



# Annual Report

Year ended 30 June 2016

ABN: 64 169 154 858

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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.

### Annual General Meeting

10am, Wednesday 26 October  
Adelaide Room  
Sofitel, Sydney

### Investor Update

11:30am, Wednesday 26 October  
Adelaide Room  
Sofitel, Sydney

# Year in Summary

## Profit after tax

**\$5,717,941**

## Earnings Per Share (cents)

**2.77 Basic**

## Dividends

**3.3 cps Fully Franked**

## Net Assets

**\$237,584,752**

## Management Expense Ratio

**1.09%**

### Portfolio Return (Pre-tax)\*

**+8.2%**

### Portfolio Return (Post-tax)\*

**+6.7%**

**Benchmark\*\***

**+14.7%**

**ASX 300**

**+0.87%**

## QVEO exercised\*\*\*

**36,767,958**

All data as at 30 June 2016

\* Returns are measured for the 2016 financial year

\*\* S&P/ASX300 ex20 index

\*\*\* Options exercised since listing 22 August 2014



# Corporate Directory

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

**Company 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](mailto:info@qvequities.com)  
Website: [www.qvequities.com](http://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



# About the Company

## 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 58% of the market capitalisation of the S&P/ASX 300 Index and is heavily concentrated by industry sector with 71% of the S&P/ASX 20 Index dominated by the Financial and Resource sectors as at 30 June 2016.

## 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 in 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 second annual report to shareholders from QV Equities Limited (the “Company”) and the first report for a full financial year, after the Company listed on the Australian Stock Exchange (‘ASX’) on 22 August 2014. It is also my first report to you as Chairman, after I assumed the Chair from our inaugural Chairman Don Stammer late in the financial year.

## Our objective

The Company’s key objective is to provide investors with the opportunity to invest successfully 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 two-thirds of the market capitalisation of the broader market as measured by the ASX300 index – and is dominated by financial and resource companies.

In comparison, the ex-20 part of the market is much more diversified by market capitalisation and industry exposure. It is also a segment which is less-researched than the larger companies listed on the ASX and it 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 funds manager with an excellent track record of successfully managing Australian equities since 1998.

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 Australian share market

For the financial year ended 30 June 2016 the ASX 300 Accumulation index returned a modest +0.9%. Over the year the market recorded extreme levels of volatility, falling mid way through the financial year as investors fretted over the outlook for US interest rates as global growth in the economies of China and Emerging economies slowed. Following a recovery in sentiment, markets weakened again late in the year following the surprise decision in a UK referendum to leave the EU.

The positive influences on Australian shares have been the steadily improving US economy, the continuation of highly accommodating monetary policies by Central Banks in all major economies with low interest rates encouraging investors to “hunt for yield”. While the stimulus measures implemented in China helped commodity prices stabilise despite continued oversupply in many commodities. The gold price rose strongly as investors sought a safe haven in these uncertain times.

The negative influences on Australian shares have included recurring concerns about the continued instability within the European Union, continued question marks over the sustainability of Chinese growth in the years ahead as well as a general increase in the intensity of competition in certain sectors of the Australian economy such as the supermarket and telco sectors.

*“...the ex-20 part of the market is much more diversified by market capitalisation and industry exposure”*

## The QV Equities portfolio of shares

Over the course of the year the Manager proceeded to cautiously invest, reducing the cash position from 25% at 30 June 2015 to 15% by year end.

March saw the options which were issued at the time of the IPO expire. Some 27.9m options were exercised raising a further \$27.9m for the Company. At 30 June 2016 the Company’s portfolio had a market value of just under \$250m.



## The QV Equities investment performance

The concept of introducing an ex-20 LIC to the market was to provide investors with the opportunity to access a quality portfolio of stocks and provide diversity away from the top 20 sector of the market. The top 20 is heavily concentrated in the Financials and Resources sectors and accordingly does not provide investors with an opportunity to diversify their portfolios.

This diversity proved valuable as both the Financials and large Resource stocks struggled over the year. However, away from these sectors many other companies' share prices did increase, vindicating the original thesis for QVE.

The portfolio gained +8.2% before tax for the Financial year, a solid result and one that was well ahead of the ASX300 index, although the Manager's performance lagged the ex-20 index due to strong gains by several larger companies in the index that the Manager deemed fully valued, such as Sydney Airport and Transurban. The Manager discusses this in more detail in the management report on page 6.

## Financial results

For the year ended 30 June 2016, the net profit after tax was \$5.72 million. On a per share basis, that translates as after-tax basic earnings of 2.77 cents.

A fully franked interim dividend of 1.5 cent per share was paid on 4 April. A final fully franked dividend for the 2016 financial year, of 1.8 cents per share, will be paid on 31 October 2016 (the ex-dividend date for the final dividend will be 6 October 2016).

## In summary

Investment markets remain uncertain and volatile, however investors need to focus on the underlying companies in the portfolio. Share prices may move through time, however the nature of the underlying companies' operations do not necessarily change.

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 26 October 2016.



**Peter McKillop, Chairman**

**17 August 2016**

*“The diversity proved valuable as both the Financials and large Resource stocks struggled over the year”*



# Investment Manager's Report

## Investment Manager's Report

Investors Mutual Limited ('IML') is pleased to report its second investment report for QV Equities Limited and the first full financial year.

