



Equities Ltd.

2019 Annual Report

Corporate Directory

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

Secretary	Zac Azzi
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Investment Manager	Investors Mutual Limited Level 24, 25 Bligh Street Sydney NSW 2000 (AFSL 229988)
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Registered Office	Level 24, 25 Bligh Street Sydney NSW 2000 Telephone: (02) 9232 7500 Fax: (02) 9232 7511 Email: info@qvequities.com Website: www.qvequities.com ABN 64 169 154 858
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Share Registrar	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 Telephone: 1800 868 464
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Auditor	Pitcher Partners Level 16, Tower 2 Darling Park, 201 Sussex Street, Sydney NSW 2000
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Stock Exchange	Australian Securities Exchange (ASX) ASX code: QVE Ordinary shares
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Corporate Governance Statement

The Board of Directors of QV Equities Limited (“the 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: www.qvequities.com

Financial Highlights

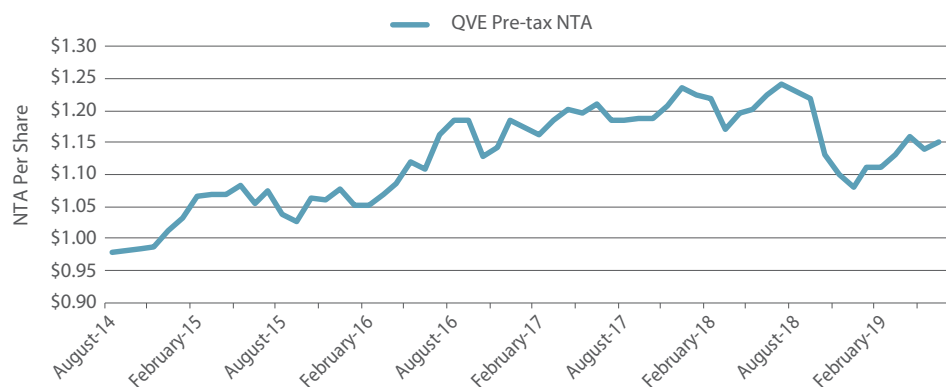
<p>Profit After Tax (excluding special dividends and adjusted for retrospective tax changes) \$8,473,067 (\$8,415,596 in FY18)</p>	<p>Management Expense Ratio 1.03% (0.99% in FY18)</p>	
<p>Profit After Tax \$9,387,628 (\$11,143,913 in FY18)</p>	<p>Portfolio Return (Pre-tax)* - 0.4%</p>	<p>Benchmark** +7.7%</p>
	<p>Portfolio Return (Post-tax)* - 0.1%</p>	<p>ASX 300* + 11.4%</p>
<p>Earnings Per Share (cents) 3.40 Basic (4.05 in FY18)</p>	<p>Portfolio Return (Pre-tax) since inception + 7.5% p.a.</p>	<p>Benchmark# Return since inception + 11.0% p.a.</p>
<p>Dividends 4.4 cps Fully Franked (declared for FY19) (4.2cps plus 1.0cps special in FY18)</p>		
<p>Net Assets \$311,749,767 (\$326,002,469 in FY18)</p>	<p>Net Tangible Assets (NTA) \$1.15 (pre-tax cum div) \$1.13 (post tax cum div)</p>	

All data as at 30 June 2019 unless otherwise specified.

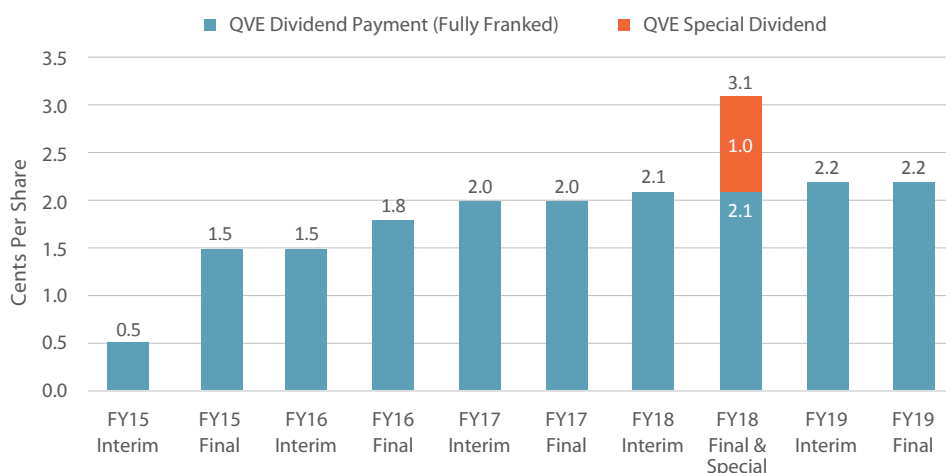
*Returns are measured for the 2019 financial year.

S&P/ASX300 ex20 index

Historical NTA Growth



Historical Dividend Growth



QV Equities 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 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 higher than the S&P/ASX 300 Accumulation Index, excluding that part of the return generated by S&P/ASX 20 Accumulation Index securities.

Foundation of the Company’s Investment Strategy

The Australian sharemarket is heavily concentrated in larger entities both in terms of market capitalisation and industry sector weighting in the broader market’s main index. The S&P/ASX 20 Index – representing the 20 largest entities by market capitalisation on the ASX – accounts for 57% of the S&P/ASX 300 Index by market capitalisation and has a high, 66% concentration in the Financial and Resource sectors as at 30 June 2019.

Investment Strategy

The Company’s investment strategy is to create a diversified and balanced portfolio of ASX-listed securities outside the S&P/ASX 20 Index, aiming to capitalise on IML’s disciplined investment approach and intensive research process. When assessing investment opportunities, IML’s team of highly experienced analysts undertake a comprehensive ‘bottom-up’ approach in identifying, researching and valuing companies. IML’s approach to identifying opportunities for the portfolio is systematic, disciplined and focuses on finding those entities that meet IML’s investment criteria, and then determining an appropriate valuation for those entities. This is the same approach that has been applied successfully by IML for over 21 years.

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,

Our objective is to provide you with steadily growing returns achieved by both increases to the underlying net tangible assets (NTA) of the Company and, where possible, the payment of fully franked dividends. The portfolio is managed by Investors Mutual Limited (the Manager), a proven value fund manager. The investment portfolio has given you a total return of +7.5% per annum since inception.

The Company's total return to shareholders for the year ended 30 June 2019 was -0.4% compared to its benchmark's (ASX 300 ex20 Accumulation Index) return of +7.7%. Technology stocks, Real Estate Investment Trusts (REITs) and certain Resources companies were the main drivers of overall Australian sharemarket gains for the year ended 30 June 2019. Some technology stocks more than doubled over the year, while REITs rose as investors sought higher yields given record low interest rates on savings. Higher commodity prices, especially iron ore and gold, were responsible for gains to many Resources stocks.

The Manager considers many stocks in these sectors to be, not only overvalued, but have higher risk in the event of an economic downturn. For these reasons, they were excluded from the investment portfolio. Also, certain stocks in the Company's portfolio that had been performing well suffered setbacks to their earnings forecasts over the financial year. These included Pact Group, Mayne Pharma and Caltex. However in the opinion of the Manager, these companies represent good value over the next three to five years.

The Board of the Company and the Manager remain steadfast that the best strategy for growing wealth over the long term is identifying companies which are undervalued, well managed, with strong competitive advantages, and provide both earnings and dividend growth.

