Chairman)	17 April 2014
John McBain	Independent Director	17 April 2014
Jennifer Horrigan	Independent Director	26 April 2016
Anton Tagliaferro	Non-independent Director	30 April 2014
Simon Conn	Non-independent Director	14 June 2016

Principal activities

The principal activity of the Company is making investments in a diversified portfolio of entities listed on the Australian Securities Exchange which are not included in the S&P/ASX 20 Index. The primary objective is to provide both long term capital growth and income. No change in this activity took place during the year or is likely in the future.

Dividends

Dividends paid to shareholders were as follows:

	Dividend Per Share	Total amount	Date of payment	% Franked
2017				
Ordinary shares – interim 2017	2.0 cents	\$4,430,175	03/04/2017	100%
Ordinary shares – final 2016	1.8 cents	\$3,984,999	31/10/2016	100%
2016				
Ordinary shares – interim 2016	1.5 cents	\$3,320,685	04/04/2016	100%
Ordinary shares – final 2015	1.5 cents	\$3,002,999	06/11/2015	100%

Since year end, the Directors have declared a final fully franked dividend of 2.0 cents per fully paid ordinary share to be paid on 31 October 2017.

Review of operations

The Board is pleased with the performance of the Company since listing in August 2014. Our investment manager, Investors Mutual Limited (IML) has patiently built a portfolio of good quality ex 20 shares which IML believe are well placed to deliver the Company's objectives of long term capital growth and consistent income.



Directors' Report (continued)

Listed below is the Company's performance for the past 6 and 12 months:

Performance	Increase in QVE's NTA	Benchmark Return
12 months to 30 June 2017	+12.0%	+13.6%
31 December 2016 to 30 June 2017	+4.6%	+6.5%

Note: these figures are calculated net of IML's management fee.

Investment operations for the year ended 30 June 2017 resulted in an operating profit before tax of \$9,222,156 (2016: \$6,467,548) and an operating profit after tax of \$8,497,402 (2016: \$5,717,941).

Net Tangible Assets (NTA) for each ordinary share as at 30 June 2017 (calculated on market value less realisation costs and before applicable taxes and before provision for dividends) amounted to \$1.21 (2016: \$1.11) per share. NTA after tax before provision for dividends was \$1.16 (2016: \$1.07) per share.

In March, the Company raised \$65m before costs through an institutional Placement and Shareholder Purchase Plan (SPP). The capital raising provided an opportunity for shareholders to increase their shareholding in QVE at a slight discount to the prevailing market price, but at a premium to the pre-existing NTA.

This was achieved through \$35m raised from the institutional Placement, \$24.6m through the Share Purchase Plan and \$5.5m from professional and sophisticated investors which represented a portion of the shortfall in the SPP. A combined 53,410,089 shares were issued through the raising. All shares were offered at \$1.22 per share.

Further information on the operating and financial review of the Company is contained in the Chairman's letter on pages 6 to 7 of the Annual Report.

Financial position

The net asset value of the Company at 30 June 2017 was \$320,401,651 (2016: \$237,584,752).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2017.

Matters subsequent to the end of the period

Since the end of the financial year, the Directors declared a fully franked final dividend of 2.0 cents per fully paid ordinary share payable on 31 October 2017.

No other matter or circumstance other than those mentioned above, has occurred subsequent to the end of the financial year 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 primary objective of providing long term capital growth and income through a diversified portfolio of the ASX listed entities outside of the S&P/ASX 20 index.

Further information on the Company's business strategies and results is contained in the Investment Manager's Report on pages 8 to 10 of the Annual Report.

Environmental regulation

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

To the extent that any environmental regulation 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.



Directors' Report (continued)

Information on Directors

Peter McKillop

Independent Director, Chairman

Experience and expertise

Peter McKillop has over 30 years' experience in the funds management, financial planning and superannuation industry. Peter was Managing Director of State Super Financial Services from 1990 until his retirement in 2011. During his time with State Super Financial Services, Peter was responsible for the overall management of the company's activities, including compliance with all legislative requirements and ensuring that the product range remained appropriate to clients needs.

Prior to joining State Super Financial Services, Peter was the Group Manager Investment Services at Perpetual Funds Management Limited (Perpetual) where he engineered the launch of Perpetual's house funds into the retail area in 1987, including Perpetual's highly successful Industrial Share Fund.

Peter is a Fellow of the Institute of Chartered Accountants of Australia and holds a Bachelor of Economics from the University of Sydney.

Peter was appointed as the Chairman of the Board on 14 June 2016.

Other current directorships

Peter McKillop is a Director of the Advisory Board of the Australian Dental Foundation.

Former directorships in last 3 years

Peter McKillop has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of the Board.

Interests in shares and options of the Company

Details of Peter McKillop's interest in shares of the Company are included later in this report.

Interests in contracts

Peter McKillop has no interests in contracts of the Company.



Directors' Report (continued)

John McBain

Independent Director

Experience and expertise

John McBain has over 19 years' experience in the funds management industry. John is currently the Chief Executive Officer and Executive Director of Centuria Capital Limited (Centuria), an ASX listed specialist investment manager with \$4.26 billion in assets under management.

In 1999 John formed Century Property Funds, a dedicated unlisted property fund manager and in 2006 he arranged the merger of unlisted property fund manager Century Funds Management Pty Limited with Centuria Capital Limited. John oversees the core operations of Centuria namely, listed and unlisted property funds management and tax effective investment bond management. John is a director of Centuria Life Limited and sits on the investment committees of both Centuria Life and Over Fifty Guardian friendly societies.

Prior to his roles with Century and Centuria, John held senior positions in a number of property investment and consulting companies in Australia, New Zealand and the United Kingdom. John holds a Diploma in Urban Valuation from Auckland University.

Other current directorships

John McBain is a Director of Centuria Capital Limited and Centuria Life Limited.

Former directorships in last 3 years

John McBain has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chairman of Nomination and Corporate Governance Committee.

Interests in shares and options of the Company

Details of John McBain's interest in shares of the Company are included later in this report.

Interests in contracts

John McBain has no interests in contracts of the Company.

Jennifer Horrigan

Independent Director

Experience and expertise

Jennifer Horrigan has more than 25 years' experience across investment banking, financial communications, investor relations and strategic communications. She was most recently the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer holds a Bachelor of Business from the Queensland University of Technology, a Graduate Diploma in Applied Finance from Finsia and a Graduate Diploma in Management from the Australian Graduate School of Management (AGSM).

Other current directorships

Jennifer Horrigan is a Director of APN Funds Management, Generation Healthcare (ASX: GHC), Industria REIT (ASX: IDR), Redkite (national children's cancer charity) and the Breast Cancer Institute of Australia/ Australia and New Zealand Breast Cancer Trails Group.

Former directorships in last 3 years

Jennifer Horrigan has not held any other directorships of listed companies within the last three years.

Special responsibilities

Chair of the Audit Committee

Interests in shares and options of the Company

Jennifer Horrigan has no interests in shares in the Company.

Interests in contracts

Jennifer Horrigan has no interests in contracts of the Company.