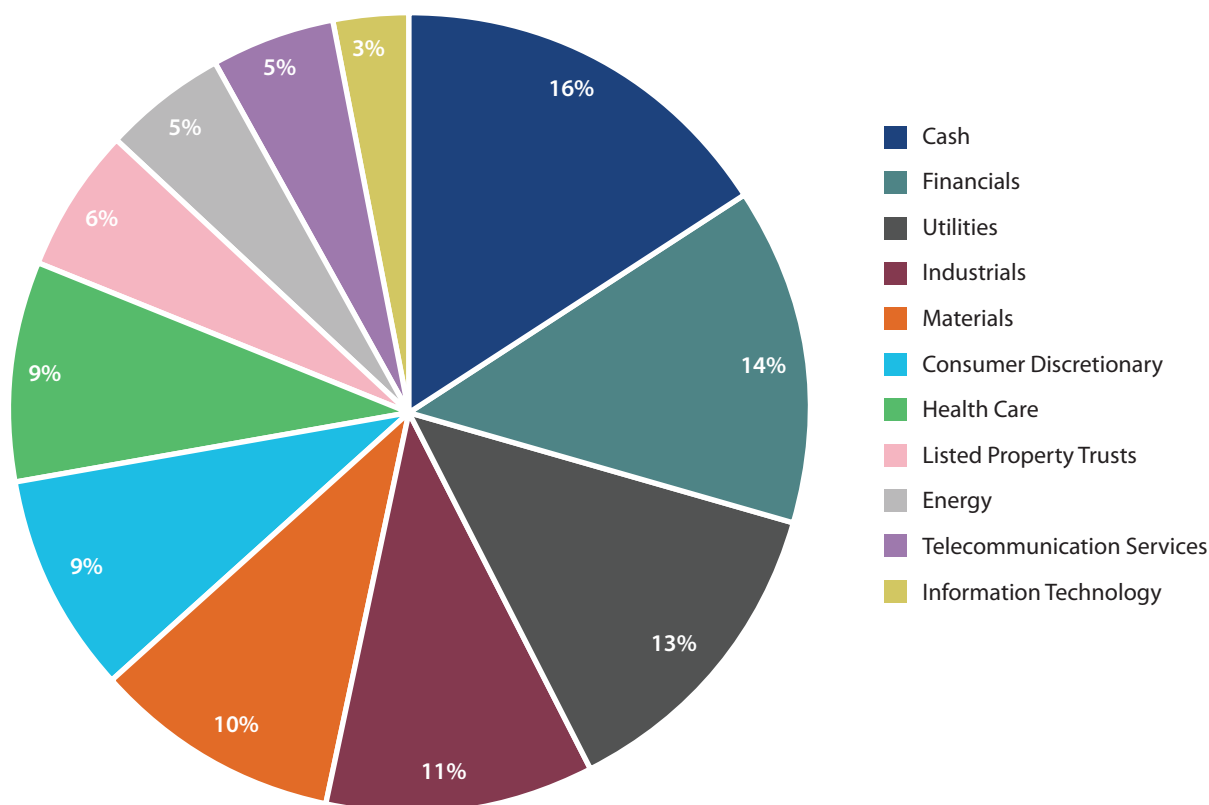
Given the uncertain economic conditions both in Australia and overseas over the last 12 months, IML has remained cautious and prudent in managing the QVE portfolio of stocks outside the top 20.

IML's approach to investing in the sharemarket has been consistent since our 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 47 listed securities spread across various ASX sectors. Some of the top holdings of the Company include some well-known companies such as: AGL Energy, Sonic Healthcare and Fletcher Building as well as other lesser known, but quality companies such as Pact Group, Mayne Pharma and Ansell.

## Portfolio allocation as at 30 June 2016





# Investment Manager's Report (continued)

Key equity investments	Holding weight*
Fletcher Building Limited	4.24
Steadfast Group Limited	3.61
Bank of Queensland Limited	3.36
Sonic Healthcare Limited	3.32
AGL Energy Limited	3.10
Pact Group Holdings Ltd	2.94
AusNet Services Limited	2.93
Orica Limited	2.75
ASX Limited	2.71
Chorus Limited	2.62
Mayne Pharma Group Limited	2.57
GWA Group Limited	2.55
Clydesdale Bank PLC	2.54
Duet Group	2.54
Aurizon Holdings Limited	2.34
Spark Infrastructure Group	2.33
Asciano Limited	2.16
Tox Free Solutions Limited	2.10
Ansell Limited	2.07
Shopping Centres Australasia Property Group	2.04

\*Holding weight as at 30 June 2016

The complete portfolio is shown on page 49 of this financial report.

In March, the options issued at the time of the IPO expired. During the 2016 financial year 27.9m options were exercised which saw an additional \$27.9m raised for the Company. IML took advantage of any pullback in share prices to invest these additional funds so that at the date of writing the Company is around 85% invested in equity holdings. We remain alert to opportunities in periods of weakness to add to the Company's holdings. Given the strong increase recorded by many share prices we have also looked to exit positions that look fully valued.

For the 12 months to 30 June 2016, the QVE portfolio enjoyed another solid year, returning +8.2% before tax, however this return lagged the benchmark. The benchmark return reflects strong gains by the cyclical Materials sector, with gold miners also rallying strongly following an increase in the gold price, while stocks such as iron ore miner Fortescue were also strong performers over the 15/16 financial year. Also boosting the benchmark were gains posted by the property stocks, such as Goodman Group, GPT and Stockland and infrastructure stocks Transurban (now top 20) and Sydney Airport. We believe these stocks do not represent good value and we continue to find better long term value elsewhere.

The current global environment remains a difficult one for investors. Since the GFC investors have been buffeted by two competing forces – low global growth and high consumer debt levels in most developed economies meaning organic earnings growth for many companies remains difficult to achieve. However, investors also face the prospect of the current low interest rate environment continuing for many years to come. Australia's inflation rate has recently fallen to 1.3%, which saw the RBA cut our cash rate to a record low of 1.5% while Australian 10 year bonds recently hit a record low of 1.82%. Given the low alternative rates of return from cash and bonds many equity valuations have been bid up to previously unconsidered valuations as investors have gone in search of income.

# Investment Manager's Report (continued)

With many of the larger stocks on the ASX suffering from a lack of growth or an uncertain earnings outlook we have seen valuations outside of these stocks bid up fairly aggressively. In this environment we have attempted to skew the portfolio towards those companies which we believe remain reasonably priced, yet which can continue to generate earnings growth and pay healthy dividends in the years ahead.

One of the most important contributors to QVE's performance over 2016 was top 10 holding AGL. AGL is one of Australia's leading electricity and gas retailers (and the second oldest company on the ASX), serving both household and commercial & industrial customers. The company is vertically integrated and operates some of the lowest cost electricity generation assets in the National Electricity Market, following the acquisition of Macquarie Generation in late 2014 for a very attractive price. The share price has rallied on the back of firmer wholesale electricity prices, and with new management in place the results have also benefited from cost savings and improved retail margins.

Pact Group was also a strong contributor over the year, gaining +34%. Whilst not a household name, Pact is a leader in its industry being Australia and New Zealand's largest rigid plastic packaging manufacturer. The company operates from 70 sites spread across 7 countries, producing over 22,000 different products for over 6,000 customers. The packaging solutions the company provides are used in everyday life, with over 70% of their revenues derived from consumer staple products. This underpins a very recurring and stable revenue stream. The company has a history of generating very good cashflow which they have reinvested prudently over time to make accretive acquisitions. We believe Pact can continue to grow in future by continuing to execute further acquisitions, whilst placing a renewed focus on organic growth under a newly appointed management team.