Financial results

For the year ended 30 June 2019, the Company delivered a net after-tax profit - excluding special dividends and retrospective tax changes - of \$8.5 million, up 0.7% compared to financial year 2018. The net after-tax profit (including special dividends and retrospective tax changes) was \$9.4 million, down 15.8% compared to the prior financial year. On an earnings per share basis, the FY2019 result equates to after-tax earnings of 3.40 cents per share.

The financial results for financial year 2018 included a special dividend of \$2.3 million, resulting from the takeover of Tox Free Solutions by Cleanaway, while the results for the year ended 30 June 2019 included a special dividend of \$1.3 million, resulting from the Caltex off market buy-back.

In August 2018, the Government increased the corporate tax rate from 27.5% to 30% for listed investment companies, including the Company. The 30% tax rate was backdated to apply to the financial year ended 30 June 2018. However, the Board had already announced the dividend and financial results for the year ended 30 June 2018 after applying the corporate tax rate of 27.5%. Accordingly, an additional income tax charge of \$0.4 million was included in the financial results for the year ended 30 June 2019.

The management expense ratio (MER) rose modestly due to the lower average investment portfolio value over the year. However, expenses were maintained at \$3.3 million, the same level as last year.

A fully franked interim dividend of 2.2 cents per share was paid on 15 March 2019. A final fully-franked dividend for the 2019 financial year of 2.2 cents per share, will be paid on 20 September 2019 (the ex-dividend date for the final dividend will be 28 August 2019). This represents an increase of 4.8% on the declared dividends for FY2018 (excluding the special dividend in relation to FY18).

This means that shareholders who subscribed five years ago to the Company's IPO in August 2014 have now been paid a total of 16.7cps in fully-franked dividends in addition to the growth in the NTA.

AGM

Shareholders are invited to attend our fifth Annual General Meeting to be held on Monday 21 October at 10am, in the Adelaide Room of the Sofitel Sydney Wentworth Hotel. Following the AGM, the Manager will provide an Investor Update. For those unable to attend, a webinar will be held later in the day. Further details regarding the AGM proceedings will be sent shortly to shareholders.



Shareholder communication

I hope you continue to find our regular communication to shareholders informative and engaging. We deliver these through a variety of formats:

- Monthly NTA reports, including investment commentary
- Regular investment videos
- Portfolio Updates and Investment Insights from the Manager
- Annual shareholder briefings in major cities
- Regular webinars

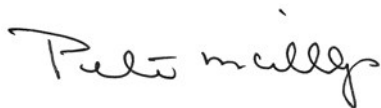
We would encourage shareholders to subscribe to receive these updates and invitations via the Company's website www.qvequities.com.

In summary

The Board continues to believe that a carefully selected holding of ex20 stocks, managed by Investors Mutual Limited, will provide good opportunities for shareholders going forward. Now is the time to remain disciplined and true to label which is why the Company's investment portfolio remains defensively positioned. The Manager continues to look for good, quality companies, underpinned by reasonable valuations – with upside potential, sustainable earnings from a diverse range of sectors, paying solid and consistent levels of franked dividends. In addition, the Manager has cash available to take advantage of any market volatility.

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 21 October.

Yours sincerely,



Peter McKillop, Chairman

14 August 2019

Investment Manager's Report

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

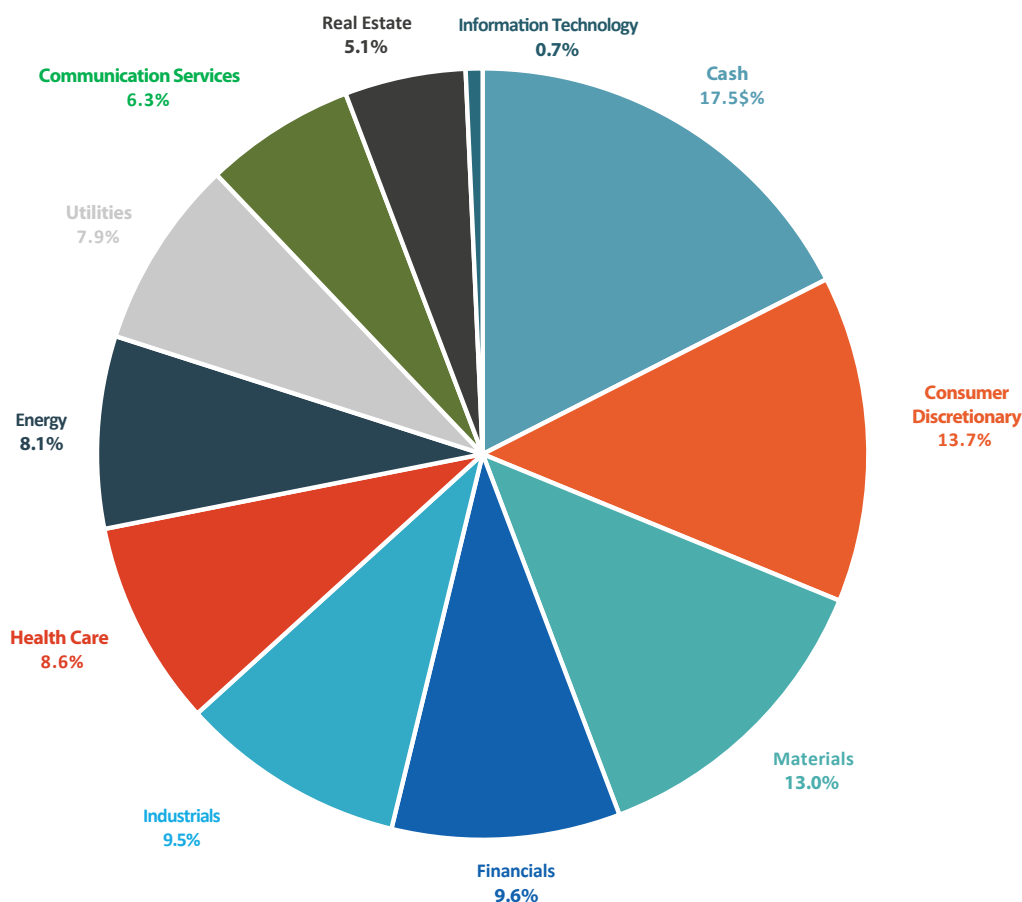
Despite increasing trade tensions and slowing global economic growth, record low interest rates continued to push markets higher over FY2019 with many companies' valuations pushed above their fundamentals. As such, IML has remained disciplined and prudent in managing the QVE portfolio of stocks outside the ASX top 20.

IML continues to maintain strict adherence to the investment mantra which has defined its approach to investing for the past 21 years through all market cycles. IML looks to invest in companies which possess the following 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
- an attractive entry price.

As at 30 June 2019, the Company's portfolio was made up of 43 listed securities spread across various ASX sectors. Some of the Company's top holdings include well-known companies, such as Crown Resorts, Aurizon and Sonic Healthcare, as well as other quality companies such as Spark Infrastructure, GWA and Steadfast.

