



Equities Ltd.

2020 Annual Report



Corporate Directory

Directors	Peter McKillop (Independent Director, Chairman) John McBain (Independent Director, resigned 30 August 2019) Jennifer Horrigan (Independent Director) Eamonn Roles (Independent Director, appointed 30 August 2019) Anton Tagliaferro (Non-independent Director) Simon Conn (Non-independent Director)
Secretary	Zac Azzi
Investment Manager	Investors Mutual Limited Level 24, 25 Bligh Street Sydney NSW 2000 (AFSL 229988)
Registered Office	Level 24, 25 Bligh Street Sydney NSW 2000 Telephone: (02) 9232 7500 Fax: (02) 9232 7511 Email: info@qvequities.com Website: www.qvequities.com ABN 64 169 154 858
Share Registrar	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 Telephone: 1800 868 464
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park, 201 Sussex Street, Sydney NSW 2000
Stock Exchange	Australian Securities Exchange (ASX) ASX code: QVE Ordinary shares



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Corporate Governance Statement

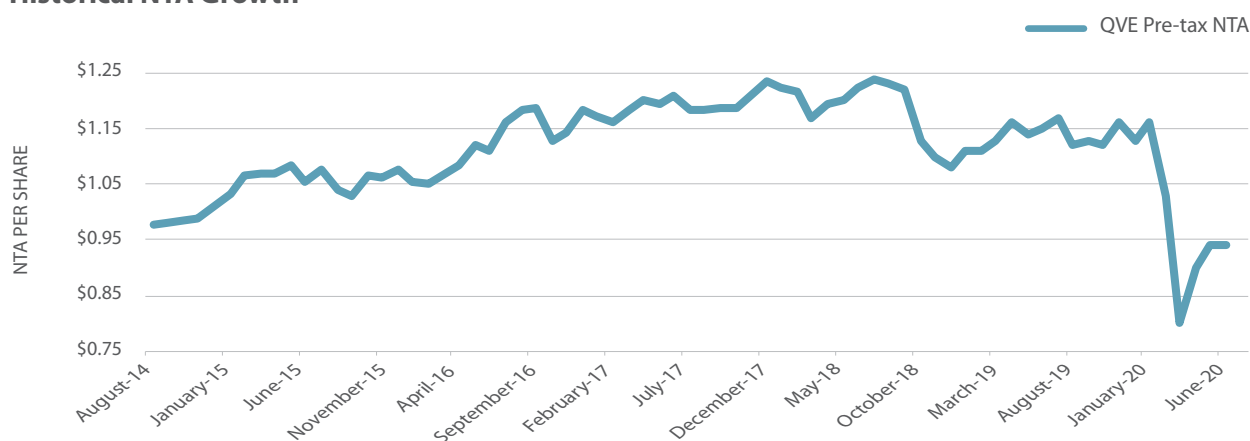
The Board of Directors of QV Equities Limited ("the Company") is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ('CGS') in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the 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

Profit After Tax \$10,478,231 (\$9,387,628 in FY19)	Management Expense Ratio 1.05% (1.03% in FY19)	
Earnings Per Share (cents) 3.85 Basic (3.40 in FY19)	Portfolio Return (Pre-tax)* -14.5%	Benchmark** -5.3%
Dividends 4.4 cps Fully Franked (declared for FY20) (4.4 cps in FY19)	Portfolio Return (Post-tax)* -9.3%	ASX 300* -7.6%
Net Assets \$260,389,742 (\$311,749,767 in FY19)	Net Tangible Assets (NTA) \$0.94 (pre-tax cum div) \$0.98 (post tax cum div)	

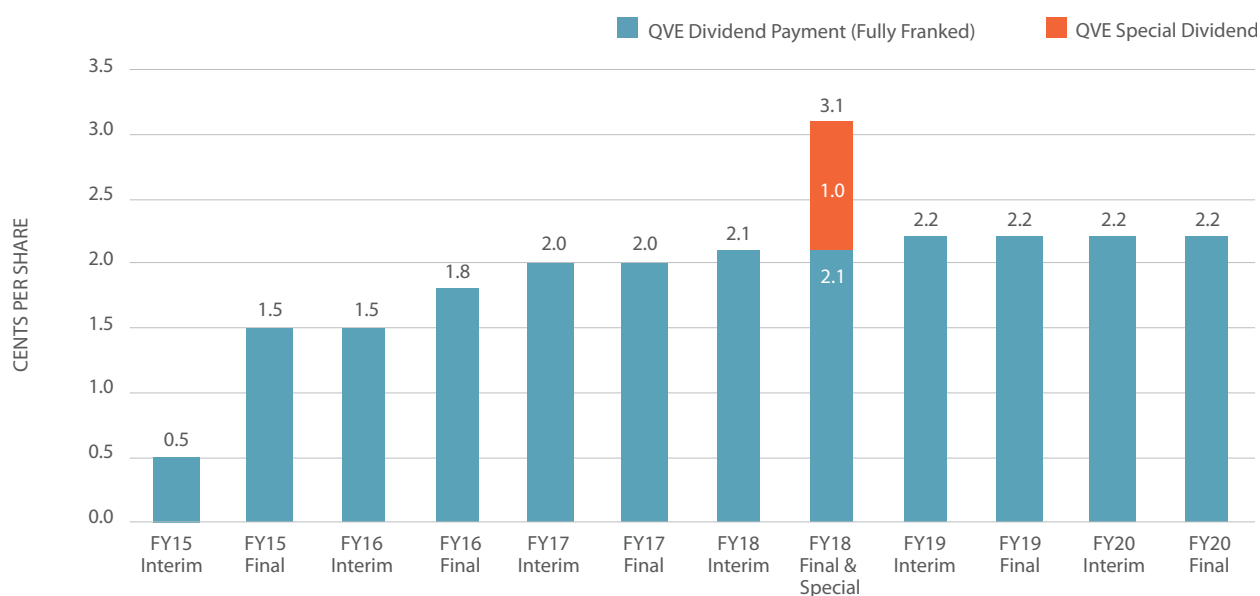
All data as at 30 June 2020 unless otherwise specified. *Returns are measured for the 2020 financial year. # S&P/ASX300 ex20 index

Historical NTA Growth



Source: Investors Mutual; 30 June 2020

Historical Dividend Growth



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/ASX20 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/ASX20 Index. The Company aims to achieve after-fee returns over a five-year-plus investment period higher than the S&P/ASX300 Accumulation Index, excluding that part of the return generated by S&P/ASX20 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/ASX20 Index – representing the 20 largest entities by market capitalisation on the ASX – accounts for 55% of the S&P/ASX300 Index by market capitalisation and has a high, 60% concentration in the Financial and Resource sectors as at 30 June 2020.

Investment Strategy

The Company’s investment strategy is to create a diversified and balanced portfolio of ASX-listed securities outside the S&P/ASX20 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 undertakes a comprehensive ‘bottom-up’ approach to identifying, researching and valuing companies. IML’s approach to identifying opportunities for the portfolio is systematic and 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 IML has applied successfully for over 22 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 industries and individual securities.

Chairman's Letter

Dear Shareholders,

Financial year 2020 was a very challenging year for investors with the COVID-19 pandemic affecting people's health, the state of and outlook for the economy and sharemarkets around the world.