Directors' Report (continued)

Anton Tagliaferro

Non-independent Director

Experience and expertise

Anton Tagliaferro has over 30 years' experience in the financial services industry. Anton founded the Manager, Investors Mutual Limited in March 1997 and holds the position of Chief Investment Officer and Investment Director.

Anton commenced his professional year with Deloitte Haskins and Sells in London, where he gained the status of Chartered Accountant. From 1988 to 1992 Anton was Group Investment Manager and Equities Manager at Perpetual Trustees Australia Ltd (Perpetual). At Perpetual, Anton was responsible for running Perpetual's Industrial Share Fund which during his time, continually outperformed in the Australian equities market and was highly rated in Money Management's annual Australian Equity Manager surveys for four years in a row.

Anton holds a Bachelor of Arts (Honours) in Accountancy from the Metropolitan University in London, is a member of the Institute of Chartered Accountants and a member of the Financial Services Institute of Australasia.

Other current directorships

Anton Tagliaferro is a Director of Investors Mutual Limited.

Former directorships in last 3 years

Anton Tagliaferro has not held any other directorships of listed companies outside the Company.

Interests in shares and options of the Company

Details of Anton Tagliaferro's interest in shares of the Company are included later in this report.

Interests in contracts

Details of Anton Tagliaferro's interest contracts of the Company are included later in this report.

Simon Conn

Non-independent Director

Experience and expertise

Simon Conn has served as part of the Manager's investment team since June 1998 and has over 12 years' experience as a Senior Portfolio Manager in the small cap sector. While employed with the Manager, Simon is responsible for analysing stocks from a wide range of industry sectors which have given him the broad grounding to manage the Manager's small cap portfolios.

In 1992 Simon commenced his career at KPMG as a tax and investment consultant. In 1995 Simon joined the investment division of QBE Insurance Group where he was employed as an analyst across a range of asset classes including equities.

Simon holds a Bachelor of Economics and Bachelor of Laws from the University of Sydney. Simon is a qualified solicitor and is a Fellow of the Financial Services Institute of Australasia.

Simon was appointed to the Board on 14 June 2016.

Other current directorships

Simon Conn has not held any other directorships of listed companies outside the Company.

Former directorships in last 3 years

Simon Conn has not held any other directorships of listed companies within the last three years.

Interests in shares and options of the Company

Details of Simon Conn's interest in shares of the Company are included later in this report.

Interests in contracts

Details of Simon Conn's interest contracts of the Company are included later in this report.



Directors' Report (continued)

Zac Azzi

Company secretary

Zac Azzi has over 20 years' of financial services experience covering asset management, custody, platform and advice. Zac started his career in corporate accounting at AMP and then St George Bank. In 2003 Zac joined Old Mutual Australia Limited (Skandia) in the role of Head of Finance and Operations, and subsequently Chief Operating Officer (COO), helping them establish and manage their Australian operations.

Zac subsequently joined SFG Australia Limited where he helped them established their funds management and platform businesses before joining Investors Mutual Limited (the Manager) in August 2015 where he was appointed as COO and Company Secretary.

Zac holds a Bachelor of Commerce from the Macquarie University, a Masters of Business Administration from the Australian Graduate School of Management and is also a Certified Practising Accountant.

Meeting of Directors

The numbers of meetings of the Company's Board of Directors and each Board committee held during the period ended 30 June 2017, and the numbers of meetings attended by each Director were:

Directors	Directors' meetings		Meeting of committees			
			Audit		Nomination	
	A	B	A	B	A	B
Peter McKillop	7	7	5	5	3	3
John McBain	7	7	5	5	3	3
Jennifer Horrigan	7	7	5	5	3	3
Anton Tagliaferro	5	7	-	-	-	-
Simon Conn	6	7	-	-	-	-

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

The Company has not established a Remuneration Committee as it has no paid employees. The services of Zac Azzi (COO and Company Secretary), Anton Tagliaferro (Executive Director) and Simon Conn (Executive Director) are provided to the Company without additional charge as part of the arrangements with the Investment Manager.



Directors' Report (continued)

Remuneration report (audited)

This report details the nature and amount of remuneration for each Director of QV Equities Limited 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 qualified and experienced Directors.

Directors' base fees are set at a maximum of \$100,000 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 the approval from the Company at a general meeting. Directors seek approval from time to time as appropriate.

A. Details of remuneration

The following table shows details of the remuneration paid by the Company to the Directors for the year ended 30 June 2017 and 30 June 2016.

2017	Short term employee benefits Directors' fees \$	Post-employment benefits Superannuation \$	Total \$
Non-executive Directors			
Peter McKillop	9,132	30,868	40,000
Jennifer Horrigan	27,397	2,603	30,000
John McBain	27,397	2,603	30,000
Total key management personnel compensation	63,926	36,074	100,000
<hr/>			
2016	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
Non-executive Directors			
Don Stammer	36,530	3,470	40,000
Peter McKillop	27,397	2,603	30,000
John McBain	27,397	2,603	30,000
Total key management personnel compensation	91,324	8,676	100,000

The Manager agreed to pay Jennifer Horrigan's remuneration (\$7,500) during the transition period between the appointment of Ms. Horrigan and the retirement of Don Stammer. This transition period was designed to enable an appropriate and orderly handover between the Directors. Directors' base fees paid by the Company remain capped at \$100,000 per annum.

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individual benefits for financial year 2017 and did not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.



Directors' Report (continued)

B. Director related entity remuneration

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

Anton Tagliaferro is a Director and beneficial owner of Investors Mutual Limited (IML), the entity appointed to manage the investment portfolio of QV Equities Limited. In its capacity as the Investment Manager, IML was paid a management fee of 0.90% p.a. (plus GST) of the portfolio net asset value on the first \$150 million and then 0.75% p.a. (plus GST) thereafter, amounting to \$2,550,828 (2016: \$2,085,598) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit is \$2,376,908 (2016: 1,943,398). As at 30 June 2017, the balance payable to the manager was \$246,307 (2016: \$186,561).

Simon Conn is a Portfolio Manager of the Manager and holds equity interests in the Manager.

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.

Directors' fees are not directly linked to the Company's performance. Further details of the Company's performance are detailed in the Chairman's Letter and Investment Manager's Report.

C. Remuneration of Executives

There are no Executives paid by the Company. IML, the Investment manager remunerated Anton Tagliaferro, Simon Conn and Zac Azzi as employees of the Company during the financial period. The Manager is appointed to provide the day to day management of the Company and is remunerated as outlined above.

D. Equity instrument disclosures relating to Directors

As at 30 June 2017 and 30 June 2016, the Company's Directors and their related parties held the following interests in the Company:

2017 Ordinary shares held

Director	Position	Balance at 1 July 2016	Acquisitions	Disposals	Balance at 30 June 2017
Peter McKillop	Non-executive Director	400,000	18,542	–	418,542
John McBain	Non-executive Director	200,000	6,247	–	206,247
Jennifer Horrigan	Non-executive Director	–	–	–	–
Anton Tagliaferro	Executive Director	6,000,000	10,000	300,000*	5,710,000
Simon Conn	Executive Director	150,000	–	–	150,000
		6,750,000	34,789	300,000	6,484,789

* Investors Mutual Limited initial capital contribution reduction.