Portfolio Allocation as at 30 June 2019



Investment Manager's Report (continued)

Key Equity Investments	Principal activity	Holding weight*
Crown Resorts	Australian based casino operator	4.42%
Aurizon	Australian rail company	4.24%
Sonic Healthcare	Global pathology company	3.94%
Amcor	Global packaging company	3.90%
Steadfast	Insurance broker	3.75%
Caltex Australia	Importer, retailer and refiner of petroleum products	3.50%
Spark Infrastructure	Owner of electricity distribution and transmission products	3.44%
Pact Group	Rigid plastics packaging, contract manufacturing and pallet pooling company	3.24%
GWA	Owner and importer of bathroom brands including Caroma	3.01%
Bank of Queensland	Australian regional bank	2.84%
Tabcorp	Wagering and lotteries company	2.75%
Orica	Global manufacturer of commercial grade explosives and chemicals	2.69%
Clydesdale Bank	UK retail bank	2.69%
Southern Cross Media	Radio, television and digital assets company	2.36%
Genesis Energy	NZ electricity generation, natural gas and LPG retailing company	2.34%
Skycity Entertainment	NZ and Australian casino operator	2.26%
Integral Diagnostics	Radiology company	2.18%
Ruralco	Provision of merchandising services to Australian farmers	2.09%
Oil Search	Oil and gas producer	1.82%
AusNet Services	Owner of electricity distribution and transmission assets	1.77%

*Holding weight as at 30 June 2019

The complete portfolio is shown on page 50 of this financial report.

For the 12 months to 30 June 2019, the QVE portfolio returned -0.4% before tax and after fees. This was a disappointing result when compared to the ASX ex20's return of +7.7%.

Having said this the benchmark's return was driven by sectors such as the IT and REITs sectors – sectors which we exercised strong caution in given the excessive valuations. In addition, specific investments such as Pact Group, Mayne Pharma and Caltex held back the portfolio's return for the year. On the plus side, the portfolio benefited from its exposure to holdings such as Amcor, Ruralco, Genesis Energy and Steadfast which all performed well.

Ruralco was a strong contributor to QVE over the year, gaining +36% in FY2019. Ruralco is a leading merchant and marketer of rural merchandise, fertiliser and water products in Australia as well as a provider of rural agency services in relation to the sale of livestock, wool and real estate. During the year, Ruralco was the recipient of a takeover offer from Canadian company Nutrien at \$4.40 per share, a 44% premium to its share price just before the offer. Nutrien is the world's largest provider of crop inputs and services and an existing player in the Australian rural merchandise sector through its Landmark branded national network. The proposed takeover is currently under consideration by the Australian Competition & Consumer Commission (ACCC).

Orica also performed well rising +14% for the year. Orica is the largest manufacturer of explosives globally with operations in key markets around the world. Orica also develops and sells detonation systems, with its development of wireless detonators representing industry-leading technology. The outlook for the company is strong over the next 3-5 years due to the increasing uptake of their wireless blasting devices, along with the expected improvement in explosive prices from current depressed levels.

Amcor also did well for QVE over FY2019, gaining over +12%. Amcor is a global leader in the packaging industry serving a wide range of customers in the defensive food, beverage, pharmaceutical, home and personal care end- markets. The recent acquisition of Bemis is significant for Amcor as it gives the company enhanced scale in the US flexible packaging market. There is also the potential for significant value creation from the realisation of synergies in the areas of procurement and operational improvement. The business continues to be a very strong generator of free cash flow, which underpins its ability to pay an attractive dividend, while the solid balance sheet provides ample flexibility to fund future growth opportunities.

Investment Manager's Report (continued)

Regarding Pact Group, Mayne Pharma and Caltex, we continue to follow these companies closely. While the results, share price performances and contribution to the QVE portfolio to date from these companies have been below expectations, we continue to hold these companies in the QVE portfolio. We are of the view that their share prices will recover over the medium term as, based on our analysis, we expect the earnings of these companies to improve in the next few years. In addition, we believe that these companies' share prices significantly underestimate the improvement and turnaround that we see on the horizon. We also believe that all the bad news is more than captured in their depressed share prices.

In terms of the macro-economic environment, we are conscious of the risk that slowing global growth presents to the overall sharemarket outlook in the medium term. Thus, we continue to hold a healthy cash weighting in the QVE portfolio. High consumer debt levels in most developed economies means that earnings growth for many companies remains difficult to achieve. Conversely the outlook for interest rates in most parts of the world remains benign, with central banks in the US, Australia and the EU all looking to see how much further they can ease monetary policy as well as using other unconventional methods to stimulate overall economic growth.

IML remains cautious on the outlook for markets. Given the low rates of return from alternatives such as cash and bonds, many equity sectors' valuations have become overstretched, in our view, as investors have bid up share prices in search of income and growth. With many stocks' valuations now sitting at elevated levels and with the economic and earnings outlook remaining clouded we continue to hold a higher cash weighting. We remain focused on investing in companies that we believe are reasonably valued and that can grow their long-term earnings through their own initiatives rather than relying on economic tailwinds.

These initiatives include companies capable of making accretive bolt-on acquisitions, such as Integral Diagnostics; companies growing market share, such as GWA Group; companies restructuring their business, such as Nine Entertainment; companies that are on track for revenue growth, such as Genesis Energy; or companies that are actively taking costs out of their operations, such as Clydesdale Bank and Pact Group.

It remains a privilege, that we do not take for granted, to apply IML's quality and value investment philosophy and approach to the QVE portfolio for another year. The ex20 sector of the market is one which has delivered good returns for our investors over many years and which we believe continues to offer investors good opportunities while diversifying their exposure away from the ASX top 20 stocks.

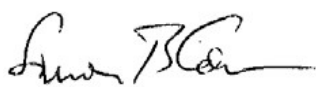
The last 24 months have been challenging for value investors such as IML. Companies exposed to the latest theme or fad are being aggressively bid up, despite what are often poor fundamentals or a lack of sustainable earnings. We remain focused on investing in companies with solid fundamentals that in our view are trading at reasonable valuations. With the market willing to pay ever higher multiples for short term earnings growth, we continue to believe that portfolios such as QVE, which are underpinned by value and quality stocks, remain the best place to be for steady capital and income growth over the longer term, particularly when markets are volatile as we've seen recently.

Our objective is clear: to deliver reasonable, long-term growth over time through a steadily growing NTA, whilst paying a healthy dividend to QVE's shareholders sourced from the dividends paid by the companies in which we invest. As true-to-label value investors, we refuse to be carried away with the current fads, concepts or momentum plays because we know from decades of experience that the value approach to portfolio management best serves QVE's investors.

Together with the investment team, we look forward to meeting shareholders at the upcoming AGM or any of the investor forums which we will be holding in early 2020.



Anton Tagliaferro
Investment Director
Investors Mutual Limited
14 August 2019



Simon Conn
Senior Portfolio Manager
Investors Mutual Limited
14 August 2019



The Directors present their report together with the financial report of QV Equities Limited ("the Company") for the year ended 30 June 2019.

Directors

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

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

Principal activities

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

Dividends

Dividends paid to shareholders were as follows:

	Dividend Per Share	Total amount	Date of payment	% Franked
2019				
Ordinary shares – interim 2019	2.2 cents	\$6,071,893	29/03/2019	100%
Ordinary shares – final 2018	2.1 cents	\$5,786,275	31/10/2018	100%
Special dividend – final 2018	1.0 cents	\$2,755,365	31/10/2018	100%
2018				
Ordinary shares – interim 2018	2.1 cents	\$5,780,965	04/04/2018	100%
Ordinary shares – final 2017	2.0 cents	\$5,501,410	31/10/2017	100%

Since year end, the Directors have declared a final fully franked dividend of 2.2 cents per fully paid ordinary share to be paid on 20 September 2019.

Review of operations

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



Directors' Report (continued)

Review of operations (continued)

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

Performance	Increase in QVE's NTA	Benchmark return
12 months to 30 June 2019	-0.1%	+7.7%
31 December 2018 to 30 June 2019	+6.2%	+19.7%

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

Investment operations for the year ended 30 June 2019 resulted in an operating profit before tax of \$10,824,206 (2018: \$11,658,676) and an operating profit after tax of \$9,387,628 (2018: \$11,143,913).