Following record highs set by sharemarkets during February 2020, world sharemarkets corrected significantly at the end of the March quarter as the COVID-19 pandemic caused governments around the world to implement shutdowns across many sectors, together with travel bans. The resulting economic downturn prompted considerable central bank intervention and fiscal stimulus by governments around the world. This assisted sharemarkets to rally over the June quarter and finish the financial year on a positive note, despite the uncertain outlook.

The objective of the Company remains the same, 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 with a 22-year track record. Over recent years, value-style investing has experienced challenges in investment performance, when compared to the high levels of speculative activity in the Australian sharemarket. However, at some stage the sharemarket will begin to value companies according to their intrinsic fundamentals, and that correspondingly, investors in the Company will benefit from the Manager's consistent, value and quality-focused approach to investing in Australian companies. This approach has rewarded investors over longer timeframes.

The Company's portfolio return to shareholders for the year ended 30 June 2020 was a negative 14.5% compared to the portfolio's benchmark (ASX 300 ex20 Accumulation Index) return of a negative 5.3%. This was a disappointing result and while the Company's investment performance was broadly in line with the benchmark during the March quarter correction, the portfolio's performance did not match the sharemarket's subsequent strong gains in the June quarter.

The Manager's caution concerning many highly valued and cyclical sectors such as Technology and Resources affected relative performance as the market rallied significantly. The Manager considers many stocks in these sectors to have higher risks in the current uncertain economic environment. For these reasons, they were excluded from the investment portfolio. In addition certain stocks in the Company's portfolio, such as Tabcorp, Crown Resorts and Event Hospitality and Entertainment, were directly affected by the COVID-19 lockdowns during the March quarter correction even though all these companies occupy leading positions in their field of operation and have strong balance sheets.

The Board of the Company and the Manager remain confident 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 2020, the Company earned a net after-tax profit of \$10.48 million, up 11.6% compared to the prior financial year. On an earnings per share basis, the FY2020 result equates to after-tax earnings of 3.85 cents per share.

The management expense ratio (MER) rose modestly due to the lower average investment portfolio value over the year. However, expenses were reduced to \$3.0 million.

Dividends

A fully-franked interim dividend of 2.2 cents per share was paid on 17 March 2020. A final fully-franked dividend for the 2020 financial year of 2.2 cents per share will be paid on 18 September 2020 (the ex-dividend date for the final dividend will be 26 August 2020).

Your Board recognises that these are uncertain times for investors particularly with many companies suspending or cancelling dividends. Accordingly, the Board recently announced its intention to maintain dividend payments to you for financial year 2021 at 4.4 cents per share - as were paid in financial year 2020. These payments will be conditional on the Company maintaining sufficient profit reserves and there being no material changes or unforeseen events.



On Market Buy-Back

On 22 August 2019 your Board announced the implementation of an on-market buy-back facility to buy back up to 10% of the Company's issued shares. This facility will continue whenever the Company's shares are trading at an excessive discount to the underlying Net Tangible Assets per share. Since that announcement the Company has purchased 16.9 million shares at a cost of \$14.9 million.

Annual General Meeting

Shareholders are invited to attend our Annual General Meeting (AGM) on **Wednesday 28 October 2020 at 10.30am** (AEST). Following the AGM, Investors Mutual will provide an update for shareholders on the Company's portfolio. We are closely monitoring government advice regarding corporate events before deciding on the format of this year's AGM. The health and safety of our staff and shareholders remains our priority and we intend to provide the opportunity to join the event online. Further details regarding the AGM proceedings and the meeting, will be sent to shareholders in September.

Shareholder Communication

I hope you continue to find our regular communication informative and engaging. This information is delivered through a variety of formats:

- Weekly Net Tangible Assets (NTA) reports
- Monthly investment commentary
- Regular investment videos
- Portfolio Updates and Investment Insights from the Manager
- Annual shareholder briefings in major cities
- Regular webinars

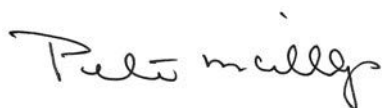
I encourage you to subscribe to receive these updates and invitations through the Company's website www.qvequities.com.

Summary

Your Board continues to believe that a carefully selected holding of ex-20 stocks, managed by Investors Mutual Limited, will provide you with good investment opportunities in these uncertain economic times. Now is the time for caution, which is why the Company's investment portfolio remains defensively positioned. The Manager remains disciplined and true to label, and as always seeks to invest in good quality companies, underpinned by reasonable valuations, with upside potential, sustainable earnings from a diverse range of sectors, and paying solid and consistent levels of franked dividends. In addition, the Manager has cash available to take advantage of the continued market volatility.

I look forward to discussing the results presented in this Annual Report further at the Annual General Meeting on 28 October. Thank you again for your continuing support of QVE.

Yours sincerely,



Peter McKillop, Chairman

19 August 2020

Investment Manager's Report

Investors Mutual Limited ('IML') is pleased to deliver its investment report for QV Equities Limited for the financial year ended 30 June 2020.

Global sharemarkets endured one of the most turbulent 12-month periods on record over the course of financial year 2020. From record highs in mid-February, most sharemarkets collapsed from late February to late March as the coronavirus pandemic forced the shutdown of economies across the globe. However, unprecedented government stimulus together with ongoing record low interest rates and investor exuberance continued to support markets, with many companies' share prices recovering strongly over the June quarter.

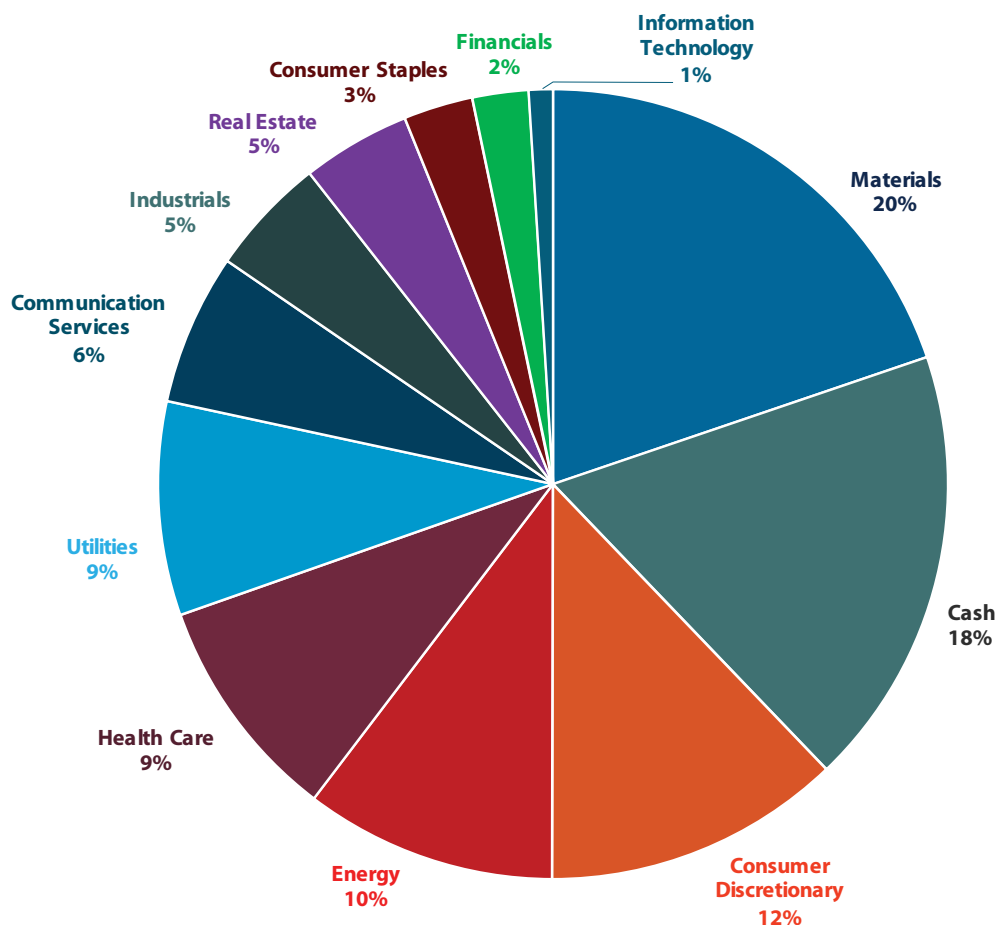
This environment has been a very challenging one for value-style fund managers such as IML. However, we remain disciplined and prudent in managing the QVE portfolio of stocks outside the ASX top 20.