Directors' Report (continued)

2016 Ordinary shares held

Director	Position	Balance at 1 July 2015	Options exercised	Disposals	Balance at 30 June 2016
Peter McKillop	Non-executive Director	200,000	200,000	–	400,000
John McBain	Non-executive Director	100,000	100,000	–	200,000
Jennifer Horrigan	Non-executive Director	–	–	–	–
Anton Tagliaferro	Executive Director	5,000,000	1,000,000	–	6,000,000**
Simon Conn	Executive Director	100,000	50,000	–	150,000
		5,400,000	1,350,000	–	6,750,000

** Holdings include Investors Mutual Limited holdings as required by Section 608 of the *Corporations Act 2001*.

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

2017 Options held

The directors did not hold or exercise any options during the current financial year.

2016 Options held

Director	Position	Balance at 1 July 2015	Options exercised	Disposals/ Lapsed	Balance at 30 June 2016
Peter McKillop	Non-executive Director	200,000	200,000	–	–
John McBain	Non-executive Director	100,000	100,000	–	–
Jennifer Horrigan	Non-executive Director	–	–	–	–
Anton Tagliaferro	Executive Director	2,500,000	1,000,000	1,500,000	–
Simon Conn	Executive Director	100,000	50,000	50,000	–
		2,900,000	1,350,000	1,550,000	–

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

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

End of Remuneration Report



Directors' Report (continued)

Insurance and indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract to insure the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

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.

Non-audit services

The Board of Directors, in accordance with the advice from the Audit Committee, is satisfied that the provision of non-audit services during the year 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 20 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; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

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 21.

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



Peter McKillop, Chairman

16 August 2017

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF QV EQUITIES LIMITED
ABN 64 169 154 858

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

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of QV Equities Limited.

S M Whiddett
Partner

Pitcher Partners
Sydney

16 August 2017

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Financial Statements

Statement of Comprehensive Income

	Notes	30 June 2017 \$	30 June 2016 \$
Investment income			
Dividend income		10,760,296	7,353,582
Interest income		941,302	1,170,291
Realised gains on investments held for trading		313,419	486,551
Unrealised (losses) on investments held for trading		(22,017)	(228,632)
Other income		27,696	112,893
Total investment income		12,020,696	8,894,685
Expenses			
Management fees		2,376,908	1,943,398
Directors' fees		100,000	100,000
ASX fees		88,819	66,312
Registry fees		121,618	89,926
Other expenses		111,195	227,501
Total expenses		2,798,540	2,427,137
Profit before income tax		9,222,156	6,467,548
Income tax expense	5	724,754	749,607
Profit after income tax		8,497,402	5,717,941
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Movement in fair value of long term equity investments, net of tax		17,960,106	9,986,252
Total comprehensive income for the year, net of tax		26,457,508	15,704,193
Earnings per share			
Basic and diluted earnings per share (cents per share)	13	3.61	2.77

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Financial Statements (continued) For the year ended 30 June 2017

Statement of Financial Position

	Notes	30 June 2017 \$	30 June 2016 \$
Assets			
Current assets			
Cash and cash equivalents	6	75,657,537	33,161,728
Receivables	7	814,228	980,456
Prepayments		33,375	41,807
Total current assets		76,505,140	34,183,991
Non-current assets			
Long-term equity investments	8	259,247,833	216,791,950
Deferred tax assets	5	564,565	540,750
Total non-current assets		259,812,398	217,332,700
Total assets		336,317,538	251,516,691
Liabilities			
Current liabilities			
Trade creditors and other payables	10	2,359,882	4,842,574
Current tax liabilities	5	3,262,102	703,492
Financial liabilities held at fair value	9	374,650	451,975
Total current liabilities		5,996,634	5,998,041
Non-current liabilities			
Deferred tax liability	5	9,919,253	7,933,898
Total non-current liabilities		9,919,253	7,933,898
Total liabilities		15,915,887	13,931,939
Net assets		320,401,651	237,584,752
Equity			
Issued capital	11	281,113,681	216,339,116
Asset revaluation reserve		24,595,350	17,252,345
Capital profits reserve	12	10,294,914	1,216,678
Profit reserves	12	4,397,706	2,776,613
Total equity		320,401,651	237,584,752

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

Financial Statements (continued) For the year ended 30 June 2017

Statement of Changes in Equity

For the year ended 30 June 2017							
	Notes	Issued capital \$	Profit reserve \$	Asset revaluation reserve \$	Capital profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2016		216,339,116	2,776,613	17,252,345	1,216,678	–	237,584,752
Profit for the year		–	–	–	–	8,497,402	8,497,402
Other comprehensive income							
Net revaluation of investments		–	–	17,960,106	–	–	17,960,106
Total other comprehensive income for the year		–	–	17,960,106	–	8,497,402	26,457,508
Transactions with equity holders in their capacity as owners							
Costs of issued capital		(719,863)	–	–	–	–	(719,863)
Shares issued	11	65,160,968	–	–	–	–	65,160,968
Shares issued from dividend reinvestment plan	11	333,460	–	–	–	–	333,460
Dividends provided for or paid	14	–	(6,876,309)	–	(1,538,865)	–	(8,415,174)
Other							
Realised profits on sale of investments transferred to reserves	12	–	–	(10,617,101)	10,617,101	–	–
Transfer to profits reserve	12	–	8,497,402	–	–	(8,497,402)	–
Balance at 30 June 2017		281,113,681	4,397,706	24,595,350	10,294,914	–	320,401,651

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



Financial Statements (continued) For the year ended 30 June 2017

Statement of Changes in Equity

For the year ended 30 June 2016						
Notes	Issued capital \$	Profit reserve \$	Asset revaluation reserve \$	Capital profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2015	188,469,807	2,809,550	8,781,011	274,565	–	200,334,933
Profit for the period	–	–	–	–	5,717,941	5,717,941
Other comprehensive income						
Net revaluation of investments	–	–	9,986,252	–	–	9,986,252
Total other comprehensive income for the period	–	–	9,986,252	–	5,717,941	15,704,193
Transactions with equity holders in their capacity as owners						
Costs of issued capital	–	–	–	–	–	–
Shares issued on options exercised	11	27,869,309	–	–	–	27,869,309
Dividends provided for or paid	14	–	(5,750,878)	–	(572,805)	(6,323,683)
Other						
Realised profit on sale of investments transferred to reserves	12	–	–	(1,514,918)	1,514,918	–
Transfer to profits reserve	12	–	5,717,941	–	(5,717,941)	–
Balance at 30 June 2016	216,339,116	2,776,613	17,252,345	1,216,678	–	237,584,752

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

Financial Statements (continued) For the year ended 30 June 2017

Statement of Cash Flow

	Notes	30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Dividends/distributions received		10,990,770	7,124,548
Interest received		1,039,069	1,245,251
Net realised gains on exchange traded options		214,077	418,563
Payments for other expenses		(2,801,611)	(2,592,946)
Other income		31,384	109,205
Income tax paid		(2,545,194)	(992,186)
Net cash inflow from operating activities	6	6,928,495	5,312,435
Cash flows from investing activities			
Payments for investments		(93,186,066)	(76,562,091)
Proceeds from sale of investments		72,702,502	30,467,914
Net cash outflow from investing activities		(20,483,564)	(46,094,177)
Cash flows from financing activities			
Dividends paid		(8,081,715)	(6,323,683)
Proceeds from issue of ordinary shares		65,160,968	-
Shares issued on options exercised		-	27,869,309
Share issue transaction costs		(1,028,375)	-
Net cash inflow from financing activities		56,050,878	21,545,626
Net increase/(decrease) in cash and cash equivalents		42,495,809	(19,236,116)
Cash and cash equivalents held at the beginning of the year		33,161,728	52,397,844
Cash and cash equivalents at the end of the year	6	75,657,537	33,161,728

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

1 General Information

QV Equities Limited ("the Company") is a listed investment company domiciled in Australia. The Company was established with the primary objective of providing long term capital growth and income, through a diversified portfolio of the ASX listed entities outside of the S&P/ASX 20 Index. The portfolio is managed by Investors Mutual Limited.