Net Tangible Assets (NTA) for each ordinary share as at 30 June 2019 (calculated on market value less realisation costs and before applicable taxes and before provision for dividends) amounted to \$1.15 (2018: \$1.23) per share. NTA after provision for tax and before provision for dividends was \$1.13 (2018: \$1.18) per share.

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

Financial position

The net asset value of the Company at 30 June 2019 was \$311,749,767 (2018: \$326,002,469).

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 2019.

Matters subsequent to the end of the period

Since the end of the financial year, the Directors declared a fully franked final dividend of 2.2 cents per fully paid ordinary share payable on 20 September 2019.

No other matter or circumstance other than those mentioned above, has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Likely developments and expected results of operations

The Company will continue to pursue its primary objective of providing long term capital growth and income through a diversified portfolio of the ASX listed entities outside of the S&P/ASX 20 index.

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

Environmental regulation

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

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



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.

John McBain

Independent Director

Experience and expertise

John McBain has over 25 years' experience in the funds management industry. John is currently the joint Chief Executive Officer and Executive Director of Centuria Capital Limited (Centuria), an ASX listed specialist investment manager with \$6.2 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 jointly 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 committee of Centuria Life.

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

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

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.



Directors' Report (continued)

Information on Directors (continued)

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.

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, Yarra Funds Management Ltd, Industria REIT (ASX: IDR), Convenience Retail REIT (ASX:CRR) and Chairman of Redkite (national children's cancer charity) and a Director of Breast Cancer Trials.

Former directorships in last 3 years

Jennifer Horrigan was formerly a Director of Generation Healthcare (ASX: GHC).

Special responsibilities

Chair of the Audit and Risk 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.

Anton Tagliaferro

Non-independent Director

Experience and expertise

Anton Tagliaferro has over 30 years' experience in the financial services industry. Anton founded IML in June 1998 and holds the position of 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 the Group Investment Manager and the 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 and holds equity interests in IML.

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.



Information on Directors (continued)

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 15 years' experience as a Senior Portfolio Manager in the small cap sector.

While employed with the Manager, Simon is responsible for analysing stocks from a wide range of industry sectors which have given him the broad grounding to manage the Manager's small cap portfolios.

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

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

Simon was appointed to the Board on 14 June 2016.

Zac Azzi

Company Secretary

Zac Azzi has over 24 years' 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 IML in August 2015 where he was appointed as COO and Company Secretary.

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

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)

Meeting of Directors

The numbers of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

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

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

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

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 2019 and 30 June 2018.

2019	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
Non-executive Directors			
Peter McKillop	18,265	21,735	40,000
Jennifer Horrigan	27,397	2,603	30,000
John McBain	27,397	2,603	30,000
Total key management personnel compensation	73,059	26,941	100,000

2018	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
Non-executive Directors			
Peter McKillop	15,000	25,000	40,000
Jennifer Horrigan	27,397	2,603	30,000
John McBain	27,397	2,603	30,000
Total key management personnel compensation	69,794	30,206	100,000



Remuneration report (audited) (continued)

(a) Details of remuneration (continued)

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individual benefits for financial year 2019 and did not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

(b) Director related entity remuneration

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

Anton Tagliaferro is a Director and holds equity interest in IML, the entity appointed to manage the investment portfolio of QV Equities Limited. In its capacity as the 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 \$2,872,964 (2018: \$2,974,146) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit is \$2,677,080 (2018: 2,771,364). As at 30 June 2019, the balance payable to the Manager was \$236,008 (2018: \$249,642).

Simon Conn is a Portfolio Manager of the Manager, and he 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 payments made to the Executives by the Company. IML remunerated Anton Tagliaferro, Simon Conn and Zac Azzi as employees of the Manager 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 2019 and 30 June 2018, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2019

Director	Position	Balance as at 1 July 2018	Acquisitions	Disposals	Balance as at 30 June 2019
Peter McKillop	Non-Executive Director	425,345	10,550	-	435,895
John McBain	Non-Executive Director	213,262	10,880	-	224,142
Jennifer Horrigan	Non-Executive Director	-	-	-	-
Anton Tagliaferro	Executive Director	4,600,000	450,000	-	5,050,000
Simon Conn	Executive Director	150,000	-	-	150,000
		5,388,607	471,430	-	5,860,037

2018

Director	Position	Balance as at 1 July 2017	Acquisitions	Disposals	Balance as at 30 June 2018
Peter McKillop	Non-Executive Director	418,542	6,803	-	425,345
John McBain	Non-Executive Director	206,247	7,015	-	213,262
Jennifer Horrigan	Non-Executive Director	-	-	-	-
Anton Tagliaferro	Executive Director	5,710,000	90,000	1,200,000*	4,600,000
Simon Conn	Executive Director	150,000	-	-	150,000
		6,484,789	103,818	1,200,000	5,388,607

* IML initial capital contribution reduction



Directors' Report (continued)

Remuneration report (audited) (continued)

(d) Equity instrument disclosures relating to Directors (continued)

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

Options Held

2019

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

2018

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

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

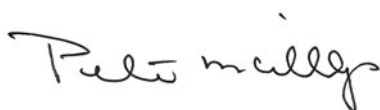
The Board of Directors, in accordance with the advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services 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

14 August 2019



Auditor's Independence Declaration



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Sydney NSW 2000

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Sydney NSW 2001

p. +61 2 9221 2099
e. sydneypartners@pitcher.com.au

**Auditor's Independence Declaration
To the Directors of QV Equities Limited
ABN 64 169 154 858**

In relation to the independent audit of QV Equities Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read "S M Whiddett".

S M Whiddett
Partner

Pitcher Partners
Sydney

14 August 2019

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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Statement of Comprehensive Income

	Notes	30 June 2019 \$	30 June 2018 \$
Investment income			
Dividend/distribution income		12,736,833	12,923,731
Interest income		1,106,387	1,146,036
Realised gains on options		350,131	962,874
Unrealised (losses) on options		(74,097)	(175,934)
Other income		4,471	73,115
Total investment income		14,123,725	14,929,822
Expenses			
Management fees		2,677,080	2,771,364
Directors' fees		100,000	100,000
ASX fees		83,297	85,866
Registry fees		133,480	119,501
Other expenses		305,662	194,415
Total expenses		3,299,519	3,271,146
Profit before income tax		10,824,206	11,658,676
Income tax expense	5	1,436,578	514,763
Profit after income tax		9,387,628	11,143,913
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Movement in fair value of long term equity investments, net of tax		(9,876,330)	5,172,870
Total comprehensive (loss)/income for the year, net of tax		(488,702)	16,316,783
Earnings per share			
Basic and diluted earnings per share (cents per share)	13	3.40	4.05

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

Financial Statements (continued)

Statement of Financial Position

	Notes	30 June 2019 \$	30 June 2018 \$
Assets			
Current assets			
Cash and cash equivalents	6	40,070,290	55,310,602
Receivables	7	954,094	865,640
Prepayments		85,542	55,730
Total current assets		41,109,926	56,231,972
Non-current assets			
Long-term equity investments	8	279,725,315	284,256,550
Deferred tax assets	5	134,635	340,072
Total non-current assets		279,859,950	284,596,622
Total assets		320,969,876	340,828,594
Liabilities			
Current liabilities			
Trade creditors and other payables	10	1,165,335	1,558,248
Current tax liabilities	5	1,631,044	3,205,655
Financial liabilities held at fair value	9	1,835,635	1,001,920
Total current liabilities		4,632,014	5,765,823
Non-current liabilities			
Deferred tax liabilities	5	4,588,095	9,060,302
Total non-current liabilities		4,588,095	9,060,302
Total liabilities		9,220,109	14,826,125
Net assets		311,749,767	326,002,469
Equity			
Issued capital	11	282,529,624	281,680,091
Asset revaluation reserve		9,189,720	21,810,925
Capital profits reserve	12	15,019,704	15,899,401
Profits reserve	12	5,010,719	6,612,052
Total equity		311,749,767	326,002,469