IML continues to maintain strict adherence to the investment mantra which has defined its approach to investing through all market cycles for the past 22 years. IML looks to invest in well established companies which possess the following clear quality characteristics:

- a competitive advantage over their peers;
- a recurring earnings stream;
- a capable management team;
- the ability to grow earnings and dividends over time; and
- an attractive entry price.

The Company's portfolio at 30 June 2020 was made up of 43 listed securities spread across various ASX sectors. The Company's top holdings included well-known companies such as Amcor, Aurizon and Coles, as well as other good quality companies such as Crown Resorts, Sonic Healthcare and Spark Infrastructure.

Portfolio Allocation as at 30 June 2020



Investment Manager's Report (continued)

Key Equity Investments	Principal activity	Holding weight*
Ancor	Global packaging company	4.91%
Ampol (Caltex)	Importer, retailer and refiner of petroleum products	4.75%
Crown Resorts	Australian-based casino operator	4.33%
Aurizon	Australian rail company	4.28%
AusNet	Owner of electricity distribution and transmission assets	4.02%
Sonic Healthcare	Global pathology company	3.90%
Orica	Global manufacturer of commercial grade explosives and chemicals	3.89%
Tabcorp	Wagering and lotteries company	3.66%
Pact Group	Rigid plastics packaging, contract manufacturing and pallet pooling company	3.51%
SkyCity Entertainment	NZ and Australian casino operator	2.64%
Incitec Pivot	Manufacturer and distributor of industrial chemicals, fertilisers and explosives	2.63%
Spark Infrastructure	Owner of electricity distribution and transmission products	2.60%
Coles	Australian supermarket retailer	2.47%
Southern Cross Media	Radio, television and digital assets operator	2.32%
Mayne Pharma	Pharmaceutical company	2.32%
Genesis Energy	NZ electricity generation, natural gas and LPG retailing company	2.13%
Virgin Money UK	UK retail bank	2.12%
Integral Diagnostics	Radiology company	1.88%
Oil Search	Oil and gas producer	1.80%
Origin Energy	Australian energy retailer	1.62%

*Holding weight as at 30 June 2020

The complete portfolio is shown on page 47 of this financial report.

Portfolio Performance

The QVE portfolio returned -14.5% before tax and after fees for the 12 months to 30 June 2020, compared to the benchmark ASX ex-20 Index's return of -5.3%.

This was a disappointing outcome, however to provide some perspective on QVE's result, the benchmark's return was driven by sectors such as the IT and Medical Technology sectors, and many companies in these sectors have little or no earnings and business models which remain unproven. Specific investments also held back the portfolio's return for the year, including **Crown Resorts**, **SkyCity Entertainment** and **Tabcorp**. These companies' earnings were severely affected by the COVID-19 lockdowns although the long-term licences, and the potential to generate good cashflows when things normalise in future, all remain in place. The share prices of media companies **Southern Cross Media** and **oOh!media** fell heavily as advertising spend fell heavily. Positively, the portfolio benefited from its exposure to holdings such as **Sonic Healthcare**, **Ampol**, **Pro-Pac Packaging**, **Integral Diagnostics**, and **Bunnings Warehouse (BWP) Trust**, which all performed well.

Ampol was a strong contributor to QVE over the year, gaining +22% in FY2020. Previously known as Caltex, Ampol is a leading convenience retailer and supplier and merchant of transport fuels. During the year, Ampol was the recipient of rival bids for the business. Canadian company Alimentation Couche-Tard (ATD) made a conditional and non-binding bid at \$34.50 per share in November that was later revised upwards to \$35.25 per share. In February, UK-based convenience store operator EG Group proposed a scheme of arrangement entailing a purchase of the Ampol convenience retail business for \$3.9bn, with the remainder of the business to remain listed on the ASX. While Ampol's board dismissed EG Group's offer as undervaluing the company, the decision was made to engage further with ATD on an exclusive basis. Following due diligence, ATD subsequently decided not to proceed with its proposal given the high level of economic uncertainty caused by the COVID-19 pandemic.

Pro-Pac Packaging, the number two player in flexible packaging in Australia, enjoyed a strong year after issuing FY20 EBITDA guidance of +7% growth to \$30m, no mean feat given elevated uncertainty clouding the outlook for many companies. This followed strong trade through the COVID-19 lockdowns, driven by an improved agricultural season and end market exposure to the food and beverage sectors. Importantly, strong cashflow performance over the year has resulted in net debt reducing significantly to end the year at \$60m. Further, Pro-Pac announced a site rationalisation program to occur over FY21 which will deliver \$7m of cost benefits, supporting future margin expansion. These factors should help support the resumption of dividend payments from 1H21.

Investment Manager's Report (continued)

Integral Diagnostics was also a strong contributor to the portfolio with its share price increasing +30% over FY2020. Integral is the fourth-largest diagnostic imaging company across Australia and New Zealand. An ageing demographic, a focus on preventative medicine and developments in technology provide strong and sustainable tailwinds to the sector. Integral continues to generate sector-leading margins, with its focus on higher end modalities and specialist areas in breast, prostate and spinal imaging. The company continued to operate throughout the COVID-19 lockdowns as an essential service, albeit with elective procedures affected. However, coming out of lockdowns, volumes have recovered relatively quickly. At the same time, the company has continued to act as aggregator in what is a fragmented industry, acquiring Imaging Queensland and Ascot Radiology in New Zealand over the course of the year.

Regarding **Crown Resorts**, **SkyCity Entertainment**, and **Tabcorp**, we continue to follow these companies closely. While their share price performances and contributions to the QVE portfolio to date have been below expectations, we continue to hold these companies. We are of the view that their share prices will recover over the medium term as the impact of the COVID-19 lockdowns abates and these companies' earnings recover in the next few years. We believe that these companies' share prices significantly underestimate the improvement that we will see in the medium to longer term.