The Company was registered with the Australian Securities Commission (ASIC) on 17 April 2014 and commenced operations on 22 August 2014.

The financial statements were authorised for issue by the Board on 16 August 2017.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose annual financial statements for the year ended 30 June 2017 have been prepared in accordance with the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. QV Equities Limited is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

(i) Compliance with IFRS

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

(ii) New accounting standards and Interpretations

The Australian Accounting Standards Board has issued new accounting standards and interpretations that have mandatory application for future reporting periods, some of which are relevant to the Company. The Directors have assessed these new standards and interpretations.

The Company has elected to early adopt AASB 9 *Financial Instruments Standard* which applies to annual reporting periods beginning from 1 January 2018. AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and liabilities. These requirements improve and simplify the approach for the classification and measurement of financial assets and liabilities compared to the requirements of AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 allows investments in equity instruments, which were previously classified as available for sale financial assets, to be classified as equity instruments revalued through other comprehensive income. Investments continue to be valued at fair value with changes in value being recognised in the asset revaluation reserve.

Under AASB 9 there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test the Company's investments for impairment so there is no transfer of unrealised impairment losses from the asset revaluation reserve to the income statement.

(iii) Standards issued but not yet effective

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Investments

Revenue is measured at the fair value of the consideration received or receivable.

(i) Recognition and initial measurement

Long term equity investments and investments held for sale are recognised initially at cost.

(ii) Classification and subsequent measurement

The Company designates all long term equity investments as available for sale financial assets and therefore records subsequent changes in fair value of equity investments in the Statement of Comprehensive Income through the asset revaluation reserve, not to be reclassified to profit and loss, after deducting a provision for the potential deferred capital gains tax liability.

The Company holds call option derivative financial instruments are held for trading which are mandatorily classified as at fair value through profit and loss, changes in the fair value of options are recognised in profit or loss for the period.

2 Summary of significant accounting policies (continued)

(b) Investments (continued)

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Gains or losses on long term equity investments are transferred from the asset revaluation reserve to the capital profits reserve.

(iv) Valuation

All investments are classified and measured as being at fair value, please refer to note 4 for more information on the Company's policy for measuring fair value.

(c) Revenue

(i) Interest income

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

(ii) Dividend income

Dividend income is recognised in the profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis.

(d) Expenses

All expenses, including management fees, are recognised in the profit and loss on an accruals basis.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(f) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 Australian Taxation Office (ATO), are presented as operating cash flows.

(g) 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 which are subject to an insignificant risk to changes in value.



2 Summary of significant accounting policies (continued)

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables may include interest and dividends. Interest and dividends are accrued in accordance with the policy note set out in note 2(c) and note 2(b)(iv).

All receivables, unless otherwise stated are non interest bearing, unsecured and generally received in 30 days of being recorded as a receivable.

(i) Trade creditors and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the reporting date which was unpaid. These 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 2 business days of trade dates.

(j) Share Capital

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of tax effects.

(k) 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.

It is the Boards' policy that all dividends paid will be franked to the maximum extent possible.

(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 year, adjusted for bonus elements in ordinary shares issued during the year.

(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 ordinary shares that would have been outstanding assuming the conversion of options.

(m) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/91*, the amounts in the directors' report and in the financial report have been rounded to the nearest dollar unless otherwise stated.

(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 of deposits with banks, listed and unlisted investments, trade and other receivables and trade and other payables. The main risks the Company is exposed to through its financial instruments are market risk - consisting of interest rate risk and other price risk - credit risk and liquidity risk.

Under delegation from the Board, the Manager has the responsibility for assessing and monitoring for the financial market risk of the Company. The Manager monitors these risks daily.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. By its nature, as a listed investment company that invests in tradable securities, the Company will always be subject to market risk as it invests its capital in securities which are not risk free as the market price of these securities can fluctuate.

The Manager seeks to reduce market risk of the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The relative weightings of the individual securities and market sectors are reviewed daily by the Investment Manager.

(i) Other price risk

The Company is exposed to equities securities other price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and financial liabilities at fair value through profit and loss.

The Company seeks to manage and constrain other price 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 on a daily basis such that risk can be managed by reducing exposure where necessary.

The Company's industry sector weighting of investments including options as at 30 June 2017 and 30 June 2016 is listed below:

	2017	2016
Industry sector	%	%
Financials	13.8	14.2
Materials	11.9	10.4
Health Care	10.2	9.1
Utilities	9.7	13.3
Consumer Discretionary	9.1	9.3
Industrials	8.1	11.2
Energy	6.7	5.3
Listed property trust	4.7	5.8
Telecommunications	-	3.5
Information Technology	1.1	2.4
	75.3	84.5
Cash	24.7	15.5
	100.0	100.0

As at 30 June 2017, no individual securities represent over 5% of the long term investment portfolio.



3 Financial risk management (continued)

(a) Market risk (continued)

(i) Other price risk (continued)

Sensitivity analysis

A sensitivity analysis relating to other price risk was performed on investments held by the Company at the end of the reporting period. This analysis demonstrates the effect on current year equity as a result from a reasonable possible change in the risk variable. The sensitivity assumes all other variables remain constant.

Investments represent 75% (2016: 85%) of gross assets at year end. The following table illustrates the effect on the Company's equity from possible changes in other price risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30%.

	Impact on total comprehensive income	
	2017 \$	2016 \$
Increase 5%	9,060,561	7,571,899
Decrease 5%	(9,060,561)	(7,571,899)
Increase 10%	18,121,123	15,143,798
Decrease 10%	(18,121,123)	(15,143,798)

(ii) 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 value, categorised by the earlier of contractual repricing or maturity dates.