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

Statement of Changes in Equity

	Notes	Issued capital \$	Asset revaluation reserve \$	Capital profits reserve \$	Profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2018		281,680,091	21,810,925	15,899,401	6,612,052	-	326,002,469
Profit for the year		-	-	-	-	9,387,628	9,387,628
Other comprehensive income:							
Net revaluation of investments			(9,876,330)	-	-	-	(9,876,330)
Total comprehensive income for the year		-	(9,876,330)	-	-	-	(488,702)
Transactions with equity holders in their capacity as owners:							
Shares issued from dividend reinvestment plan	11	849,533	-	-	-	-	849,533
Dividends provided for or paid	14	-	-	(3,624,572)	(10,988,961)	-	(14,613,533)
Other							
Realised profits on sale of investments transferred to capital profits reserve	12	-	(2,744,875)	2,744,875	-	-	-
Transfer to profits reserve	12	-	-	-	9,387,628	(9,387,628)	-
Balance at 30 June 2019		282,529,624	9,189,720	15,019,704	5,010,719	-	311,749,767

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

Financial Statements (continued)

Statement of Changes in Equity (continued)

	Notes	Issued capital \$	Asset revaluation reserve \$	Capital profits reserve \$	Profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2017		281,113,681	24,595,350	10,294,914	4,397,706	-	320,401,651
Profit for the year		-	-	-	-	11,143,913	11,143,913
Other comprehensive income:							
Net revaluation of investments	-		5,172,870	-	-	-	5,172,870
Total comprehensive income for the year			5,172,870	-	-	11,143,913	16,316,783
Transactions with equity holders in their capacity as owners:							
Shares issued from dividend reinvestment plan	11	566,410	-	-	-	-	566,410
Dividends provided for or paid	14	-	-	(2,352,808)	(8,929,567)	-	(11,282,375)
Other							
Realised profit on sale of investments transferred to capital profits reserve	12	-	(7,957,295)	7,957,295	-	-	-
Transfer to profits reserve	12	-	-	-	11,143,913	(11,143,913)	-
Balance at 30 June 2018		281,680,091	21,810,925	15,899,401	6,612,052	-	326,002,469

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

Financial Statements (continued)

Statement of Cash Flow

	Notes	30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities			
Dividends/distributions received		12,726,188	12,795,401
Interest received		1,088,576	1,146,896
Net realised gains on exchange traded options		1,111,126	1,414,210
Payments for other expenses		(3,335,661)	(3,327,553)
Other income		4,471	73,115
Income tax paid		(4,267,198)	(3,574,444)
Net cash inflow from operating activities	6	7,327,502	8,527,625
Cash flows from investing activities			
Payments for investments		(102,644,408)	(91,841,695)
Proceeds from sale of investments		93,840,594	73,683,092
Net cash outflow from investing activities		(8,803,814)	(18,158,603)
Cash flows from financing activities			
Dividends paid		(13,764,000)	(10,715,957)
Net cash outflow from financing activities		(13,764,000)	(10,715,957)
Net decrease in cash and cash equivalents		(15,240,312)	(20,346,935)
Cash and cash equivalents held at beginning of the year		55,310,602	75,657,537
Cash and cash equivalents at the end of the year	6	40,070,290	55,310,602

The above 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 IML.

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 14 August 2019.

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 2019 have been prepared in accordance with the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

(i) Compliance with IFRS

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

(ii) New 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 adopted AASB15 *Revenue from Contracts with Customers*.

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

(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.

2. Summary of significant accounting policies (continued)

(b) Investments

(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 financial assets measured at fair value through other comprehensive income 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 options, derivative financial instruments are classified as financial liabilities at fair value through profit and loss, changes in the fair value of options are recognised in profit or loss for the year.

(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. Realised 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.



Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(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.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses.

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

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.



2. Summary of significant accounting policies (continued)

(l) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(m) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, the amounts in the Directors' report and in the financial report have been rounded to the nearest dollar unless otherwise stated.

(n) Functional and presentation currency

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

3. Financial risk management

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

Under delegation from the Board, the Manager is responsible for the daily monitoring and risk assessment of the Company financial market risk.

(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 for the Company by diversification of the investment portfolio across numerous stocks and multiple industry sectors. The Manager reviews the relative weightings of the individual securities and market sectors daily.

(i) Price risk

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



Notes to the Financial Statements (continued)

3. Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

The Company's industry sector weighting of investments including options as at 30 June 2019 and 30 June 2018 is listed below:

	2019 %	2018 %
Industry sector		
Financials	9.6	11.1
Materials	13.0	16.7
Health Care	8.6	10.6
Utilities	7.9	9.1
Consumer Discretionary	13.7	14.3
Industrials	9.5	5.8
Energy	8.1	6.9
Listed Property Trust	5.1	4.5
Communication Services	6.3	-
Consumer Staple	-	1.1
Information Technology	0.7	0.6
	82.5	80.7
Cash	17.5	19.3
	100.0	100.0

As at 30 June 2019, no individual securities (including options) represent over 5% of the long term investment portfolio.

Sensitivity analysis

A sensitivity analysis relating to 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 83% (2018: 81%) of gross assets at year end. The following table illustrates the effect on the Company's equity from possible changes in 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% (2018: 27.5%).

	Impact on Total Comprehensive income	
	2019 \$	2018 \$
Increase 5%	9,726,139	10,267,980
Decrease 5%	(9,726,139)	(10,267,980)
Increase 10%	19,452,278	20,535,961
Decrease 10%	(19,452,278)	(20,535,961)

(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.

Notes to the Financial Statements (continued)

3. Financial risk management (continued)

(a) Market risk (continued)

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

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.

	Floating interest rate \$	Non-interest bearing \$	Total \$
30 June 2019			
Financial Assets			
Cash and cash equivalents	40,070,290	-	40,070,290
Receivables	-	954,094	954,094
Long term equity investments	4,194,710	275,530,605	279,725,315
	44,265,000	276,484,699	320,749,699
Financial Liabilities			
Trade creditors and other payables	-	(1,165,335)	(1,165,335)
Financial liabilities held at fair value	-	(1,835,635)	(1,835,635)
	-	(3,000,970)	(3,000,970)
Net exposure to interest rate risk	44,265,000	273,483,729	317,748,729

	Floating interest rate \$	Non-interest bearing \$	Total \$
30 June 2018			
Financial Assets			
Cash and cash equivalents	55,310,602	-	55,310,602
Receivables	-	865,640	865,640
Long term equity investments	4,163,550	280,093,000	284,256,550
	59,474,152	280,958,640	340,432,792
Financial Liabilities			
Trade creditors and other payables	-	(1,558,248)	(1,558,248)
Financial liabilities held at fair value	-	(1,001,920)	(1,001,920)
	-	(2,560,168)	(2,560,168)
Net exposure to interest rate risk	59,474,152	278,398,472	337,872,624

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2019 is 1.37% (2018: 1.45%).

Sensitivity analysis

At 30 June 2019, if interest rates had increased/decreased by 75 basis points (2018: 75 basis points) from the period end rates with all other variables held constant, post-tax profit for the period would have been \$225,679 (2018: \$347,388) higher/\$225,679 (2018: \$347,388) 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.