IML's outlook for the sharemarket is that it will remain volatile, with the global and Australian economies continuing in a period of subdued growth. Generally low commodity prices will continue to weigh on our economy, whilst high levels of household debt means a broad-based consumer boom is unlikely. However, the lower Australian dollar has provided a benefit to many of our import competing industries and also to our exporters and is helping to rebalance our economy away from the slowdown in the mining sector. In this low growth environment, IML remains focused on investing in companies that we believe can grow through their own initiatives rather than relying on a general economic uptick.

As we have for some time, IML will continue 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; companies taking market share; companies taking costs out of their business or companies that have contracted revenue growth, such as many regulated utility companies for example Ausnet, Duet and Spark Infrastructure, and REIT's such as Shopping Centres Australia and Hotel Property Investments.

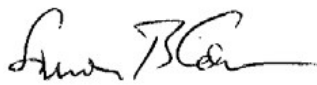
It has been a pleasure to be able to bring IML's investing skills to the Company's portfolio for another year and we and the investment team look forward to meeting shareholders either at the upcoming AGM or any of the investor education forums which we will be holding later in the year. The ex-20 sector of the market is a sector in which IML has delivered good returns for its investors over many years.

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

17 August 2016



Simon Conn  
Senior Portfolio Manager  
Investors Mutual Limited

17 August 2016



# Directors' Report

The Directors present their report together with the financial report of QV Equities Limited ("the Company") for the year ended 30 June 2016.

## 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
Don Stammer	Independent Director (Resigned 14 June 2016)	17 April 2014
Peter McKillop	Independent Director (Chairman)	17 April 2014
John McBain	Independent Director	17 April 2014
Jennifer Horrigan	Independent Director	26 April 2016
Graham Hook	Non-independent Director (Resigned 26 April 2016)	17 April 2014
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 to in the future.

## Dividends

Dividends paid to shareholders were as follows:

	Dividend rate	Total amount	Date of payment	% Franked
<b>2016</b>				
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%
<b>2015</b>				
Ordinary shares – interim 2015	0.5 cents	\$941,993	02/04/2015	100%

Since year end, the Directors have declared a final fully franked dividend of 1.8 cents per fully paid ordinary share to be paid on 31 October 2016.

# Directors' Report (continued)

## 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.

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

Performance	QVE's NTA	Benchmark
12 months to 30 June 2016	+6.7%	+14.7%
31 December 2015 to 30 June 2016	+3.6%	+9.4%

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

Investment operations for the year ended 30 June 2016 resulted in an operating profit before tax of \$6,467,548 (2015: \$4,456,018) and an operating profit after tax of \$5,717,941 (2015: \$3,751,543).

Net Tangible Assets (NTA) for each ordinary share as at 30 June 2016 (calculated on market value less realisation costs and all applicable taxes and before provision of dividends) amounted to \$1.11 (2015: \$1.05) per share. NTA after provision for tax on realised gains but before tax on unrealised gain was \$1.07 (2015: \$1.03) per share.

On 21 August 2014, the Company issued options to acquire ordinary shares in the Company at an exercise price of \$1.00 with an expiry date of 15 March 2016. During the year 27,869,309 options were exercised.

Further information on the operating and financial review of the Company is contained in the Chairman's letter on pages 4 to 5 of the Annual Report.

## Financial position

The net asset value of the Company at 30 June 2016 was \$237,584,752 (2015: \$200,334,933).

## 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 2016.

## Matters subsequent to the end of the period

Since the end of the financial year, the Directors declared a fully franked final dividend of 1.8 cents per fully paid ordinary share payable on 31 October 2016.

Subsequent to year end the Board of QV Equities has announced the introduction of a Dividend Reinvestment Plan (DRP) as part of QVE's ongoing capital management strategy. The DRP allows eligible shareholders to reinvest part or all their dividends into new QVE shares. QVE expects the DRP will be available for the final dividend of 2016 and will apply for subsequent dividends unless notice is given for its suspension or termination.

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 6 to 8 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.

## 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 \$2.0 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 QVE 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 2016, and the numbers of meetings attended by each Director were:

Directors	Directors' meetings		Meeting of committees			
			Audit		Nomination	
	A	B	A	B	A	B
Don Stammer (Chair, resigned 14 June 2016)	7	7	4	4	3	3
Peter McKillop	6	7	4	4	3	3
John McBain	7	7	4	4	3	3
Jennifer Horrigan	2	2	1	1	–	–
Graham Hook	5	5	–	–	–	–
Anton Tagliaferro	5	7	–	–	–	–
Simon Conn	4	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), Graham Hook (CEO until 26 April 2016), Anton Tagliaferro (Executive Director), Simon Conn (Executive Director) and Linda Kwong (CFO and Company Secretary until 22 February 2016) 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 2016.

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

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.

2015	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
<b>Non-executive Directors</b>			
Don Stammer	36,530	3,470	40,000
Peter McKillop	20,548	9,452	30,000
John McBain	27,397	2,603	30,000
<b>Total key management personnel compensation</b>	<b>84,475</b>	<b>15,525</b>	<b>100,000</b>

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individual benefits for financial year 2016 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 \$2,085,598 (2015: \$1,614,248) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit is \$1,943,398 (2015: 1,504,186). As at 30 June 2016, the balance payable to the manager was \$186,561 (2015: \$158,852).

The Manager agreed to pay Jennifer Horrigan's remuneration (\$7,500) during the transition period.