Outlook

In terms of the macroeconomic environment, we are conscious of the risk that the challenging growth outlook presents to the overall sharemarket in the medium term. We therefore continue to hold a healthy cash weighting in the QVE portfolio. In our view, sharemarkets will be more volatile in the coming months as investors grapple with what the 'new normal' will look like following the anticipated reduction in stimulus and supports as we head into 2021. While some commentators are predicting a sharp V-shaped recovery, conditions are likely to remain challenging as various travel bans and lockdowns persist. Many companies are also looking to reduce their labour costs and cut their capital expenditure plans in anticipation of lower future demand, further reinforcing our view of focusing on positioning the QVE portfolio defensively.

IML remains cautious about the outlook for sharemarkets. Given the low rates of return from alternatives such as cash and bonds, and the unprecedented levels of government stimulus, several equity sectors' valuations are now looking overstretched in our view, as investors have bid up share prices in search of growth. With many valuations now sitting at elevated levels, and with the economic and earnings outlook remaining highly uncertain, we continue to hold a healthy 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 strong economic growth. These initiatives include companies capable of making accretive bolt-on acquisitions, such as **Ancor**; companies growing market share, such as **Integral Diagnostics**; companies restructuring their business, such as **Orora**; companies that are on track for revenue growth, such as **AusNet**; or companies that are actively taking costs out of their operations, such as **Coles** and **Pro-Pac Packaging**.

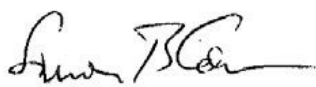
It remains a privilege, that we do not take for granted, to apply IML's quality and value investment philosophy and approach to investing the QVE portfolio for another year. While over the more recent past in particular the portfolio's performance has been disappointing, we still believe that a good quality portfolio of well established companies in the ex-20 sector of the market will yield solid returns in the future as well as offering investors a good opportunity to diversify their exposure away from the ASX top 20 stocks.

We hope to meet as many of you as possible at our shareholder events in early 2021, health conditions and government regulations permitting.

Thank you for the trust you continue to place in us to invest on your behalf.



Anton Tagliaferro
Investment Director
Investors Mutual Limited
19 August 2020



Simon Conn
Senior Portfolio Manager
Investors Mutual Limited



The Directors present their report together with the financial report of QV Equities Limited ("the Company") for the year ended 30 June 2020.

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, resigned 30 August 2019
Jennifer Horrigan	Independent Director	26 April 2016
Eamonn Roles	Independent Director	30 August 2019
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
2020				
Ordinary shares – interim 2020	2.2 cents	\$5,956,380	17/03/2020	100%
Ordinary shares – final 2019	2.2 cents	\$6,079,577	20/09/2019	100%
2019				
Ordinary shares – interim 2019	2.2 cents	\$6,071,893	15/03/2019	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%

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 18 September 2020.

Review of operations

Our Investment Manager ("the Manager"), Investors Mutual Limited ("IML") has patiently built a portfolio of 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
1 July 2019 to 30 June 2020	-9.3%	-5.3%
31 December 2019 to 30 June 2020	-10.5%	-11.1%

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

Investment operations for the year ended 30 June 2020 resulted in an operating profit before tax of \$11,899,749 (2019: \$10,824,206) and an operating profit after tax of \$10,478,231 (2019: \$9,387,628).

Net Tangible Assets (NTA) for each ordinary share as at 30 June 2020 (calculated on market value less realisation costs and before applicable taxes and before provision for dividends) amounted to \$0.94 (2019: \$1.15) per share. NTA after provision for tax and before provision for dividends was \$0.98 (2019: \$1.13) per share.

The decrease in the NTA during the financial year was primarily driven by the decline in the investment portfolio.

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 2020 was \$260,389,742 (2019: \$311,749,767).

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 2020.

Matters subsequent to the end of the year

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 18 September 2020.

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 in-house funds into the retail area in 1987, including Perpetual's highly successful Industrial Share Fund.

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

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

Other current directorships

Peter McKillop does not hold other directorships of listed companies.

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.

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, APN Industria REIT (ASX: ADI), APN Convenience Retail REIT (ASX:AQR) and Chairman of Redkite (national children's cancer charity).

Former directorships in last 3 years

Jennifer Horrigan was formerly a Director of Generation Healthcare (ASX: GHC) and Breast Cancer Trials.

Special responsibilities

Chair of the Audit and Risk Committee.

Interests in shares and options of the Company

Details of Jennifer Horrigan's interest in shares of the Company are included later in this report.

Interests in contracts

Jennifer Horrigan has no interests in contracts of the Company.



Directors' Report (continued)

Information on Directors (continued)

Eamonn Roles

Independent Director

Experience and expertise

Eamonn Roles has over 25 years' experience in the funds management and financial advisory industries incorporating Product Development & Management, Marketing, Strategy and Business Planning, and Operations. He commenced his career at PricewaterhouseCoopers in Ireland before joining the Australian firm.

Eamonn is a Chartered Accountant and holds a Graduate Diploma in Applied Finance from Finsia.

Other current directorships

Eamonn Roles does not hold other directorships of listed companies.

Former directorships in last 3 years

Eamonn Roles has not held any other directorships of listed companies.

Special Responsibilities

Eamonn Roles is Chairman of the Nominations and Corporate Governance Committee.

Interests in shares and options of the Company

Details of Eamonn Roles' interest in shares of the Company are included later in this report.

Interests in contracts

Eamonn Roles 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.

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.

Other current directorships

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

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.

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 establish and manage their Australian operations.

Zac subsequently joined SFG Australia Limited where he helped 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.



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 2020, 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	1	1	1	1	1	1
Jennifer Horrigan	7	7	5	5	3	3
Eamonn Roles	6	6	4	4	2	2
Anton Tagliaferro	6	7	-	-	-	-
Simon Conn	7	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.

Company performance

The following table reflects the Company's performance and Directors' remuneration over five years:

Five Year Financial Summary	2020	2019	2018	2017	2016
Profit after tax (\$m)	10,478,231	9,387,628	11,143,913	8,497,402	5,717,941
Basic EPS (cents)	3.85	3.40	4.05	3.61	2.77
Total dividends (cents per share)	4.4	4.4	5.2	4.0	3.3
NTA per share post-tax at 30 June (\$)	0.98	1.13	1.18	1.16	1.07
Total Directors remuneration (\$)	100,000	100,000	100,000	100,000	100,000



Remuneration report (audited) (continued)

(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 2020 and 30 June 2019.

2020	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
Non-executive Directors			
Peter McKillop	27,397	12,603	40,000
Jennifer Horrigan	27,397	2,603	30,000
John McBain	4,566	434	5,000
Eamonn Roles	22,831	2,169	25,000
Total key management personnel compensation	82,191	17,809	100,000

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

Directors receive a superannuation guarantee contribution required by the government, which was 9.5% of individual benefits for financial year 2020 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 \$2,611,265 (2019: \$2,872,964) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit was \$2,433,224 (2019: \$2,677,080). As at 30 June 2020, the balance payable to the Manager was \$188,491 (2019: \$236,008).

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 year. The Manager is appointed to provide the day to day management of the Company and is remunerated as outlined above.



Directors' Report (continued)

Remuneration report (audited) (continued)

(d) Equity instrument disclosures relating to Directors

As at 30 June 2020, the Company's Directors and their related parties held the following interests in the Company:

Ordinary Shares Held

2020

Director	Balance as at 1 July 2019	Acquisitions	Disposals	Balance as at 30 June 2020
Peter McKillop	435,895	68,665	-	504,560
Jennifer Horrigan	-	29,200	-	29,200
John McBain*	224,142	-	-	n/a
Eamonn Roles	-	100,000	-	100,000
Anton Tagliaferro	5,050,000	1,000,000	-	6,050,000
Simon Conn	150,000	80,000	-	230,000
	5,860,037	1,277,865	-	6,913,760

2019

Director	Balance as at 1 July 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

*John McBain resigned from the Company effective 30 August 2019 and his shareholding balance as at 30 June 2020 is not included.