Notes to the Financial Statements (continued)

3. Financial risk management (continued)

(b) Credit risk (continued)

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.

Receivables

The majority of the Company's receivables arise from dividends and distributions yet to be received. None of these assets exposed to credit risk are overdue or considered to be impaired.

(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, expenses paid and dividends 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.



Notes to the Financial Statements (continued)

4. Fair value measurement (continued)

(i) Recurring fair value measurements

The following table presents the Company's assets measured and recognised at fair value as at 30 June 2019 and 30 June 2018.

As at 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long term equity investments:				
Listed equities	259,379,605	-	-	259,379,605
Listed unit trusts	16,151,000	-	-	16,151,000
Floating rate notes	4,194,710	-	-	4,194,710
Total	279,725,315	-	-	279,725,315

Financial liabilities				
Financial liabilities held for trading:				
Options	1,835,635	-	-	1,835,635
Total	1,835,635	-	-	1,835,635

As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long term equity investments:				
Listed equities	249,810,000	-	-	249,810,000
Listed unit trusts	29,161,000	-	-	29,161,000
Floating rate notes	4,163,550	-	-	4,163,550
Unlisted equities	-	1,122,000	-	1,122,000
Total	283,134,550	1,122,000	-	284,256,550

Financial liabilities				
Financial liabilities held for trading:				
Options	1,001,920	-	-	1,001,920
Total	1,001,920	-	-	1,001,920

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 as at 30 June 2018 include amounts in relation to entitlement offers and placements to which the Company has subscribed to during the year. These investments have not listed on the Australian Securities Exchange as at year end and therefore represent investments in an inactive market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of quoted prices for similar assets and the amount of securities subscribed for by the Company under the relevant offers.

During the year \$1,122,000 (2018: \$574,543) has been transferred from Level 2 to Level 1. There were no transfers in and out of Level 3.

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

(ii) Disclosed fair values

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

Notes to the Financial Statements (continued)

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 2019 \$	30 June 2018 \$
Prima Facie tax on profit from ordinary activities before income tax of 30% (2018: 27.5%)	3,247,262	3,206,136
Increase/(decrease) in income tax expense due to:		
Gross up of imputation credits received	874,004	913,088
Imputation credits on dividends received	(2,913,346)	(3,320,321)
Gross up of foreign income tax offsets	76,937	66,208
Foreign income tax offsets	(256,457)	(240,758)
Under/(over) provisions in previous year	-	(109,590)
Impact of retrospective tax change	408,178	-
	1,436,578	514,763
Tax expense composition:		
Current tax expense	545,113	297,326
Movement in deferred tax liabilities	246,795	72,337
Movement in deferred tax assets	236,353	224,493
Under/(over) provisions in previous year	-	(79,393)
Impact of retrospective tax change	408,317	-
	1,436,578	514,763
Effective tax rate is:	13.27%	4.42%

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.

(b) Deferred tax assets

	30 June 2019 \$	30 June 2018 \$
This balance comprises temporary differences attributable to:		
Accruals	11,230	9,499
Share issue costs capitalised	123,405	330,573
	134,635	340,072
Movements		
Opening balance	340,072	564,565
Charged to statement of comprehensive income	(236,353)	(224,493)
Impact of retrospective tax change	30,916	-
The rate used at 30 June 2019 is 30% (30 June 2018: 27.5%)	134,635	340,072

Notes to the Financial Statements (continued)

5. Taxation (continued)

(c) Current tax liabilities

	30 June 2019 \$	30 June 2018 \$
Balance at beginning of year	3,205,655	3,262,102
Current year income tax on operating profit	545,113	297,326
Realised capital gain	1,503,284	3,220,671
Net income tax paid	(4,267,198)	(3,574,444)
Under provision of income tax in previous year	2,130	-
Impact of retrospective tax change	642,060	-
	1,631,044	3,205,655

(d) Deferred tax liabilities

	30 June 2019 \$	30 June 2018 \$
This balance comprises temporary differences attributable to:		
Fair value adjustment on equity investments	4,430,042	8,680,055
Revaluation of options	(85,772)	(58,248)
Income receivable not assessable for tax until receipt	5,280	36,336
Tax deferred distributable income	238,545	402,159
	4,588,095	9,060,302

Movements

Opening balance	9,060,302	9,919,253
Charged to statement of comprehensive income	246,795	72,337
Impact to other comprehensive income	(5,540,536)	(931,288)
Impact of retrospective tax change	821,534	-
The rate used at 30 June 2019 is 30% (30 June 2018: 27.5%)	4,588,095	9,060,302

Notes to the Financial Statements (continued)

6. Cash and cash equivalents

	30 June 2019 \$	30 June 2018 \$
Cash at Bank	25,070,290	55,310,602
Short term deposits	15,000,000	-
Total cash and cash equivalents	40,070,290	55,310,602

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

	30 June 2019 \$	30 June 2018 \$
Net profit after income tax	9,387,628	11,143,913

Changes in operating assets and liabilities

Unrealised losses on options	74,097	175,934
Increase in dividends/distributions receivable	(10,645)	(128,330)
(Increase)/decrease in interest receivable	(17,811)	859
Increase in prepayments	(29,812)	(22,355)
Increase in sundry creditors and accruals	754,666	417,284
Decrease in deferred tax assets	205,437	224,493
Decrease in current tax provision	(3,282,853)	(3,356,510)
Increase in deferred tax liabilities	246,795	72,337
	(2,060,126)	(2,616,288)
Net cash inflow from operating activities	7,327,502	8,527,625

7. Receivables

	30 June 2019 \$	30 June 2018 \$
Interest receivable	19,941	2,130
Dividends/distributions receivable	634,275	623,630
Other receivables	299,878	239,880
Total receivables	954,094	865,640

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

Notes to the Financial Statements (continued)

8. Long term equity investments

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

	Fair value 30 June 2019 \$	Fair value 30 June 2018 \$
Listed equity securities	279,725,315	284,256,550

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

The total dividends received on these investments sold, included in the Statement of Comprehensive Income were:

	2019	2018
Dividend income		
Listed equity securities held at year-end	11,200,163	7,641,395
Listed equity securities sold during the year	1,536,670	5,282,336
Total dividend	12,736,833	12,923,731

This is in line with AASB 7 11(A) (d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.

During the year, the total fair value of investments sold in the normal course of the business and to preserve capital were:

	2019	2018
Fair value at disposal date		
Listed equity securities	78,905,807	73,606,880
Gain on disposal after tax		
Listed equity securities	2,744,875	7,957,295

This is in line with AASB 7 11(B) (c) the net gains/losses recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.

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 2019 \$	Fair value 30 June 2018 \$
Exchange traded options	1,549,729	790,111
Exchange traded options revaluation	285,906	211,809
Total financial liabilities held at fair value	1,835,635	1,001,920



Notes to the Financial Statements (continued)

10. Trade creditors and other payables

	30 June 2019 \$	30 June 2018 \$
Payable - investment creditors	740,631	1,122,000
Payable - other expenses	424,704	436,248
Total trade creditors and other payables	1,165,335	1,558,248

11. Issued capital

(a) Share capital

	30 June 2019 Number of shares	30 June 2019 Total amount \$	30 June 2018 Number of shares	30 June 2018 Total amount \$
Fully paid ordinary shares	276,344,417	282,529,624	275,536,547	281,680,091

(b) Movements in ordinary share capital

2019

Date		Number of shares	Issue price*	Total amount \$
01/07/2018	Opening balance	275,536,547		281,680,091
	Ordinary shares issued under dividend reinvestment plan - final 2018	458,570	\$1.08	495,030
	Ordinary shares issued under dividend reinvestment plan - interim 2019	349,300	\$1.01	354,503
30/06/2019	Closing balance	276,344,417		282,529,624

2018

Date		Number of shares	Issue price*	Total amount \$
01/07/2017	Opening balance	275,070,493		281,113,681
	Ordinary shares issued under dividend reinvestment plan - final 2017	213,177	\$1.29	274,241
	Ordinary shares issued under dividend reinvestment plan - interim 2018	252,877	\$1.16	292,169
30/06/2018	Closing balance	275,536,547		281,680,091

* Rounded to two decimal places.