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, Zac Azzi, Graham Hook and Linda Kwong 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 2016, the Company's Directors and their related parties held the following interests in the Company:

### 2016 Ordinary shares 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	–	400,000
John McBain	Non-executive Director	100,000	100,000	–	200,000
Jennifer Horrigan	Non-executive Director	–	–	–	–
Anton Tagliaferro	Executive Director	2,500,000	1,000,000	–	3,500,000
Simon Conn	Executive Director	100,000	50,000	–	150,000
		<b>2,900,000</b>	<b>1,350,000</b>	–	<b>4,250,000</b>

# Directors' Report (continued)

## 2015 Ordinary shares held

Director	Position	Balance at 17 April 2014	Acquisitions	Disposals	Balance at 30 June 2015
Don Stammer	Chairman	–	350,000	–	350,000
Peter McKillop	Non-executive Director	–	200,000	–	200,000
John McBain	Non-executive Director	–	100,000	–	100,000
Graham Hook	Executive Director	–	–	–	–
Anton Tagliaferro	Executive Director	–	2,500,000	–	2,500,000
Simon Conn	Alternate Director	–	100,000	–	100,000
		–	3,250,000	–	3,250,000

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

## 2016 Options held

Director	Position	Balance at 17 April 2014	Acquisitions	Disposals	Balance at 30 June 2015
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	–
		<b>2,900,000</b>	<b>1,350,000</b>	<b>1,550,000</b>	–

## 2015 Options held

Director	Position	Balance at 17 April 2014	Acquisitions	Disposals	Balance at 30 June 2015
Don Stammer	Chairman	–	350,000	–	350,000
Peter McKillop	Non-executive Director	–	200,000	–	200,000
John McBain	Non-executive Director	–	100,000	–	100,000
Graham Hook	Executive Director	–	–	–	–
Anton Tagliaferro	Executive Director	–	2,500,000	–	2,500,000
Simon Conn	Executive Director	–	100,000	–	100,000
		–	3,250,000	–	3,250,000



# Directors' Report (continued)

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

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

## End of Remuneration Report

## Insurance and indemnification of Officers and Auditors

During the financial year, the Company 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 19.

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



Peter McKillop, Chairman

17 August 2016



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 2016, 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

17 August 2016



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# Financial Statements

## Statement of Comprehensive Income

	Notes	30 June 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
<b>Investment income</b>			
Dividend income		7,353,582	3,740,569
Interest income		1,170,291	2,505,090
Realised gains/(losses) on investments held for trading		486,551	(95,679)
Unrealised (losses)/gains on investments held for trading		(228,632)	214,774
Other income		112,893	74,212
<b>Total investment income</b>		<b>8,894,685</b>	<b>6,438,966</b>
<b>Expenses</b>			
Management fees		1,943,398	1,504,186
Directors' fees		100,000	100,000
ASX fees		66,312	105,702
Registry fees		89,926	84,698
Other expenses		227,501	188,362
<b>Total expenses</b>		<b>2,427,137</b>	<b>1,982,948</b>
<b>Profit before income tax</b>		<b>6,467,548</b>	<b>4,456,018</b>
Income tax expense	5	749,607	704,475
<b>Profit after income tax</b>		<b>5,717,941</b>	<b>3,751,543</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Movement in fair value of long term equity investments, net of tax		9,986,252	9,055,576
<b>Total comprehensive income for the year, net of tax</b>		<b>15,704,193</b>	<b>12,807,119</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	13	2.77	2.81
Diluted earnings per share (cents per share)	13	2.77	2.78

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



# Financial Statements (continued) For the year ended 30 June 2016

## Statement of Financial Position

	Notes	30 June 2016 \$	30 June 2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	33,161,728	52,397,844
Receivables	7	980,456	710,151
Prepayments		41,807	50,239
<b>Total current assets</b>		<b>34,183,991</b>	53,158,234
<b>Non-current assets</b>			
Long-term equity investments	8	216,791,950	155,210,278
Deferred tax assets	5	540,750	709,155
<b>Total non-current assets</b>		<b>217,332,700</b>	155,919,433
<b>Total assets</b>		<b>251,516,691</b>	209,077,667
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade creditors and other payables	10	4,842,574	3,974,230
Current tax liabilities	5	703,492	449,441
Financial liabilities held at fair value	9	451,975	291,330
<b>Total current liabilities</b>		<b>5,998,041</b>	4,715,001
<b>Non-current liabilities</b>			
Deferred tax liability	5	7,933,898	4,027,733
<b>Total non-current liabilities</b>		<b>7,933,898</b>	4,027,733
<b>Total liabilities</b>		<b>13,931,939</b>	8,742,734
<b>Net assets</b>		<b>237,584,752</b>	200,334,933
<b>Equity</b>			
Issued capital	11	216,339,116	188,469,807
Asset revaluation reserve		17,252,345	8,781,011
Capital profits reserve	12	1,216,678	274,565
Reserves	12	2,776,613	2,809,550
<b>Total equity</b>		<b>237,584,752</b>	200,334,933

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

# Financial Statements (continued) For the year ended 30 June 2016

## Statement of Changes in Equity

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

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

## Statement of Changes in Equity

For the period from 17 April 2014 to 30 June 2015						
Notes	Issued capital \$	Profits reserve \$	Asset revaluation reserve \$	Capital profits reserve \$	Retained profits \$	Total \$
<b>Balance at 17 April 2014*</b>	–	–	–	–	–	–
Profit for the period	–	–	–	–	3,751,543	3,751,543
<b>Other comprehensive income</b>						
Net revaluation of investments	–	–	9,055,576	–	–	9,055,576
<b>Total other comprehensive income for the period</b>	–	–	9,055,576	–	3,751,543	12,807,119
<b>Transactions with equity holders in their capacity as owners</b>						
Shares issued on incorporation	11	1	–	–	–	1
Shares issued under IPO	11	181,617,990	–	–	–	181,617,990
Costs of issued capital	11	(2,046,833)	–	–	–	(2,046,833)
Shares issued on options exercised	11	8,898,649	–	–	–	8,898,649
Dividends provided for or paid	14	–	–	–	(941,993)	(941,993)
<b>Other</b>						
Realised profit on sale of investments transferred to reserves	12	–	–	(274,565)	274,565	–
Transfer to profits reserve	12	–	2,809,550	–	(2,809,550)	–
<b>Balance at 30 June 2015</b>	<b>188,469,807</b>	<b>2,809,550</b>	<b>8,781,011</b>	<b>274,565</b>	<b>–</b>	<b>200,334,933</b>

\* For the year ended 30 June 2015, the Company early adopted AASB 9: Financial Instruments Standard which allows equity instruments realised gains and losses to be recognised through a capital profits reserve and not through the profit and loss as previously required by AASB 139.