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

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* (including Independence Standards).

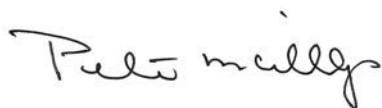
Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/ Directors' Report) Instrument 2016/191*, issued by the Australian Securities and Investment Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporation Instrument to the nearest dollars unless otherwise stated.

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 20.

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



Peter McKillop, Chairman

19 August 2020



Auditor's Independence Declaration



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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 2020, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

A handwritten signature in black ink, appearing to read 'C I Chandran'.

C I Chandran
Partner

Pitcher Partners
Sydney

19 August 2020

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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Statement of Comprehensive Income

	Notes	30 June 2020 \$	30 June 2019 \$
Investment income			
Dividend/distribution income		11,185,636	12,736,833
Interest income		500,649	1,106,387
Realised gains on options and futures		3,086,218	350,131
Unrealised gains/(losses) on options		121,523	(74,097)
Other income		41,375	4,471
Net investment income		14,935,401	14,123,725
Expenses			
Management fees		2,433,224	2,677,080
Directors' fees		100,000	100,000
ASX fees		78,496	83,297
Registry fees		70,097	133,480
Insurance fees		178,001	118,705
Other expenses		175,834	186,957
Total expenses		3,035,652	3,299,519
Profit before income tax		11,899,749	10,824,206
Income tax expense	5	1,421,518	1,436,578
Profit after income tax		10,478,231	9,387,628
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		(39,203,368)	(9,899,518)
Items that will be reclassified to profit and loss			
Movement in fair value of floating rate notes, net of tax		(172,735)	23,188
Other comprehensive income, net of tax		(39,376,103)	(9,876,330)
Total comprehensive loss for the year, net of tax		(28,897,872)	(488,702)
Earnings per share			
Basic and diluted earnings per share (cents per share)	13	3.85	3.40

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

Financial Statements (continued)

Statement of Financial Position

	Notes	30 June 2020 \$	30 June 2019 \$
Assets			
Current assets			
Cash and cash equivalents	6	31,204,620	40,070,290
Receivables	7	453,501	954,095
Prepayments		90,568	85,541
Total current assets		31,748,689	41,109,926
Non-current assets			
Long-term investments	8	220,112,578	279,725,315
Deferred tax assets	5	12,765,887	134,635
Total non-current assets		232,878,465	279,859,950
Total assets		264,627,154	320,969,876
Liabilities			
Current liabilities			
Trade creditors and other payables	10	1,805,457	1,165,335
Current tax liabilities	5	939,610	1,631,044
Financial liabilities at fair value	9	1,492,345	1,835,635
Total current liabilities		4,237,412	4,632,014
Non-current liabilities			
Deferred tax liabilities	5	-	4,588,095
Total non-current liabilities		-	4,588,095
Total liabilities		4,237,412	9,220,109
Net assets		260,389,742	311,749,767
Equity			
Issued capital	11	272,103,428	282,529,624
Asset revaluation reserve		(29,628,264)	9,189,720
Capital profits reserve	12	13,392,726	15,019,704
Profits reserve		4,521,852	5,010,719
Total equity		260,389,742	311,749,767

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 2019		282,529,624	9,189,720	15,019,704	5,010,719	-	311,749,767
Profit for the year		-	-	-	-	10,478,231	10,478,231
Other comprehensive income:							
Net revaluation of investments		-	(39,376,103)	-	-	-	(39,376,103)
Total comprehensive income for the year		-	(39,376,103)	-	-	10,478,231	(28,897,872)
Transactions with equity holders in their capacity as owners:							
Shares issued from dividend reinvestment plan	11	365,149	-	-	-	-	365,149
Dividends provided for or paid	14	-	-	(1,068,859)	(10,967,098)	-	(12,035,957)
Share buyback - redemption	11	(10,791,345)	-	-	-	-	(10,791,345)
Other							
Realised profits/(losses) on sale of investments transferred to capital profits reserve	12	-	558,119	(558,119)	-	-	-
Transfer to profits reserve		-	-	-	10,478,231	(10,478,231)	-
Balance at 30 June 2020		272,103,428	(29,628,264)	13,392,726	4,521,852	-	260,389,742

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



Financial Statements (continued)

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)	-	-	9,387,628	(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 profit on sale of investments transferred to capital profits reserve	12	-	(2,744,875)	2,744,875	-	-	-
Transfer to profits reserve		-	-	-	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 notes.

Financial Statements (continued)

Statement of Cash Flow

	Notes	30 June 2020 \$	30 June 2019 \$
Cash flows from operating activities			
Dividends/distributions received		11,425,521	12,726,188
Interest received		520,474	1,088,576
Net realised gains on exchange traded options		2,864,451	1,111,126
Payments for other expenses		(3,101,464)	(3,335,661)
Other income		41,375	4,471
Income tax paid		(2,174,792)	(4,267,198)
Net cash inflow from operating activities	6	9,575,565	7,327,502
Cash flows from investing activities			
Payments for investments		(80,360,574)	(102,644,408)
Proceeds from sale of investments		83,920,962	93,840,594
Net cash inflow/(outflow) from investing activities		3,560,388	(8,803,814)
Cash flows from financing activities			
Dividends paid		(11,670,808)	(13,764,000)
Payments for share buyback		(10,330,815)	-
Net cash outflow from financing activities		(22,001,623)	(13,764,000)
Net decrease in cash and cash equivalents			
		(8,865,670)	(15,240,312)
Cash and cash equivalents held at beginning of the year		40,070,290	55,310,602
Cash and cash equivalents at the end of the year	6	31,204,620	40,070,290
Non-cash transactions:			
Shares issued via dividend reinvestment plan		365,149	849,533

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 19 August 2020.

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 2020 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 current and future reporting periods, some of which are relevant to the Company. The Directors have assessed these new standards and interpretations to have no material impact to the Company.

(iii) Standards issued but not yet effective

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

(b) Investments

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

The Company classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the investments.

For long term equity securities, the contractual cash flows do not represent solely payments of principal and interest and they are not held for trading. Therefore, the Company has made an irrevocable election to present fair value movements on these securities in other comprehensive income which accumulates in the asset revaluation reserve. On derecognition the cumulative gain/loss on these securities are transferred to the capital profits reserve.

For floating rate securities, the contractual cash flows are solely payments of principal and interest and the business model objective is achieved by both collecting contractual cash flows and selling these financial assets. Therefore, the Company mandatorily presents these securities in other comprehensive income which accumulated in the asset revaluation reserve. On derecognition the cumulative gain/loss on these securities are recycled to the profit or loss.

The Company holds call options which are derivatives financial instruments 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.

2. Summary of significant accounting policies (continued)

(b) Investments (continued)

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company 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 year is the tax payable on the current year's taxable income based on the applicable income tax rate, adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

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

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

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

(f) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office (ATO), are presented as operating cash flows.