30 June 2017	Floating interest rate \$	Non- interest bearing \$	Total \$
Financial assets			
Cash and cash equivalents	75,657,537	–	75,657,537
Receivables	–	814,228	814,228
Long-term equity investments	4,038,500	255,209,333	259,247,833
	79,696,037	256,023,561	335,719,598
Financial liabilities			
Trade creditors and other payables	–	(2,359,882)	(2,359,882)
Financial liabilities held at fair value	–	(374,650)	(374,650)
	–	(2,734,532)	(2,734,532)
Net exposure to interest rate risk	79,696,037	253,289,029	332,985,066

3 Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

30 June 2016	Floating interest rate \$	Non- interest rate \$	Total \$
Financial assets			
Cash and cash equivalents	33,161,728	–	33,161,728
Receivables	–	980,456	980,456
Long-term equity investments	2,396,850	214,395,100	216,791,950
	35,558,578	215,375,556	250,934,134
Financial liabilities			
Trade creditors and other payables	–	(4,842,574)	(4,842,574)
Financial liabilities held at fair value	–	(451,975)	(451,975)
	–	(5,294,549)	(5,294,549)
Net exposure to interest rate risk	35,558,578	210,081,007	245,639,585

Sensitivity analysis

At 30 June 2017, if interest rates had increased/decreased by 75 basis points (2016: 75 basis points) from the period end rates with all other variables held constant, post-tax profit for the period would have been \$253,465 (2016: \$225,644) higher/\$253,465 (2016: \$225,644) lower, mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets is therefore limited to the amount carried in the Statement of Financial Position.

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager minimises the Company's concentration of credit risk by undertaking transactions in ASX listed securities with a large number of approved brokers. Payment is only made once a broker has received securities and delivery of securities only occurs once the broker received payment.

Cash

The majority of the Company's short term deposits are invested with financial institutions that have a Standard and Poor's AA or A1 credit rating. The majority of maturities are within three months.

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2017 is 1.45% (2016: 1.98%).

Receivables

The majority of the Company's receivables arise from dividends yet to be received.

None of these assets exposed to credit risk are overdue or considered to be impaired.



3 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company's cash receipts depend on the level of dividends and interest received and the exercise of options that may be on issue. The Company's cash payments are the purchase of securities and dividend that are paid to shareholders.

The Manager monitors the Company's cash flow requirements daily by reference to known purchase and sale of securities, dividends and interest received. Should these decrease by a material amount the Company can alter its cash outflows as appropriate. The Company also holds a portion of its portfolio in cash and term deposits sufficient to ensure that it has cash readily available to meet all payments. Finally, the assets of the Company are largely in the form of tradable securities which can be sold on market if necessary.

The Company is not exposed to material liquidity risk.

4 Fair value measurement

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

- Long term equity investments
- Financial liabilities held for trading

Fair value hierarchy

AASB 13: Fair value measurement requires disclosure of fair value measurements by level of the fair value hierarchy:

Level 1 – measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability; and

Level 3 – measurements based on unobservable inputs from the asset or liability.

(i) Recurring fair value measurements

The following table presents the Company's assets measured and recognised at fair value as at 30 June 2017 and 30 June 2016.

As at 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long-term equity investments:				
Listed equities	228,362,790	–	–	228,362,790
Listed unit trusts	26,272,000	–	–	26,272,000
Floating rate notes	4,038,500	–	–	4,038,500
Unlisted equities	–	574,543	–	574,543
Total	258,673,290	574,543	–	259,247,833
Financial liabilities				
Financial liabilities held for trading:				
Options	374,650	–	–	374,650
Total	374,650	–	–	374,650

4 Fair value measurement (continued)

(i) Recurring fair value measurements (continued)

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long-term equity investments:				
Listed equities	177,647,250	–	–	177,647,250
Listed unit trusts	33,566,500	–	–	33,566,500
Floating rate notes	2,396,850	–	–	2,396,850
Unlisted equities	–	3,181,350	–	3,181,350
Total	213,610,600	3,181,350	–	216,791,950
Financial liabilities				
Financial liabilities held for trading:				
Options	451,975	–	–	451,975
Total	451,975	–	–	451,975

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets and liabilities have been based on the last close prices at the end of the reporting year.

The investments included in Level 2 of the hierarchy include amounts in relation to entitlement offers and placements to which the Company has subscribed to during the year. These investments have not listed on the Australian Securities Exchange as at year end and therefore represent investments in an inactive market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of quoted prices for similar assets and the amount of securities subscribed for by the Company under the relevant offers.

During the year \$3,181,350 has been transferred from level 2 to level 1. There were no transfers in and out of level 3.

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

(ii) Disclosed fair values

The carrying amounts of receivables and payables other than tax items are reasonable approximations of their fair values due to their short-term nature.



5 Taxation

(a) Income tax expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	30 June 2017 \$	30 June 2016 \$
Prima Facie tax on profit from ordinary activities before income tax of 30% (2016: 30%)	2,766,646	1,940,264
Increase/(decrease) in income tax expense due to:		
Gross up of imputation credits received	783,474	425,590
Imputation credits on dividends received	(2,611,579)	(1,418,633)
Gross up of foreign income tax offsets	81,892	64,824
Foreign income tax offsets	(272,975)	(216,079)
Other	-	(46,359)
Over provisions in previous year	(22,704)	-
	724,754	749,607
Tax expense composition:		
Current tax expense	436,847	539,996
Movement in deferred tax liability	41,356	35,430
Movement in deferred tax asset	258,988	168,405
(Over)/under provisions in previous year	(12,437)	5,776
	724,754	749,607
Effective tax rate is:	7.86%	11.59%

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the current financial year.

5 Taxation (continued)

(b) Deferred tax assets

	30 June 2017 \$	30 June 2016 \$
This balance comprises temporary differences attributable to:		
Accruals	16,539	14,196
Share issue costs capitalised	548,026	526,554
At reporting date	564,565	540,750
Movements		
Opening balance	540,750	709,155
Share issue costs capitalised	282,803	-
Charged to statement of comprehensive income	(258,988)	(168,405)
The rate used at 30 June 2017 is 27.5% (30 June 2016: 30%)	564,565	540,750

(c) Current tax liabilities

Balance at beginning of year	703,492	449,441
Current year income tax on operating profit	436,847	539,996
Realised capital gain	4,678,091	692,332
Net income tax paid	(2,545,194)	(992,186)
Over provisions in previous year	(11,134)	-
Other	-	13,909
At reporting date	3,262,102	703,492

(d) Deferred tax liabilities

This balance comprises temporary differences attributable to:

Fair value adjustment on equity investments	9,641,659	7,694,195
Revaluation of investments held for trading	(9,866)	(4,158)
Income receivable not assessable for tax until receipt	26,123	49,217
Tax deferred distributable income	282,474	182,102
Prepayments	9,178	12,542
Other	(30,315)	-
At reporting date	9,919,253	7,933,898
Movements		
Opening balance	7,933,898	4,027,733
Charged to statement of comprehensive income	(41,356)	35,430
Other	2,026,711	3,870,735
The rate used at 30 June 2017 is 27.5% (30 June 2016: 30%)	9,919,253	7,933,898

6 Cash and cash equivalents

	30 June 2017 \$	30 June 2016 \$
Cash at bank	75,657,537	8,161,728
Short term deposits	–	25,000,000
Total cash and cash equivalents	75,657,537	33,161,728

Reconciliation of operating profit after tax to cash inflows from operating activities.