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



# Financial Statements (continued) For the year ended 30 June 2016

## Statement of Cash Flow

	Notes	30 June 2016 \$	For the period from 17 April 2014 to 30 June 2015 \$
<b>Cash flows from operating activities</b>			
Dividends/distributions received		7,124,548	3,243,828
Interest received		1,245,251	2,329,372
Net realised gains/(losses) on exchange traded options		418,563	(95,679)
Payments for other expenses		(2,592,946)	(1,981,869)
Other income		109,205	74,212
Income tax paid		(992,186)	–
<b>Net cash inflow from operating activities</b>	6	<b>5,312,435</b>	<b>3,569,864</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(76,562,091)	(144,468,959)
Proceeds from sale of investments		30,467,914	5,769,066
<b>Net cash outflow from investing activities</b>		<b>(46,094,177)</b>	<b>(138,699,893)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(6,323,683)	(941,933)
Proceeds from issue of ordinary shares		–	181,617,990
Shares issued on options exercised		27,869,309	8,898,649
Share issue transaction costs		–	(2,046,833)
<b>Net cash inflow from financing activities</b>		<b>21,545,626</b>	<b>187,527,873</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(19,236,116)</b>	<b>52,397,844</b>
Cash and cash equivalents held at the beginning of the year		52,397,844	–
<b>Cash and cash equivalents at the end of the year</b>	6	<b>33,161,728</b>	<b>52,397,844</b>

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 17 August 2016.

## 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 2016 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

Amounts in the financial statements have been rounded to the nearest dollar.

### (n) Functional and presentation currency

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

### (o) Comparatives

Comparatives are for the period 17 April 2014, being the date of incorporation to 30 June 2015, whereas the current year balances are for the year ended 30 June 2016.



### 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 as at 30 June 2016 and 30 June 2015 is listed below:

	2016	2015
Industry sector	%	%
Financials	14.2	11.2
Utilities	13.3	14.7
Industrials	11.2	8.6
Materials	10.4	9.2
Consumer Discretionary	9.3	8.5
Health Care	9.1	7.4
Listed property trust	5.8	5.8
Energy	5.3	5.6
Telecommunications	3.5	3.3
Information Technology	2.4	-
	<b>84.5</b>	74.3
Cash	15.5	25.7
	<b>100.0</b>	100.0

As at 30 June 2016, 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 85% (2015: 74%) 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	
	2016 \$	2015 \$
Increase 5%	7,571,899	5,422,163
Decrease 5%	(7,571,899)	(5,422,163)
Increase 10%	15,143,798	10,844,326
Decrease 10%	(15,143,798)	(10,844,326)

##### (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 2016	Floating interest rate \$	Non- interest bearing \$	Total \$
<b>Financial assets</b>			
Cash and cash equivalents	33,161,728	–	33,161,728
Receivables	–	980,456	980,456
Long-term equity investments	–	216,791,950	216,791,950
	33,161,728	217,772,406	250,934,134
<b>Financial liabilities</b>			
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)
<b>Net exposure to interest rate risk</b>	<b>33,161,728</b>	<b>212,477,857</b>	<b>245,639,585</b>



### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

30 June 2015	Floating interest rate \$	Non- interest rate \$	Total \$
<b>Financial assets</b>			
Cash and cash equivalents	52,397,844	–	52,397,844
Receivables	–	710,151	710,151
Long-term equity investments	–	155,210,278	155,210,278
	52,397,844	155,920,429	208,318,273
<b>Financial liabilities</b>			
Trade creditors and other payables	–	(3,974,230)	(3,974,230)
Financial liabilities held at fair value	–	(291,330)	(291,330)
	–	(4,265,560)	(4,265,560)
<b>Net exposure to interest rate risk</b>	52,397,844	151,654,869	204,052,713

#### Sensitivity analysis

At 30 June 2016, if interest rates had increased/decreased by 75 basis points (2015: 75 basis points) from the period end rates with all other variables held constant, post-tax profit for the period would have been \$214,630 (2015: \$473,375) higher/\$214,630 (2015: \$473,375) 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 2016 is 1.98% (2015: 2.33%).

#### 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 2016 and 30 June 2015.

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
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
<b>Total</b>	<b>213,610,600</b>	<b>3,181,350</b>	<b>–</b>	<b>216,791,950</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Options	451,975	–	–	451,975
<b>Total</b>	<b>451,975</b>	<b>–</b>	<b>–</b>	<b>451,975</b>



## 4 Fair value measurement (continued)

### (i) Recurring fair value measurements (continued)

As at 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Long-term equity investments:				
Listed equities	131,077,896	–	–	131,077,896
Listed unit trusts	21,952,132	–	–	21,952,132
Floating rate notes	2,180,250	–	–	2,180,250
<b>Total</b>	<b>155,210,278</b>	<b>–</b>	<b>–</b>	<b>155,210,278</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Options	291,330	–	–	291,330
<b>Total</b>	<b>291,330</b>	<b>–</b>	<b>–</b>	<b>291,330</b>

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.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year, relating to the listing of the unlisted equity securities as at year end. 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 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Prima Facie tax on profit from ordinary activities before income tax of 30%	<b>1,940,264</b>	1,336,805
Increase/(decrease) in income tax expense due to:		
Gross up of imputation credits received	<b>425,590</b>	247,952
Imputation credits on dividends received	<b>(1,418,633)</b>	(821,299)
Gross up of foreign income tax offsets	<b>64,824</b>	–
Foreign income tax offsets	<b>(216,079)</b>	(58,983)
Other	<b>(46,359)</b>	–
	<b>749,607</b>	704,475
<b>Tax expense composition</b>		
Current tax expense	<b>539,996</b>	331,770
Movement in deferred tax liability	<b>35,430</b>	204,272
Movement in deferred tax asset	<b>168,405</b>	168,433
Under provisions in previous year	<b>5,776</b>	–
	<b>749,607</b>	704,475
<b>Effective tax rate</b>	<b>11.59%</b>	15.8%

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 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
<b>This balance comprises temporary differences attributable to:</b>		
Accruals	14,196	7,345
Share issue costs capitalised	526,554	701,810
<b>At reporting date</b>	<b>540,750</b>	<b>709,155</b>
<b>Movements</b>		
Opening balance	709,155	–
Share issue costs capitalised	–	877,327
Charged to statement of comprehensive income	(168,405)	(168,433)
Other	–	261
	<b>540,750</b>	<b>709,155</b>