(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.

Notes to the Financial Statements (continued)

11. Issued capital (continued)

(d) 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 the asset revaluation reserve for future dividend payments.

	30 June 2019 \$	30 June 2018 \$
Realised profit on sale of investments transferred to reserves	2,744,875	7,957,295
Movements:		
Opening balance	15,899,401	10,294,914
Gain on sale of equities	6,622,560	11,119,581
Loss on sale of equities	(3,877,685)	(3,162,286)
Dividends provided for or paid	(3,624,572)	(2,352,808)
Closing balance	15,019,704	15,899,401

(b) Profits reserve

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

	30 June 2019 \$	30 June 2018 \$
Profits reserve	5,010,719	6,612,052
Movements:		
Opening balance	6,612,052	4,397,706
Transfer from retained profits	9,387,628	11,143,913
Dividends provided for or paid	(10,988,961)	(8,929,567)
Closing balance	5,010,719	6,612,052



Notes to the Financial Statements (continued)

13. Earnings per share

	30 June 2019 cents	30 June 2018 cents
(a) Basic and diluted earnings per share		
Total earnings per share attributable to the ordinary equity holders of the Company	3.40	4.05
(b) Weighted average number of shares used as denominator.		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share is based on the average number of shares as at 30 June 2019 and 30 June 2018.	275,945,196	275,273,384

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

14. Dividends

(a) Dividends paid during the year

Dividends paid fully franked at 30% (2018: 27.5%) tax rate.

	30 June 2019 \$	30 June 2018 \$
Final dividend FY18: 2.1 cents per share fully franked paid 31 October 2018 (final dividend FY17: 2.0 cents per share fully franked)	5,786,275	5,501,410
Special dividend FY18: 1.0 cents per share fully franked paid 31 October 2018 (special dividend FY17: nil cents)	2,755,365	-
Interim dividend FY19: 2.2 cents per share fully franked paid 29 March 2019 (interim dividend FY18: 2.1 cents per share fully franked)	6,071,893	5,780,965
	14,613,533	11,282,375

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

	30 June 2019 \$	30 June 2018 \$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2.2 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 20 September 2019 (2018: 31 October 2018) out of the profits of the Company at 30 June 2019 and 30 June 2018, but not recognised as a liability at year end is:	6,079,577	8,541,633

Notes to the Financial Statements (continued)

14. Dividends (continued)

(c) Dividends franking account

The fully franked final dividend to be paid on 20 September 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in relation to the year ended 30 June 2019.

	30 June 2019 \$	30 June 2018 \$
Opening balance of franking account	4,284,305	1,674,953
Franking credits on dividends received	2,913,346	3,316,867
Tax paid during the period	4,267,198	3,574,444
Franking credits on ordinary dividends paid	(6,262,943)	(4,279,521)
Franking credits lost under 45-day rule	-	(2,438)
Impact of retrospective tax changes	(556,314)	-
Closing balance of franking account	4,645,592	4,284,305
Adjustment for tax payable on the current period profits	1,631,044	3,205,655
Adjusted for dividends declared subsequent to reporting period 30% (2018: 27.5%)	(2,605,533)	(3,239,930)
Adjusted franking account balance	3,671,103	4,250,030

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:

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



Notes to the Financial Statements (continued)

15. Key management personnel disclosures (continued)

(a) Remuneration

Detailed remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 16.

	30 June 2019 \$	30 June 2018 \$
Short term employee benefits - Directors fees	73,059	69,794
Post employment benefits - Superannuation	26,941	30,206
	100,000	100,000

(b) Share and option holdings of Directors

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

Ordinary shares held

2019

Directors	Balance as at 30 June 2018	Acquisitions	Disposals	Balance as at 30 June 2019
Peter McKillop	425,345	10,550	-	435,895
John McBain	213,262	10,880	-	224,142
Jennifer Horrigan	-	-	-	-
Anton Tagliaferro	4,600,000	450,000	-	5,050,000
Simon Conn	150,000	-	-	150,000
	5,388,607	471,430	-	5,860,037

2018

Directors	Balance as at 30 June 2017	Acquisitions	Disposals	Balance as at 30 June 2018
Peter McKillop	418,542	6,803	-	425,345
John McBain	206,247	7,015	-	213,262
Jennifer Horrigan	-	-	-	-
Anton Tagliaferro	5,710,000	90,000	1,200,000*	4,600,000
Simon Conn	150,000	-	-	150,000
	6,484,789	103,818	1,200,000	5,388,607

* IML initial capital contribution reduction

Options held

2019

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

2018

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

Notes to the Financial Statements (continued)

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 holds equity interest in Investors Mutual Limited, the entity appointed to manage the investment portfolio of QV Equities Limited. In its capacity as the 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 \$2,872,964 (2018: \$2,974,146) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit is \$2,677,080 (2018: 2,771,364). As at 30 June 2019, the balance payable to the Manager was \$236,008 (2018: \$249,642).

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.

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

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 2019 and 30 June 2018.

19. Events occurring after the reporting period

Since the end of the financial year, the Directors declared a fully franked final dividend of 2.2 cents per fully paid ordinary share payable on 20 September 2019.

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 2019 \$	30 June 2018 \$
Audit and other assurance services:		
Audit and review of financial report	42,000	39,250
Non-assurance services:		
Tax services	9,900	9,600
	51,900	48,850

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 of the related entity of the audit firm, to ensure that they do not compromise independence.



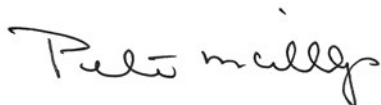
Directors' Declaration

In the Directors' opinion,

- (1) the financial statements and notes set out on pages 21 to 43 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 2019 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

14 August 2019



Independent Auditor's Report to the Shareholders



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**Independent Auditor's Report
To the Members of QV Equities Limited
ABN 64 169 154 858**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of QV Equities Limited ("the Company"), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 2019 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be on the same terms if given to the Directors as at the time of this auditor's report.

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p>Measurement of Financial Instruments Refer to Note 4 Fair Value Measurement, Note 8: Long Term Equity Investments and Note 9: Financial Liabilities held at fair value</p>	
<p>We focused our audit effort on the valuation and existence of the Company's financial assets and financial liabilities as they represent the most significant driver of the Company's Net Tangible Assets and Profits.</p> <p>The majority of the Company's investments are considered to be non-complex in nature with fair value based on readily observable data from the ASX or other observable markets. Consequently, these investments are classified under Australian Accounting Standards as either "level 1" (i.e. where the valuation is based on quoted prices in the market) and "level 2" (i.e. where key inputs to valuation are based on observable prices in the market).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the investment management processes and controls; ▪ Reviewing and evaluating the independent audit reports on the design and operating effectiveness of internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator and Custodian; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate to and where necessary obtaining bridging letters and confirmations from the Administrator and Custodian; ▪ Obtaining confirmations of the investment holdings directly from the Custodian; ▪ Recalculating the Company's valuation of individual investment holdings using independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.