	30 June 2017 \$	30 June 2016 \$
Net profit after income tax	8,497,402	5,717,941
Changes in operating assets and liabilities		
Unrealised losses on investments held for trading	22,017	228,632
Decrease/(Increase) in dividends/distributions receivable	230,474	(229,033)
Decrease in interest receivable	97,767	74,960
Decrease/(Increase) in other receivables	3,688	(143,094)
Decrease in prepayments	8,432	10,450
Decrease in sundry creditors and accruals	(112,517)	(219,791)
Decrease in deferred tax assets	258,988	168,405
Decrease in current tax provision	(2,119,112)	(260,605)
Increase/(Decrease) in deferred tax liability	41,356	(35,430)
Net cash inflow from operating activities	6,928,495	5,312,435

Prior year comparatives have been restated to conform with current year presentation.

7 Receivables

	30 June 2017 \$	30 June 2016 \$
Interest receivable	2,990	100,757
Dividends/distributions receivable	495,300	725,774
Other receivables	315,938	153,925
Total receivables	814,228	980,456

None of the receivables above are past the due date and are not impaired.

8 Long term equity investments

Financial assets held at fair value through other comprehensive income are all held as long term investments include the following:

	Fair value 30 June 2017 \$	Fair value 30 June 2016 \$
Listed equity securities	259,247,833	216,791,950

The fair value of investments is based on the fair value measurement hierarchy disclosed in note 4(i).

During the year, the total fair value of investments sold in the normal course of the business and to preserve capital were \$72,846,961 (2016: \$30,561,250), and the total dividends received on these investments sold were \$3,035,424 (2016: \$549,942) which are included in the Statement of Profit or Loss and Other Comprehensive Income

9 Financial liabilities held at fair value

Financial liabilities held at fair value through profit or loss are held for trading and include the following:

	Fair value 30 June 2017 \$	Fair value 30 June 2016 \$
Exchange traded options	338,774	438,116
Exchange traded options revaluation	35,876	13,859
Total financial liabilities held at fair value	374,650	451,975

10 Trade creditors and other payables

	30 June 2017 \$	30 June 2016 \$
Payable – investment creditors	1,889,735	4,380,496
Payable - other expenses	470,147	462,078
Total trade creditors and other payables	2,359,882	4,842,574

11 Issued capital

(a) Share capital

	30 June 2017 Number of shares	30 June 2017 Total amount \$	30 June 2016 Number of shares	30 June 2016 Total amount \$
Fully paid ordinary shares	275,070,493	281,113,681	221,388,859	216,339,116



11 Issued capital (continued)

(b) Movements in ordinary share capital

2017 Date		Number of shares	Issue price	Total amount \$
01/07/2016	Opening balance	221,388,859		216,339,116
	Ordinary Shares issued under dividend reinvestment plan- final 2016	119,889	\$1.21	145,705
	Ordinary Shares issued under dividend reinvestment plan- interim 2017	151,656	\$1.24	187,756
	Ordinary Shares offered under Placement	28,688,524	\$1.22	34,999,999
	Ordinary Shares offered under Share Purchase Plan	20,183,778	\$1.22	24,624,868
	Ordinary Shares offered under shortfall	4,537,787	\$1.22	5,536,100
	Share issue cost			(719,863)
30/06/2017	Closing balance	275,070,493		281,113,681

2016 Date		Number of shares	Issue price	Total amount \$
01/07/2015	Opening balance	193,519,550		188,469,807
	Options exercised	27,869,309	\$1.00	27,869,309
30/06/2016	Closing balance	221,388,859		216,339,116

(c) Fully paid ordinary shares

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

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

(d) Shares issued

The Company issued a Prospectus on 23 June 2014 for the offer of up to 200,000,000 fully paid ordinary shares at an offer price of \$1.00 per share to raise up to \$200,000,000, together with 1 option to acquire 1 ordinary share exercisable at \$1.00 per option on or before 15 March 2016. On 21 August 2014, the Company issued 184,620,900 full paid ordinary shares under this initial public offering at \$1.00 per share.

In March, the Company raised \$65m before costs through an institutional Placement and Shareholder Purchase Plan (SPP). The capital raising provided an opportunity for shareholders to increase their shareholding in QVE at a slight discount to the prevailing market price, but at a premium to the pre-existing NTA.

This was achieved through \$35m raised from the institutional Placement, \$24.6m through the Share Purchase Plan and \$5.5m from professional and sophisticated investors which represented a portion of the shortfall in the SPP. A combined 53,410,089 shares were issued through the raising. All shares were offered at \$1.22 per share.

(e) Options

As part of the IPO the Company issued options to acquire ordinary shares in the Company at an exercise price of \$1.00.

(f) Capital management

The Company's objectives in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

12 Reserves**(a) Capital profits reserve**

The capital profits reserve is made up of amounts transferred from asset revaluation reserve for future dividend payments.

	30 June 2017 \$	30 June 2016 \$
Realised profit on sale of investments transferred to reserves	10,617,101	1,514,918
Movements		
Opening balance	1,216,678	274,565
Gain on sale of equities	11,446,959	4,405,918
Loss on sale of equities	(829,858)	(2,891,000)
Dividends provided for or paid	(1,538,865)	(572,805)
Closing balance	10,294,914	1,216,678

(b) Profits reserve

The profits reserve is made up of amounts transferred from retained earnings for future dividend payments.

	30 June 2017 \$	30 June 2016 \$
Profits reserve	4,397,706	2,776,613
Movements		
Opening balance	2,776,613	2,809,550
Transfer from retained earnings	8,497,402	5,717,941
Dividends provided for or paid	(6,876,309)	(5,750,878)
Closing balance	4,397,706	2,776,613



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13 Earnings per share

	30 June 2017 cents	30 June 2016 cents
(a) Basic and diluted earnings per share		
Total earnings per share attributable to the ordinary equity holders of the Company	3.61	2.77
(b) Weighted average number of shares used as denominator		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share is based on the average number of shares as at 30 June 2017 and 30 June 2016	235,279,798	206,797,006

Diluted earnings per share and basic earnings per share are the same as there are no potential dilutive ordinary shares.

14 Dividends

(a) Dividends paid during the year

Dividends paid fully franked at 30% tax rate.

	30 June 2017 \$	30 June 2016 \$
Final dividend FY16: 1.8 cents per share fully franked paid 31 October 2016 (final dividend FY15: 1.5 cents)	3,984,999	3,002,998
Interim dividend FY17: 2.0 cents per share fully franked paid 3 April 2017 (interim dividend FY16: 1.5 cents per share fully franked)	4,430,175	3,320,685
	8,415,174	6,323,683

14 Dividends (continued)

(b) Dividends not recognised at the end of the reporting period

	30 June 2017 \$	30 June 2016 \$
In addition to the above dividends, since period end the Directors have recommended the payment of a final dividend of 2.0 cents per fully paid ordinary share, fully franked based on tax paid at 27.5%. The aggregate amount of the proposed dividend expected to be paid on 31 October 2017 (2016: 31 October 2016) out of the profits of the Company at 30 June 2017 and 30 June 2016, but not recognised as a liability at period end is:	5,501,410	3,984,999

(c) Dividends franking account

The fully franked final dividend to be paid on 31 October 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2017.