### (c) Current tax liabilities

Balance at beginning of year	449,441	–
Current year income tax on operating profit	539,996	331,770
Realised capital gain	692,332	117,671
Net income tax paid	(992,186)	–
Other	13,909	–
<b>At reporting date</b>	<b>703,492</b>	<b>449,441</b>

### (d) Deferred tax liabilities

**This balance comprises temporary differences attributable to:**

Fair value adjustment on equity investments	7,694,195	3,823,460
Revaluation of investments held for trading	(4,158)	64,434
Income receivable not assessable for tax until receipt	49,217	83,915
Tax deferred distributable income	182,102	40,853
Prepayments	12,542	15,071
<b>At reporting date</b>	<b>7,933,898</b>	<b>4,027,733</b>
<b>Movements</b>		
Opening balance	4,027,733	–
Charged to statement of comprehensive income	35,430	204,273
Other	3,870,735	3,823,460
	<b>7,933,898</b>	<b>4,027,733</b>

## 6 Cash and cash equivalents

	30 June 2016 \$	30 June 2015 \$
Cash at bank	8,161,728	7,397,844
Short term deposits	25,000,000	45,000,000
<b>Total cash and cash equivalents</b>	<b>33,161,728</b>	<b>52,397,844</b>

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

	30 June 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Net profit after income tax	5,717,941	3,751,543
<b>Changes in operating assets and liabilities</b>		
Unrealised gains on investments held for trading	(228,632)	(214,774)
Increase in dividends/distributions receivable	(229,033)	(496,741)
Decrease/(Increase) in interest receivable	74,960	(175,717)
Increase in other receivables	(143,094)	(528,291)
Decrease/(Increase) in prepayments	10,450	(50,238)
(Decrease)/Increase in sundry creditors and accruals	(219,791)	579,606
Increase in deferred tax assets	168,405	168,433
Increase in current tax provision	196,659	331,770
(Decrease)/Increase in deferred tax liability	(35,430)	204,273
<b>Net cash inflow from operating activities</b>	<b>5,312,435</b>	<b>3,569,864</b>

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

## 7 Receivables

	30 June 2016 \$	30 June 2015 \$
Interest receivable	100,757	175,717
Dividends/distributions receivable	725,774	496,741
Other receivables	153,925	37,693
<b>Total receivables</b>	<b>980,456</b>	<b>710,151</b>

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 2016 \$	Fair value 30 June 2015 \$
Listed equity securities	216,791,950	155,210,278

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

## 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 2016 \$	Fair value 30 June 2015 \$
Exchange traded options	438,116	506,104
Exchange traded options revaluation	13,859	(214,774)
<b>Total financial liabilities held at fair value</b>	<b>451,975</b>	<b>291,330</b>

## 10 Trade creditors and other payables

	30 June 2016 \$	30 June 2015 \$
Payable – investment creditors	4,380,496	3,356,930
Uncleared options	–	240,000
Payable – other expenses	462,078	337,300
<b>Total trade creditors and other payables</b>	<b>4,842,574</b>	<b>3,974,230</b>

## 11 Issued capital

### (a) Share capital

	30 June 2016 Number of shares	30 June 2016 Total amount \$	30 June 2015 Number of shares	30 June 2015 Total amount \$
Fully paid ordinary shares	221,388,859	216,339,116	193,519,550	188,469,807



## 11 Issued capital (continued)

### (b) Movements in ordinary share capital

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
<b>30/06/2016</b>	<b>Closing balance</b>	<b>221,388,859</b>		<b>216,339,116</b>

2015 Date		Number of shares	Issue price	Total amount \$
17/04/2014	Opening balance	–	–	–
	Shares issued on incorporation	1	\$1.00	1
	Shares issued under IPO	184,620,900	\$0.98	181,617,990
	Options exercised	8,898,649	\$1.00	8,898,649
	Cost of issued capital	–	\$1.00	(2,046,833)
<b>30/06/2015</b>	<b>Closing balance</b>	<b>193,519,550</b>		<b>188,469,807</b>

### (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 under IPO

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.

### (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.

The options expired on 15 March 2016. As at that date 27,869,309 options were exercised during the period.

### (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 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Realised profit on sale of investments transferred to reserves	<b>1,514,918</b>	274,565
<b>Movements</b>		
Opening balance	<b>274,565</b>	–
Gain on sale of equities	<b>4,405,918</b>	308,585
Loss on sale of equities	<b>(2,891,000)</b>	(34,020)
Dividends provided for or paid	<b>(572,805)</b>	–
<b>Closing balance</b>	<b>1,216,678</b>	274,565

### (b) Profits reserve

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

	30 June 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Profits reserve	<b>2,776,613</b>	2,809,550
<b>Movements</b>		
Opening balance	<b>2,809,550</b>	–
Transfer from retained earnings	<b>5,717,941</b>	2,809,550
Dividends provided for or paid	<b>(5,750,878)</b>	–
<b>Closing balance</b>	<b>2,776,613</b>	2,809,550

## 13 Earnings per share

	30 June 2016 cents	Period from 17 April 2014 to 30 June 2015 cents
<b>(a) Basic earnings per share</b>		
Total earnings per share attributable to the ordinary equity holders of the Company	<b>2.77</b>	2.81
<b>(b) Diluted earnings per share</b>		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	<b>2.77</b>	2.78
	<b>\$</b>	<b>\$</b>
<b>(c) Weighted average number of shares used as denominator</b>		
Weighted average number of shares used as the denominator in calculating basic earnings per share is based on the average number of shares as at 30 June 2016 and 30 June 2015	<b>206,797,006</b>	133,630,413
Weighted average number of shares used as the denominator in calculating diluted earnings per share is based on the average number of shares as at to 30 June 2016 and 30 June 2015, plus the weighted average number of unexercised options as at 30 June 2016 and 30 June 2015.	<b>206,797,006</b>	134,869,304

## 14 Dividends

### (a) Dividends paid during the year

Dividends paid fully franked at 30% tax rate.