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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty



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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 18 of the Directors' Report for the year ended 30 June 2019. In our opinion, the Remuneration Report of QV Equities Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in black ink, appearing to read "S M Whiddett".

S M Whiddett
Partner

14 August 2019

A handwritten signature in black ink, appearing to read "Pitcher Partners".

Pitcher Partners
Sydney



Shareholder Information

The shareholder information set out below was applicable as at 30 June 2019.

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 2019

	2019		2018	
	Holding units	Fair value \$	Holding units	Fair value \$
Ordinary shares, trust units or stapled securities				
A2B Australia Limited**	1,700,000	3,000,500	1,600,000	3,840,000
Abacus Property Group	200,000	820,000	400,000	1,508,000
AGL Energy Limited*	100,000	2,001,000	250,000	5,620,000
Amcors PLC*	1,000,000	16,190,000	1,000,000	14,410,000
Ansell Limited*	150,000	4,027,500	300,000	8,157,000
AusNet Services Limited	3,000,000	5,625,000	2,500,000	4,012,500
ASX Limited	-	-	50,000	3,219,500
Aurizon Holdings Limited	2,500,000	13,500,000	1,600,000	6,928,000
BWP Trust	-	-	600,000	1,950,000
Bank of Queensland Limited	950,000	9,053,500	950,000	9,680,500
Caltex Australia Limited	450,000	11,137,500	430,000	13,992,200
Charter Hall Retail REIT	750,000	3,277,500	700,000	2,933,000
Clearview Wealth Limited	1,400,000	924,000	1,350,000	1,566,000
Coca Cola Amatil Limited	-	-	550,000	5,060,000
Contact Energy Limited	-	-	700,000	3,766,000
Crown Resorts Limited	1,130,000	14,068,500	1,000,000	13,500,000
Cybg PLC	2,500,000	8,550,000	2,400,000	13,512,000
Event Hospitality and Entertainment Ltd	400,000	5,000,000	350,000	4,686,500
Fairfax Media Limited	-	-	5,000,000	3,750,000
Fletcher Building Limited	850,000	3,961,000	2,000,000	12,740,000
Genesis Energy Limited	2,300,000	7,452,000	2,300,000	5,175,000
GWA Group Limited	2,800,000	9,576,000	2,000,000	6,800,000
Hotel Property Investments	1,000,000	3,440,000	1,000,000	3,160,000
Incitec Pivot Limited*	1,300,000	4,433,000	-	-
Integral Diagnostics Limited	2,200,000	6,952,000	2,300,000	6,946,000
IPH Limited	-	-	500,000	2,225,000
Link Administration Holdings Limited	450,000	2,250,000	300,000	2,199,000
Mayne Pharma Group Limited	10,000,000	5,100,000	9,500,000	8,265,000
Mirvac Group	-	-	1,000,000	2,170,000
Myer Holdings Limited	5,000,000	2,725,000	5,000,000	1,850,000
Nine Entertainment Co. Holdings Limited	2,200,000	4,125,000	-	-
Oil Search Limited*	801,500	5,666,605	800,000	7,120,000
Ooh Media Limited	900,000	3,510,000	-	-
Orica Limited*	600,000	12,162,000	650,000	11,537,500
Origin Energy Limited*	650,000	4,751,500	-	-

Shareholder Information (continued)

A. Long term equity investments (continued)

	2019		2018	
	Holding units	Fair value \$	Holding units	Fair value \$
Ordinary shares, trust units or stapled securities				
Pact Group Holdings Ltd	3,700,000	10,323,000	2,750,000	14,492,500
Pro-Pac Packaging Limited	15,000,000	1,725,000	12,800,000	4,637,000
Regis Healthcare Limited	900,000	2,367,000	-	-
Ruralco Holdings Limited	1,600,000	6,656,000	1,600,000	4,912,000
Shopping Centres Australasia Property Group	2,100,000	5,019,000	2,000,000	4,900,000
Skycity Entertainment Group Limited	2,000,000	7,180,000	2,000,000	7,400,000
Sims Metal Management Limited*	250,000	2,715,000	-	-
Sonic Healthcare Limited*	560,000	15,176,000	560,000	13,736,800
Southern Cross Media Group Limited	6,000,000	7,500,000	5,000,000	6,550,000
Spark Infrastructure Group	4,500,000	10,935,000	5,500,000	12,540,000
Steadfast Group Limited	3,400,000	11,934,000	3,600,000	10,116,000
Sydney Airport	500,000	4,020,000	-	-
Unibail Rodamco Westfield	350,000	3,594,500	-	-
Tabcorp Holding Limited*	2,000,000	8,900,000	500,000	2,230,000
Z Energy Limited	700,000	4,207,000	900,000	6,300,000
Floating rate notes				
Crown Resorts Limited unsecured sub floating rate note	4,100,000	4,194,710	4,100,000	4,163,550
Total equities		279,725,315		284,256,550
Cash		40,070,290		55,310,602
Total portfolio		319,795,605		339,567,152

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

** A2B Australia Limited formerly Cabcharge Australia Limited.

There were 429 (2018: 448) investment transactions during the financial year. The total brokerage paid on these transactions was \$298,229 (2018: \$299,787).

B. Distribution of equity securities

Analysis of numbers of shareholders by size of holding as at 30 June 2019:

Holding	No. of shareholders	Ordinary shares	Percentage
1 – 1,000	222	74,353	0.03
1,001 – 5,000	741	2,575,313	0.93
5,001 – 10,000	1,073	8,680,807	3.14
10,001 – 100,000	4,846	155,378,009	56.23
100,001 and over	299	109,635,935	39.67
	7,181	276,344,417	100.00

There were 139 holders of less than a marketable parcel of ordinary shares holding a total of 10,583 shares.

Shareholder Information (continued)

C. Equity security holders

Twenty largest shareholders - ordinary shares:

Name	Ordinary shares	
	Numbers held	Percentage of issued shares %
HSBC Custody Nominees (Australia) Limited	16,862,875	6.10
Citicorp Nominees Pty Limited	9,086,080	3.29
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	8,508,772	3.08
Navigator Australia Limited <MLC Investment Sett A/C>	7,600,619	2.75
Bennamon Pty Ltd	3,045,795	1.10
AKAT Investments Pty Ltd <Tag Family A/C>	2,800,000	1.01
Netwealth Investments Limited <Wrap Services A/C>	1,416,467	0.51
Australian Executor Trustees	1,373,857	0.50
Netwealth Investments Limited <Super Services A/C>	1,326,478	0.48
Austair Pilots Pty Ltd	1,294,676	0.47
IOOF Investment Management Ltd	1,205,147	0.44
Citicorp Nominees Pty Limited <DPSL A/C>	1,016,207	0.37
Avanteos Investments Limited <C & L Jones Super Fund A/C>	1,013,626	0.37
Investors Mutual Ltd	1,000,000	0.36
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv. Ltd DRP	874,648	0.32
Magnet Investments Pty Ltd	856,719	0.31
Meroma Pty Limited	712,295	0.26
AKAT Investments Pty Ltd <Tag Super Fund A/C>	650,000	0.24
TAG Family Foundation Pty Ltd <Tag Family Foundation A/C>	600,000	0.22
Dirdot Pty Ltd	500,000	0.18
		22.36

D. Substantial shareholders

There are currently no substantial shareholders of QV Equities Limited.



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QV Equities Limited

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