	30 June 2017 \$	30 June 2016 \$
Opening balance of franking account	124,683	424,015
Franking credits on dividends received	2,611,579	1,421,890
Tax paid during the period	2,545,194	992,186
Franking credits on ordinary dividends paid	(3,606,503)	(2,710,151)
Franking credits lost under 45 day rule	–	(3,257)
Closing balance of franking account	1,674,953	124,683
Adjustment for tax payable on the current period profits	3,262,102	703,492
Adjusted for dividends declared subsequent to reporting period 27.5% (2016: 30%)	(2,086,742)	(1,707,857)
Adjusted franking account balance	2,850,313	(879,682)

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

Under recent changes to the corporate tax legislation, the final dividend must be franked using the expected tax rate for 2017-18 of 27.5%. Franking on dividends paid during the 2016-17 year remains at 30%.



15 Key management personnel disclosures

The names and position held of the Company's key management personnel (including Directors) in office at any time during the financial year are:

Name	Position
Peter McKillop	Independent Director (Chairman)
John McBain	Independent Director
Jennifer Horrigan	Independent Director
Anton Tagliaferro	Non-Independent Director
Simon Conn	Non-Independent Director

(a) Remuneration

Detailed remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 17.

	30 June 2017 \$	30 June 2016 \$
Short term employee benefits – Directors fees	63,926	91,324
Post employment benefits – Superannuation	36,074	8,676
	100,000	100,000

(b) Share and option holdings of Directors

The number of ordinary shares in the Company that were held during the financial year by each Director of the Company including their personally related parties, are set out below:

2017 Ordinary shares held

Directors	Balance as at 30 June 2016	Acquisitions	Disposals	Balance at 30 June 2017
Peter McKillop	400,000	18,542	-	418,542
John McBain	200,000	6,247	-	206,247
Jennifer Horrigan	-	-	-	-
Anton Tagliaferro	6,000,000	10,000	300,000*	5,710,000
Simon Conn	150,000	-	-	150,000
	6,750,000	34,789	300,000	6,484,789

* Investors Mutual Limited initial capital contribution reduction.

15 Key management personnel disclosures (continued)

(b) Share and option holdings of Directors (continued)

2016 Ordinary shares held

Directors	Balance as at 30 June 2015	Options exercised	Disposals	Balance at 30 June 2016
Peter McKillop	200,000	200,000	-	400,000
John McBain	100,000	100,000	-	200,000
Jennifer Horrigan	-	-	-	-
Anton Tagliaferro	5,000,000	1,000,000	-	6,000,000**
Simon Conn	100,000	50,000	-	150,000
	5,400,000	1,350,000	-	6,750,000

** Holdings include Investors Mutual Limited holdings as required by Section 608 of the Corporations Act 2001.

2017 Options held

The directors did not hold or exercise any options during the current financial year.

2016 Options held

Directors	Balance as at 30 June 2015	Options exercised	Disposals/ Lapsed	Balance at 30 June 2016
Peter McKillop	200,000	200,000	-	-
John McBain	100,000	100,000	-	-
Jennifer Horrigan	-	-	-	-
Anton Tagliaferro	2,500,000	1,000,000	1,500,000	-
Simon Conn	100,000	50,000	50,000	-
	2,900,000	1,350,000	1,550,000	-

Directors and Director related entities disposed of and acquired ordinary shares and options in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.



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16 Related party transactions

All transactions with related entities were made on commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

Anton Tagliaferro is a Director and owner of Investors Mutual Limited (IML), the entity appointed to manage the investment portfolio of QV Equities Limited. In its capacity as Manager, IML was paid a management fee of 0.90% p.a. (plus GST) on the portfolio net asset value for the first \$150 million and then 0.75% (plus GST) thereafter, amounting to \$2,550,828 (2016: \$2,085,598) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit is \$2,376,908 (2016: 1,943,398). As at 30 June 2017, the balance payable to the Manager was \$246,307 (2016: \$186,561).

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.

17 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities conducted in Australia, deriving revenue from dividend income, interest income, and from the sale of its investments.

18 Contingencies and commitments

The Company had no contingent liabilities as at 30 June 2017 and 30 June 2016.

19 Events occurring after the reporting period

Since the end of the financial year, the Directors declared a fully franked final dividend of 2.0 cents per fully paid ordinary share payable on 31 October 2017.

No matter or circumstance has occurred subsequent to period 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 periods.

20 Remuneration of auditors

	30 June 2017 \$	30 June 2016 \$
Audit and other assurance services		
Audit and review of financial report	41,910	40,590
Non-assurance services		
Tax services	15,180	23,100
	57,090	63,690

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 the scope of the other tax compliance services the related entity of the audit firm, to ensure that they do not compromise independence.

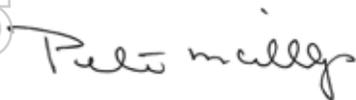
Directors' declaration

In the Directors' opinion,

- (1) the financial statements and notes set out on pages 23 to 46 are in accordance with the *Corporations Act 2001* including:
 - (a) complying with the *Accounting Standards*, the *Corporations Regulations 2001* and any other mandatory professional reporting requirements; and
 - (b) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements; and
 - (c) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year end on that date.
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by S295A of the *Corporations Act 2001*.

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



Peter McKillop, Chairman

16 August 2017



Independent Auditor's Report to the Shareholders



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QV EQUITIES LIMITED ABN 64 169 154 858

Report on the Financial Report

We have audited the accompanying financial report of QV Equities Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Opinion

In our opinion

- a) the financial report of QV Equities Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2 Basis of preparation.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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 Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter

How our audit addressed the matter

Measurement of Financial Instruments

Refer to Note 8: Long Term Equity Investments, Note 9: Financial Liabilities held at fair value

We focused our audit effort on the valuation, existence and completeness of the Company's financial assets and financial liabilities as they are its largest asset and liability and represent the most significant driver of the Company's net tangible assets and profits.

The quantum of level 1 investments held inherently makes financial assets and financial liabilities a key audit matter, in addition however, we focused on whether the assets and liabilities had been appropriately valued to market price in an active market at the period end.

In relation to investments, there can be a risk that these are not owned by the Company.

We therefore identified the valuation, existence and completeness of investments as an area of focus.

Our procedures included, amongst others:

- We obtained an understanding of the investment management process and controls;
- We assessed the Custodian's report describing the design, and operation of controls for custody and administrative services and reviewed the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the period 1 July 2016 to 31 December 2016 for the Custodian, and obtained a bridging letter for the residual 6 months;
- We agreed investment holdings to the external Custodian's records;
- We assessed the valuation of individual investment holdings to independent sources of information to determine an acceptable range of valuations of securities held at 30 June 2017, and compared this to the valuations recorded by the Company;
- We evaluated the treatment of revaluations of financial instruments to ensure current /deferred tax and unrealised gains or losses arising from revaluations have been appropriately accounted for;
- Assessed the adequacy of disclosures in the financial statements.

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Other information

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

Our opinion on the financial report does not cover the other information and 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 consistent 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.

Directors' Responsibility for the Financial Report

The Directors of QV Equities Limited are responsible for the preparation and fair presentation 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 controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore 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.

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REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the Directors' Report for the year ended 30 June 2017. In our opinion, the Remuneration Report of QV Equities Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

S M Whiddett
Partner

Pitcher Partners
Sydney

Dated in Sydney this 16th day of August 2017.

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Shareholder Information For the year ended 30 June 2017

The shareholder information set out below was applicable as at 30 June 2017.