	30 June 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Final dividend FY15: 1.5 cents per share fully franked paid 6 November 2015 (final dividend FY14: Nil)	<b>3,002,998</b>	–
Interim dividend FY16: 1.5 cents per share fully franked paid 4 April 2016 (interim dividend FY15: 0.5 cents per share fully franked)	<b>3,320,685</b>	941,993
	<b>6,323,683</b>	941,993



## 14 Dividends (continued)

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

	30 June 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 1.8 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 31 October 2016 (2015: 6 November 2015) out of the profits of the Company at 30 June 2016 and 30 June 2015, but not recognised as a liability at year end is:	<b>3,984,999</b>	2,976,303

### (c) Dividends franking account

The fully franked final dividend to be paid on 31 October 2016 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 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Opening balance of franking account	<b>424,015</b>	–
Franking credits on dividends received	<b>1,421,890</b>	823,755
Tax paid during the period	<b>992,186</b>	–
Franking credits on ordinary dividends paid	<b>(2,710,151)</b>	(397,284)
Franking credits lost under 45 day rule	<b>(3,257)</b>	(2,456)
<b>Closing balance of franking account</b>	<b>124,683</b>	424,015
Adjustment for tax payable on the current period profits	<b>703,492</b>	449,441
Adjusted for dividends declared subsequent to reporting period	<b>(1,707,857)</b>	(1,275,558)
<b>Adjusted franking account balance</b>	<b>(879,682)</b>	(402,102)

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.

## 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
Don Stammer	Independent Director (Resigned 14 June 2016)
Peter McKillop	Independent Director (Chairman)
John McBain	Independent Director
Jennifer Horrigan	Independent Director
Graham Hook	Non-Independent Director (Resigned 26 April 2016)
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 15.

	30 June 2016 \$	Period from 17 April 2014 to 30 June 2015 \$
Short term employee benefits – Directors fees	<b>91,324</b>	84,475
Post employment benefits – Superannuation	<b>8,676</b>	15,525
	<b>100,000</b>	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:

#### 2016 Ordinary shares held

Directors	Balance as at 30 June 2015	Options exercised	Disposals	Balance at 30 June 2016
Peter McKillop	<b>200,000</b>	<b>200,000</b>	–	<b>400,000</b>
John McBain	<b>100,000</b>	<b>100,000</b>	–	<b>200,000</b>
Jennifer Horrigan	–	–	–	–
Anton Tagliaferro	<b>2,500,000</b>	<b>1,000,000</b>	–	<b>3,500,000</b>
Simon Conn	<b>100,000</b>	<b>50,000</b>	–	<b>150,000</b>
	<b>2,900,000</b>	<b>1,350,000</b>	–	<b>4,250,000</b>



## 15 Key management personnel disclosures (continued)

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

## 2015 Ordinary shares held

Directors	Balance as at 17 April 2014	Acquisitions	Disposals	Balance at 30 June 2015
Don Stammer	–	350,000	–	350,000
Peter McKillop	–	200,000	–	200,000
John McBain	–	100,000	–	100,000
Jennifer Horrigan	–	–	–	–
Anton Tagliaferro	–	2,500,000	–	2,500,000
Simon Conn	–	100,000	–	100,000
	–	3,250,000	–	3,250,000

## 2016 Options held

Directors	Balance as at 30 June 2015	Options exercised	Disposals/ lapsed	Balance at 30 June 2015
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	–

## 2015 Options held

Directors	Balance as at 17 April 2014	Acquisitions	Disposals	Balance at 30 June 2015
Don Stammer	–	350,000	–	350,000
Peter McKillop	–	200,000	–	200,000
John McBain	–	100,000	–	100,000
Graham Hook	–	–	–	–
Anton Tagliaferro	–	2,500,000	–	2,500,000
Simon Conn	–	100,000	–	100,000
	–	3,250,000	–	3,250,000

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.

## 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 \$2,085,598 (2015: \$1,614,248) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit is \$1,943,398 (2015: 1,504,186). As at 30 June 2016, the balance payable to the Manager was \$186,561 (2015: \$158,852).

The Manager agreed to pay Jennifer Horrigan's remuneration (\$7,500) during the transition period.

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 2016 and 30 June 2015.

## 19 Events occurring after the reporting period

Since the end of the financial year, the Directors declared a fully franked final dividend of 1.8 cents per fully paid ordinary share payable on 31 October 2016.

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 2016 \$	Period from 17 April 2015 to 30 June 2015 \$
<b>Audit and other assurance services</b>		
Audit and review of financial report	40,590	61,570
Fees in relation to Investigating Accountants Report for the prospectus	–	46,420
<b>Non-assurance services</b>		
Tax services	23,100	53,304
	<b>63,690</b>	<b>161,294</b>

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

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## **In the Directors' opinion,**

- (1) the financial statements and notes set out on pages 22 to 45 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 2016 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

17 August 2016



# 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 2016, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

#### *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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state that, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity'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 entity's 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

### *Independence*

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

### *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 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion, the Remuneration Report of QV Equities Limited for the year ended 30 June 2016 complies with section 300A of the Corporations Act 2001.

S M Whiddett  
Partner

Pitcher Partners  
Sydney

17 August 2016

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# Shareholder Information For the year ended 30 June 2016

The shareholder information set out below was applicable as at 30 June 2016.

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 2016.

	2016		2015	
	Holding units	Fair value \$	Holding units	Fair value \$
<b>Ordinary Shares, Trust Units or Stapled Securities</b>				
Abacus Property Group	780,000	2,457,000	725,000	2,117,000
AGL Energy Limited*	540,000	10,416,600	550,000	8,552,500
ALS Limited	300,000	1,467,000	–	–
Amaysim Australia Ltd	1,300,000	2,171,000	1,515,000	2,727,000
Amcors Limited*	130,000	1,940,900	–	–
Ansell Limited	280,000	5,087,600	220,000	5,299,800
AusNet Services Limited	4,400,000	7,216,000	3,400,000	4,743,000
Asciano Limited	600,000	5,322,000	–	–
ASX Limited	175,000	8,008,000	145,000	5,785,500
Aurizon Holdings Limited*	1,400,000	6,748,000	750,000	3,847,500
Bank of Queensland Limited	780,000	8,260,200	520,000	6,640,400
Cabcharge Australia Limited	900,000	2,871,000	–	–
Caltex Australia Limited	130,000	4,147,000	110,000	3,503,500
Chorus Limited	1,600,000	6,448,000	1,550,000	3,983,500
Contact Energy Limited	580,000	2,827,500	–	–
Crown Resorts Limited	–	–	220,000	2,684,000
Clydesdale Bank	1,500,000	6,255,000	–	–
Duet Group	2,500,000	6,250,000	1,000,000	2,310,000
Energy Developments Limited	–	–	960,000	7,008,000
Event Hospitality and Entertainment Ltd	220,000	3,196,600	240,000	3,009,600
ERM Power Limited	–	–	1,700,000	3,944,000
Fairfax Media Limited	3,300,000	3,069,000	–	–
Fletcher Building Limited	1,280,000	10,444,800	850,000	6,128,500
Flight Centre Travel Group Limited	80,000	2,526,400	–	–
Generation Healthcare REIT	580,000	1,276,000	580,000	956,832
Genesis Energy Limited	1,500,000	3,075,000	1,000,000	1,570,000
GWA Group Limited	3,000,000	6,270,000	2,750,000	6,270,000