(g) Cash and cash equivalents

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



Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(h) Receivables and unsettled sale of shares

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, dividends and trust distributions. Interest, dividends and trust distributions 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. Shares bought back will be recognised as a reduction to ordinary shares.

(k) Dividends

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

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

(l) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(o) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

Apart from the items mentioned below, there are no key judgements, estimates and assumptions that have a risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

Recovery of deferred tax assets

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

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's 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 long term investments and financial liabilities at fair value.

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.

The Company's industry sector weighting of investments including options as at 30 June 2020 and 30 June 2019 is listed below:

Industry sector	2020 %	2019 %
Financials	2.3	9.6
Materials	19.7	13.0
Health Care	9.3	8.6
Utilities	8.8	7.9
Consumer Discretionary	12.2	13.7
Industrials	4.9	9.5
Energy	10.3	8.1
Listed Property Trust	4.5	5.1
Communication Services	6.2	6.3
Consumer Staple	2.8	-
Information Technology	1.0	0.7
	82.0	82.5
Cash	18.0	17.5
	100.0	100.0

As at 30 June 2020, 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 year. 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.

Notes to the Financial Statements (continued)

3. Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Investments represent 82% (2019: 83%) 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% (2019: 30%).

	Impact on Total Comprehensive income	
	2020 \$	2019 \$
Increase 5%	7,651,708	9,726,139
Decrease 5%	(7,651,708)	(9,726,139)
Increase 10%	15,303,416	19,452,278
Decrease 10%	(15,303,416)	(19,452,278)

(ii) Cash flow and fair value interest rate risk

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

The table below summarises the Company's exposure to interest rate risk. 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 2020			
Financial assets			
Cash and cash equivalents	31,204,620	-	31,204,620
Receivables	-	453,501	453,501
Long term investments	3,944,200	216,168,378	220,112,578
	35,148,820	216,621,879	251,770,699
Financial liabilities			
Trade creditors and other payables	-	(1,805,457)	(1,805,457)
Financial liabilities at fair value	-	(1,492,345)	(1,492,345)
	-	(3,297,802)	(3,297,802)
Net exposure to interest rate risk	35,148,820	213,324,077	248,472,897
30 June 2019			
Financial assets			
Cash and cash equivalents	40,070,290	-	40,070,290
Receivables	-	954,094	954,094
Long term 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 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

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2020 is 1.06% (2019: 1.37%).

3. Financial risk management (continued)

(a) Market risk (continued)

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

Sensitivity analysis

At 30 June 2020, if interest rates had increased/decreased by 75 basis points (2019: 75 basis points) from the year end rates with all other variables held constant, post-tax profit for the year would have been \$237,150 (2019: \$225,679) higher/\$237,150 (2019: \$225,679) lower, mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

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

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

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

The Manager is responsible for ensuring there is appropriate diversification across counterparties and that they are of a sufficient quality rating. The Manager minimises the Company's concentration of credit risk by undertaking transactions in ASX listed securities with a large number of approved brokers. Payment is only made once a broker has received securities and delivery of securities only occurs once the broker has 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. Payables are due within less than 6 months. In the case of call options, there are no contractual cash flows as if the option is exercised the contract will be settled in the securities over which the option is written.

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.



Notes to the Financial Statements (continued)

4. Fair value measurement

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

- Long term investments
- Financial liabilities held for trading

Fair value hierarchy

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

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

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

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

(i) Recurring fair value measurements

The following table presents the Company's assets measured and recognised at fair value as at 30 June 2020 and 30 June 2019.

As at 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long term investments:				
Listed equities	198,249,379	-	-	198,249,379
Listed unit trusts	17,918,999	-	-	17,918,999
Floating rate notes	3,944,200	-	-	3,944,200
Total	220,112,578	-	-	220,112,578
Financial liabilities				
Financial liabilities held for trading:				
Options	1,492,345	-	-	1,492,345
Total	1,492,345	-	-	1,492,345

As at 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long term 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

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.

During the year \$nil (2019: \$1,122,000) has been transferred from Level 2 to Level 1. There were no transfers in and out of Level 2 and 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 2020 \$	30 June 2019 \$
Prima Facie tax on profit from ordinary activities before income tax of 30% (2019: 30%)	3,569,925	3,247,262
Increase/(decrease) in income tax expense due to:		
Gross up of imputation credits received	798,392	874,004
Imputation credits on dividends received	(2,661,307)	(2,913,346)
Gross up of foreign income tax offsets	62,694	76,937
Foreign income tax offsets	(208,979)	(256,457)
Franked dividend income receivable	(5,427)	-
Tax deferred and income from trust distributions	(167,708)	-
Impact of retrospective tax change	-	408,178
Under/(over) provisions in previous year	42,328	-
Capital raising costs raised directly in equity	(8,400)	-
	1,421,518	1,436,578
Tax expense composition:		
Current tax expense	1,463,524	545,113
Movement in deferred tax liabilities	(141,276)	246,795
Movement in deferred tax assets	65,342	236,353
Under/(over) provision in previous year	42,328	-
Capital raising costs raised directly in equity	(8,400)	-
Impact of retrospective tax change	-	408,317
	1,421,518	1,436,578
Effective tax rate is:		
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.	11.95%	13.27%

(b) Deferred tax assets

	30 June 2020 \$	30 June 2019 \$
This balance comprises temporary differences attributable to:		
Accruals	18,061	11,230
Share issue costs capitalised	68,422	123,405
Transfer from deferred tax liabilities	12,679,404	-
	12,765,887	134,635
Movements		
Opening balance	134,635	340,072
Share issue costs capitalised	8,400	-
Charged to statement of comprehensive income	(65,342)	(236,353)
Impact of retrospective tax change	8,790	30,916
Transfer from deferred tax liabilities	12,679,404	-
The rate used at 30 June 2020 is 30% (30 June 2019: 30%)	12,765,887	134,635

Notes to the Financial Statements (continued)

5. Taxation (continued)

(c) Current tax liabilities

	30 June 2020 \$	30 June 2019 \$
Balance at beginning of year	1,631,044	3,205,655
Current year income tax on operating profit	1,463,524	545,113
Realised capital gain	-	1,503,284
Net income tax paid	(2,174,792)	(4,267,198)
Under provision of income tax in previous year	19,834	2,130
Impact of retrospective tax change	-	642,060
	939,610	1,631,044

(d) Deferred tax liabilities

	30 June 2020 \$	30 June 2019 \$
This balance comprises temporary differences attributable to:		
Fair value adjustment on equity investments	(12,500,525)	4,430,042
Revaluation of options	(49,315)	(85,772)
Income receivable not assessable for tax until receipt	33,642	5,280
Tax deferred distributable income	(163,206)	238,545
Transfer to deferred tax assets*	12,679,404	-
	-	4,588,095
Movements		
Opening balance	4,588,095	9,060,302
Charged to statement of comprehensive income	(141,276)	246,795
Impact to other comprehensive income	(16,931,180)	(5,540,536)
Impact of retrospective tax change	-	821,534
Under/(over) provision	(195,043)	-
Transfer to deferred tax assets*	12,679,404	-
The rate used at 30 June 2020 is 30% (30 June 2019: 30%)	-	4,588,095

*Debit balance on deferred tax liabilities transferred to deferred tax assets.