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

A. Long term equity investments

QV Equities Limited Portfolio as at 30 June 2017.

	2017		2016	
	Holding units	Fair value \$	Holding units	Fair value \$
Ordinary Shares, Trust Units or Stapled Securities				
Abacus Property Group	1,000,000	3,240,000	780,000	2,457,000
AGL Energy Limited	220,000	5,610,000	540,000	10,416,600
Amcor Limited*	650,000	10,536,500	130,000	1,940,900
Ansell Limited	440,000	10,441,200	280,000	5,087,600
AusNet Services Limited	4,000,000	6,940,000	4,400,000	7,216,000
ASX Limited*	140,000	7,505,400	175,000	8,008,000
Amaysim Australia Ltd	-	-	1,300,000	2,171,000
Aurizon Holdings Limited*	1,200,000	6,432,000	1,400,000	6,748,000
ALS Limited	-	-	300,000	1,467,000
Asciano Limited	-	-	600,000	5,322,000
Bank of Queensland Limited	900,000	10,305,000	780,000	8,260,200
BWP Trust	900,000	2,682,000	-	-
Cabcharge Australia Limited	1,500,000	3,795,000	900,000	2,871,000
Contact Energy Limited	800,000	3,960,000	580,000	2,827,500
Caltex Australia Limited	320,000	10,115,200	130,000	4,147,000
Clearview Wealth Limited	1,200,000	1,740,000	-	-
Clydesdale Bank	-	-	1,500,000	6,255,000
Cybg PLC	2,250,000	10,597,500	-	-
Chorus Limited	-	-	1,600,000	6,448,000
Duet Group	-	-	2,500,000	6,250,000
Event Hospitality and Entertainment Ltd	280,000	3,743,600	220,000	3,196,600
Fairfax Media Limited	3,000,000	3,300,000	3,300,000	3,069,000
Fletcher Building Limited	1,400,000	10,654,000	1,280,000	10,444,800
Flight Centre Travel Group Limited	100,000	3,830,000	80,000	2,526,400
FlexiGroup Limited	1,200,000	2,190,000	-	-
Generation Healthcare REIT	-	-	580,000	1,276,000
Genesis Energy Limited	2,300,000	5,313,000	1,500,000	3,075,000
GWA Group Limited	2,500,000	7,875,000	3,000,000	6,270,000



Shareholder Information (continued) For the year ended 30 June 2017

	2017		2016	
	Holding units	Fair value \$	Holding units	Fair Value \$
Hotel Property Investments	1,100,000	3,300,000	1,100,000	3,421,000
Integral Diagnostics Limited	2,400,000	3,984,000	2,000,000	2,900,000
Integrated Research Limited	450,000	1,449,000	450,000	1,012,500
Link Administration Holdings Limited	272,727	2,154,543	600,000	4,902,000
Mayne Pharma Group Limited	7,000,000	7,595,000	3,320,000	6,324,600
Myer Holdings Limited	4,200,000	3,507,000	2,200,000	2,464,000
MyState Limited	480,000	2,328,000	480,000	1,982,400
Orica Limited*	450,000	9,306,000	550,000	6,781,500
Oil Search Limited	900,000	6,138,000	750,000	5,002,500
Pact Group Holdings Ltd	1,800,000	10,782,000	1,200,000	7,236,000
Pinnacle Investment Management Group Limited	900,000	2,610,000	-	-
Ruralco Holdings Limited	1,445,000	4,262,750	1,000,000	3,400,000
Shopping Centres Australasia Property Group	3,000,000	6,570,000	2,200,000	5,016,000
Steadfast Group Limited	3,600,000	9,576,000	4,500,000	8,887,500
Sonic Healthcare Limited	500,000	12,110,000	400,000	8,620,000
Skycity Entertainment Group Limited	900,000	3,492,000	950,000	4,142,000
Spark Infrastructure Group	4,000,000	10,480,000	2,350,000	5,734,000
360 Capital Group	-	-	2,300,000	2,196,500
Salmat Limited	2,000,000	770,000	1,600,000	704,000
Southern Cross Media Group Limited	4,500,000	5,602,500	-	-
Trade Me Group Limited	400,000	2,024,000	900,000	3,978,000
Tox Free Solutions Limited	4,000,000	9,600,000	2,000,000	5,180,000
Tatts Group Limited	173,000	723,140	-	-
Wilson Group	-	-	2,000,000	2,900,000
Z Energy Limited	800,000	6,040,000	500,000	3,860,000
Total Equities		255,209,333		214,395,100
Floating Rate Notes				
Crown Resorts Limited unsecured sub floating rate note	4,100,000	4,038,500	2,850,000	2,396,850
Total Equities		4,038,500		2,396,850
Total Portfolio		259,247,833		216,791,950

* Part or all of the security was subject to call options written by the company.

There were 461 (2016: 394) investment transactions during the financial year. The total brokerage paid on these transactions was \$297,325 (2016: \$179,719).

Shareholder Information (continued) For the year ended 30 June 2017

B. Distribution of equity securities

Analysis of numbers of shareholders by size of holding as at 30 June 2017:

Holding	No. of shareholders	Shares	Percentage
1 – 1,000	149	54,184	0.02
1,001 – 5,000	709	2,544,962	0.93
5,001 – 10,000	985	8,171,945	2.97
10,001 – 100,000	4,552	151,751,606	55.16
100,001 and over	298	112,547,796	40.92
	6,693	275,070,493	100

There were 80 holders of less than a marketable parcel of ordinary shares holding a total of 3,573 shares.

C. Equity security holders

Twenty largest shareholders - ordinary shares:

Name	Ordinary shares	
	Numbers held	Percentage of issued shares
Citicorp Nominees Pty Limited	18,014,107	6.55
Navigator Australia Ltd <MLC Investment Sett A/C>	8,503,033	3.09
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	7,565,407	2.75
Austair Pilots Pty Ltd <Aus Air Pilots Mutual f A/C>	3,460,441	1.26
Bennamon Pty Ltd	3,045,795	1.11
HSBC Custody Nominees (Australia) Limited	2,747,968	1.00
AKAT Investments Pty Ltd	2,500,000	0.91
Investors Mutual Ltd	2,200,000	0.80
ZEBPLAND Pty Ltd	2,000,000	0.73
Netwealth Investments Limited <Super Services A/C>	1,705,591	0.62
Australian Executor Trustees	1,534,914	0.56
Netwealth Investments Limited <Wrap Services A/C>	1,500,718	0.55
IOOF Investment Management Ltd	1,412,570	0.51
Citicorp Nominees Pty Limited <DPSL A/C>	1,037,876	0.38
Mr Christopher Peter Jones and Mrs Linda Jones <C&L Jones Super Fund A/C>	1,013,636	0.37
Australian Academy Of Science	1,000,000	0.36
Magnet Investments Pty Ltd	856,719	0.31
Beth Maclaren Smallwood Foundation P/L	800,000	0.29
Meroma Pty Limited	712,295	0.26
Avanteos Investments Limited <FINHQ WRAP I S/P A/C>	623,000	0.23

D. Substantial shareholders

There are currently no substantial shareholders of QV Equities Limited.



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