# Shareholder Information (continued) For the year ended 30 June 2016

## A. Long term equity investments (continued)

	2016		2015	
	Holding units	Fair value \$	Holding units	Fair Value \$
Hotel Property Investments	1,100,000	3,421,000	1,100,000	2,827,000
IPH Limited	–	–	238,095	1,119,047
Integral Diagnostics Limited	2,000,000	2,900,000	–	–
Integrated Research Limited	450,000	1,012,500	–	–
Link Administration Holdings Limited	600,000	4,902,000	–	–
Mayne Pharma Group Limited	3,320,000	6,324,600	2,150,000	2,117,750
Medibank Private Limited	–	–	480,000	964,800
MyState Limited	480,000	1,982,400	460,000	2,221,800
Myer Holdings Limited	2,200,000	2,464,000	–	–
Orora Limited	–	–	750,000	1,567,500
Orica Limited	550,000	6,781,500	400,000	8,512,000
Oil Search Limited	750,000	5,002,500	620,000	4,420,600
Pact Group Holdings Ltd	1,200,000	7,236,000	900,000	4,212,000
Ruralco Holdings Limited	1,000,000	3,400,000	1,000,000	3,500,000
Shopping Centres Australasia Property Group	2,200,000	5,016,000	2,160,000	4,600,800
Steadfast Group Limited	4,500,000	8,887,500	4,200,000	6,783,000
Sonic Healthcare Limited*	400,000	8,620,000	370,000	7,906,900
Skycity Entertainment Group Limited	950,000	4,142,000	800,000	3,000,000
Spark Infrastructure Group	2,350,000	5,734,000	1,100,000	2,150,500
Salmat Limited	1,600,000	704,000	3,200,000	2,304,000
Santos Limited	–	–	270,000	2,114,100
360 Capital Group	2,300,000	2,196,500	2,100,000	2,247,000
Trade Me Group Limited	900,000	3,978,000	1,000,000	3,020,000
Tox Free Solutions Limited	2,000,000	5,180,000	1,350,000	4,077,000
Wilson Group	2,000,000	2,900,000	–	–
Z Energy Limited Total Equities	500,000	3,860,000	440,000	2,283,600
<b>Total equities</b>	<b>61,205,000</b>	<b>214,395,100</b>	<b>43,873,095</b>	<b>153,030,029</b>

# Shareholder Information (continued) For the year ended 30 June 2016

## A. Long term equity investments (continued)

	2016		2015	
	Holding units	Fair value \$	Holding units	Fair Value \$
<b>Ordinary Shares, Trust Units or Stapled Securities</b>				
Crown Resorts Limited unsecured sub floating rate	2,850,000	2,396,850	2,250,000	2,180,250
<b>Total equities</b>	<b>2,850,000</b>	<b>2,396,850</b>	2,250,000	2,180,250
<b>Total portfolio</b>		<b>216,791,950</b>		155,210,279

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

There were 394 investment transactions during the financial year. The total brokerage paid on these transactions was \$179,719.

## B. Distribution of equity securities

Analysis of numbers of shareholders by size of holding as at 11 August 2016:

Holding	No. of shareholders	Shares	Percentage
1 – 1,000	103	60,410	0.03
1,001 – 5,000	835	3,194,523	1.44
5,001 – 10,000	1047	9,466,112	4.28
10,001 – 100,000	3,708	127,725,584	57.69
100,001 and over	209	80,942,230	36.56
	<b>5,902</b>	<b>221,388,859</b>	<b>100.00</b>

There were 30 holders of less than a marketable parcel of ordinary shares holding a total of 1,263 shares.



# Shareholder Information (continued) For the year ended 30 June 2016

## C. Equity security holders

Twenty largest shareholders - ordinary shares:

Name	Ordinary shares	
	Numbers held	Percentage of issued shares
Navigator Australia Ltd <MLC Investment Sett A/C>	7,741,929	3.50
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett >A/C>	4,193,707	1.89
UBS Nominees Pty Ltd	3,949,910	1.78
Bennamon Pty Ltd	3,033,500	1.37
Citicorp Nominees Pty Limited	2,800,000	1.26
AKAT Investments Pty Ltd	2,500,000	1.13
Investors Mutual Ltd	2,500,000	1.13
Austair Pilots Pty Ltd <Aus Air Pilots Mutual f A/C>	2,079,582	0.94
Netwealth Investments Limited <Super Services A/C>	2,036,163	0.92
ZEBPLAND Pty Ltd	2,000,000	0.90
Netwealth Investments Limited <Wrap Services A/C>	1,775,245	0.80
HSBC Custody Nominees (Australia) Limited	1,320,309	0.60
Citicorp Nominees Pty Limited <DPSL A/C>	1,062,150	0.48
Australian Academy Of Science	1,000,000	0.45
Australian Executor Trustees	878,700	0.40
Mr Christopher Peter Jones and Mrs Linda Jones <C&L Jones Super Fund A/C>	808,718	0.37
Beth Maclaren Smallwood Foundation P/L	800,000	0.36
Avanteos Investments Limited <FINHQ WRAP I S/P A/C>	776,000	0.35
Meroma Pty Limited	700,000	0.32
Takita Exploration Pty Limited	593,239	0.27

## D. Substantial shareholders

There are currently no substantial shareholders of QV Equities Limited.





**QVE Equities Limited**  
ABN 64 169 154 858

Level 24, 25 Bligh Street  
Sydney NSW 2000

Corporate Enquiries:  
1300 552 895

Investment and General Enquiries:  
1800 868 464

[info@qvequities.com](mailto:info@qvequities.com)  
[qvequities.com](http://qvequities.com)