6. Cash and cash equivalents

	30 June 2020 \$	30 June 2019 \$
Cash at bank	31,204,620	25,070,290
Short term deposits	-	15,000,000
Total cash and cash equivalents	31,204,620	40,070,290

Notes to the Financial Statements (continued)

6. Cash and cash equivalents (continued)

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

	30 June 2020 \$	30 June 2019 \$
Net profit after income tax	10,478,231	9,387,628
Changes in operating assets and liabilities		
Unrealised (gains)/losses on options	(121,523)	74,097
(Increase)/decrease in dividends/distributions receivable	239,885	(10,645)
Decrease/(increase) in interest receivable	19,825	(17,811)
Increase in prepayments	(5,026)	(29,812)
(Decrease)/increase in sundry creditors and accruals	(282,553)	754,666
Decrease in deferred tax assets	48,152	205,437
Decrease in current tax provision	(465,107)	(3,282,853)
(Decrease)/increase in deferred tax liabilities	(336,319)	246,795
	(902,666)	(2,060,126)
Net cash inflow from operating activities	9,575,565	7,327,502

7. Receivables

	30 June 2020 \$	30 June 2019 \$
Interest receivable	116	19,942
Dividends/distributions receivable	394,390	634,275
Other receivables	58,995	299,878
Total receivables	453,501	954,095

None of the receivables are past the due date or impaired.

8. Long term 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 2020 \$	Fair value 30 June 2019 \$
Listed securities	220,112,578	279,725,315

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:

	2020 \$	2019 \$
Dividend income:		
Listed securities held at year-end	7,005,622	11,200,163
Listed securities sold during the year	4,180,014	1,536,670
Total dividend	11,185,636	12,736,833

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.

Notes to the Financial Statements (continued)

8. Long term investments (continued)

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

	2020 \$	2019 \$
Fair value at disposal date		
Listed securities	83,694,166	78,905,807
Gain on disposal after tax		
Listed securities	558,119	2,744,875

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 2020 \$	Fair value 30 June 2019 \$
Exchange traded options	1,327,962	1,549,729
Exchange traded options revaluation	164,383	285,906
Total financial liabilities at fair value	1,492,345	1,835,635

10. Trade creditors and other payables

	30 June 2020 \$	30 June 2019 \$
Payable - investment creditors	995,096	740,631
Payable - share buyback	460,530	-
Payable - other expenses	349,831	424,704
Total trade creditors and other payables	1,805,457	1,165,335

11. Issued capital

(a) Share capital

	30 June 2020 Number of shares	30 June 2020 Total amount \$	30 June 2019 Number of shares	30 June 2019 Total amount \$
Fully paid ordinary shares	264,818,778	272,103,428	276,344,417	282,529,624

(b) Movements in ordinary share capital

2020

Date		Number of shares	Issue price* \$	Total amount \$
01/07/2019	Opening balance	276,344,417		282,529,624
	Ordinary shares issued under dividend reinvestment plan - final 2019	380,059	0.96	365,149
	Share buyback - redemption	(11,905,698)	0.91	(10,791,345)
30/06/2020	Closing balance	264,818,778		272,103,428

Notes to the Financial Statements (continued)

11. Issued capital (continued)

(b) Movement in ordinary share capital (continued)

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

* 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.

(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, buyback shares or sell assets to reduce debt.

The Company is not subject to any externally imposed capital requirements.

12. Reserves

(a) Capital profits reserve

Realised gains or losses on long term equity investments are transferred from the asset revaluation reserve to the capital profits reserve for dividend payments.

	30 June 2020 \$	30 June 2019 \$
Realised (loss)/profit on sale of investments transferred to reserves	(558,119)	2,744,875
Movements:		
Opening balance	15,019,704	15,899,401
Gain on sale of equities	10,231,410	6,622,560
Loss on sale of equities	(10,789,529)	(3,877,685)
Dividends provided for or paid	(1,068,859)	(3,624,572)
Closing balance	13,392,726	15,019,704

(b) Asset revaluation reserve

Changes in the fair value of long term investments are presented in other comprehensive income through the assets revaluation reserve. Upon disposal of a long term investment the realised gain or loss is transferred from the asset revaluation reserve to the capital profits reserve.



Notes to the Financial Statements (continued)

13. Earnings per share

	30 June 2020 cents	30 June 2019 cents
(a) Basic and diluted earnings per share		
Total earnings per share attributable to the ordinary equity holders of the Company	3.85	3.40
(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 weighted average number of shares on issue during the year.	272,040,430	275,945,196

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% (2019: 30%) tax rate.

	30 June 2020 \$	30 June 2019 \$
Final dividend FY19: 2.2 cents per share fully franked paid 20 September 2019 (final dividend FY18: 2.1 cents per share fully franked)	6,079,577	5,786,275
Special dividend FY19: nil cents per share fully franked (special dividend FY18: 1.0 cents)	-	2,755,365
Interim dividend FY20: 2.2 cents per share fully franked paid 17 March 2020 (interim dividend FY19: 2.2 cents per share fully franked)	5,956,380	6,071,893
	12,035,957	14,613,533

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

	30 June 2020 \$	30 June 2019 \$
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 18 September 2020 (2019: 20 September 2019) out of the profits of the Company at 30 June 2020 and 30 June 2019, but not recognised as a liability at year end is:	5,826,013	6,079,577

(c) Dividends franking account

The fully franked final dividend to be paid on 18 September 2020 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 2020.

	30 June 2020 \$	30 June 2019 \$
Opening balance of franking account	4,645,592	4,284,305
Franking credits on dividends received	2,661,307	2,913,346
Tax paid during the period	2,174,792	4,267,198
Franking credits on ordinary dividends paid	(5,158,267)	(6,262,943)
Impact of retrospective tax changes	-	(556,314)
Closing balance of franking account	4,323,424	4,645,592
Adjustment for tax payable on the current period profits	939,610	1,631,044
Franking credits available for use in subsequent reporting periods	5,263,034	6,276,636
Adjusted for dividends declared subsequent to reporting period 30% (2019: 30%)	(2,496,863)	(2,605,533)
Adjusted franking account balance	2,766,171	3,671,103

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.

Notes to the Financial Statements (continued)

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
Eamonn Roles	Independent Director
Anton Tagliaferro	Non-Independent Director
Simon Conn	Non-Independent Director

(a) Remuneration

Detailed remuneration disclosures are provided in the Remuneration Report of the Directors' Report on page 16 and 17.

	30 June 2020 \$	30 June 2019 \$
Short term employee benefits - Directors fees	82,191	73,059
Post employment benefits - Superannuation	17,809	26,941
	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

2020

Directors	Balance as at 30 June 2019	Acquisitions	Disposals	Balance as at 30 June 2020
Peter McKillop	435,895	68,665	-	504,560
Jennifer Horrigan	-	29,200	-	29,200
John McBain*	224,142	-	-	n/a
Eamonn Roles	-	100,000	-	100,000
Anton Tagliaferro	5,050,000	1,000,000	-	6,050,000
Simon Conn	150,000	80,000	-	230,000
	5,860,037	1,277,865	-	6,913,760

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

*John McBain resigned from the Company effective 30 August 2019 and his shareholding balance as at 30 June 2020 is not included.

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 \$2,611,265 (2019: \$2,872,964) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit was \$2,433,224 (2019: \$2,677,080). As at 30 June 2020, the balance payable to the Manager was \$188,491 (2019: \$236,008).

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 commitments or contingent liabilities as at 30 June 2020 and 30 June 2019.

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 18 September 2020.

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 2020	30 June 2019
	\$	\$
Audit and other assurance services:		
Audit and review of financial report	43,300	42,000
Non-assurance services:		
Tax services	10,200	9,900
	53,500	51,900

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.

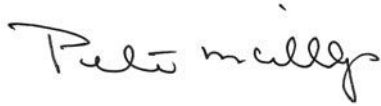
Directors' Declaration

In the Directors' opinion,

- (1) the financial statements and notes set out on pages 21 to 40 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;
 - (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 2020 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

19 August 2020





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 2020, 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 2020 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 (including Independence Standards)* ("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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Independent Auditor's Report to the Shareholders (continued)



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

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>Existence and Valuation of Financial Assets Refer to Note 8: Financial Assets</p>	
<p>We focused our audit effort on the existence and valuation of the Company's financial assets as they represent the most significant driver of the Company's Net Tangible Assets and Profit.</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 "Level 1" (i.e. where the valuation is based on quoted prices in active markets).</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 Custodians; ▪ 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; ▪ Obtaining confirmations of the investment holdings directly from the Custodians; ▪ Assessing and recalculating the Company's valuation of individual investment holdings using independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

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



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 2020 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.

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



Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- 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, actions taken to eliminate threats or safeguards applied.

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 2020.

In our opinion, the Remuneration Report of QV Equities Limited, for the year ended 30 June 2020, 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 'C I Chandran'.

C I Chandran
Partner

19 August 2020

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 2020.

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 2020:

	2020		2019	
	Holding units	Fair value \$	Holding units	Fair value \$
Ordinary shares, trust units or stapled securities				
A2B Australia Limited	1,800,000	1,458,000	1,700,000	3,000,500
Abacus Property Group	-	-	200,000	820,000
AGL Energy Limited	-	-	100,000	2,001,000
Ampol Limited (formerly Caltex Australia)*	430,000	12,607,600	450,000	11,137,500
Amtor Limited*	1,000,000	14,480,000	1,000,000	16,190,000
Australian Pharmaceutical Industries Limited	1,700,000	1,946,500	-	-
Ansell Limited	-	-	150,000	4,027,500
AusNet Services Limited	6,000,000	10,020,000	3,000,000	5,625,000
Alumina Limited*	1,000,000	1,625,000	-	-
Aurizon Holdings Limited*	2,500,000	12,300,000	2,500,000	13,500,000
BWP Trust	800,000	3,064,000	-	-
Bank of Queensland Limited	-	-	950,000	9,053,500
Coles Group Limited*	600,000	10,302,000	-	-
Charter Hall Retail REIT	1,200,000	4,020,000	750,000	3,277,500
Clearview Wealth Limited	1,600,000	432,000	1,400,000	924,000
Crown Resorts Limited*	1,220,000	11,797,400	1,130,000	14,068,500
Event Hospitality and Entertainment Ltd	390,000	3,279,900	400,000	5,000,000
Fletcher Building Limited	750,000	2,587,500	850,000	3,961,000
Genesis Energy Limited	2,000,000	5,320,000	2,300,000	7,452,000
GWA Group Limited	-	-	2,800,000	9,576,000
Hotel Property Investments	-	-	1,000,000	3,440,000
Integral Diagnostics Limited	1,200,000	4,680,000	2,200,000	6,952,000
Iluka Resources Limited*	150,000	1,281,000	-	-
Incitec Pivot Limited	3,500,000	6,562,500	1,300,000	4,433,000
Link Administration Holdings Limited	600,000	2,460,000	450,000	2,250,000
Mirvac Group*	500,000	1,085,000	-	-
Metcash Limited*	500,000	1,360,000	-	-
Mayne Pharma Group Limited	15,000,000	5,775,000	10,000,000	5,100,000
Newcrest Mining Limited*	101,172	3,189,953	-	-
Myer Holdings Limited	-	-	5,000,000	2,725,000
Nine Entertainment Co. Holdings Limited	2,500,000	3,450,000	2,200,000	4,125,000
New Hope Corporation Limited	1,500,000	2,047,500	-	-
Oil Search Limited*	1,460,000	4,628,200	801,500	5,666,605
Ooh Media Limited	1,800,000	1,638,000	900,000	3,510,000
Orica Limited*	600,000	9,984,000	600,000	12,162,000
Orora Limited	800,000	2,032,000	-	-
Origin Energy Limited*	700,000	4,088,000	650,000	4,751,500

Shareholder Information (continued)

	2020		2019	
	Holding units	Fair value \$	Holding units	Fair value \$
Ordinary shares, trust units or stapled securities				
Pact Group Holdings Ltd	4,000,000	8,760,000	3,700,000	10,323,000
Pro-Pac Packaging Limited	22,000,000	3,960,000	15,000,000	1,725,000
Regis Healthcare Limited	700,000	987,000	900,000	2,367,000
Ruralco Holdings Limited	-	-	1,600,000	6,656,000
Shopping Centres Australasia Property Group	1,500,000	3,270,000	2,100,000	5,019,000
Sonic Healthcare Limited*	390,000	11,867,700	560,000	15,176,000
Skycity Entertainment Group Limited	2,950,000	6,578,500	2,000,000	7,180,000
Sims Metal Management Limited	-	-	250,000	2,715,000
Spark Infrastructure Group	3,000,000	6,480,000	4,500,000	10,935,000
Spark New Zealand Limited	300,000	1,272,000	-	-
Southern Cross Media Group Limited	33,035,000	5,781,125	6,000,000	7,500,000
Steadfast Group Limited	-	-	3,400,000	11,934,000
Sydney Airport	-	-	500,000	4,020,000
Unibail Rodamco Westfield CDI	-	-	350,000	3,594,500
Tabcorp Holding Limited	2,700,000	9,126,000	2,000,000	8,900,000
Virgin Money UK PLC (formerly Cybg PLC)	3,200,000	5,296,000	2,500,000	8,550,000
Z Energy Limited	1,300,000	3,289,000	700,000	4,207,000
Floating rate notes				
Crown Resorts Limited unsecured sub floating rate note	4,100,000	3,944,200	4,100,000	4,194,710
Total equities		220,112,578		279,725,315
Cash		31,204,620		40,070,290
Total portfolio		251,317,198		319,795,605

* Part or all of the security was subject to call options written by the Company as at 30 June 2020.

There were 561 (2019: 429) investment transactions during the financial year. The total brokerage paid on these transactions was \$305,661 (2019: \$298,229).

B. Distribution of equity securities

Analysis of numbers of shareholders by size of holding as at 30 June 2020:

Holding	No. of shareholders	Ordinary shares	Percentage
1 – 1,000	240	77,690	0.03
1,001 – 5,000	660	2,295,711	0.86
5,001 – 10,000	985	8,005,973	3.01
10,001 – 100,000	4,313	138,824,306	52.60
100,001 and over	301	115,615,098	43.50
	6,499	264,818,778	100.00

There were 180 holders of less than a marketable parcel of ordinary shares holding a total of 24,921 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	31,810,575	12.01%
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	6,681,922	2.52%
Navigator Australia Limited <MLC Investment Sett A/C>	6,519,543	2.46%
AKAT Investments Pty Ltd <Tag Family A/C>	3,550,000	1.34%
Citicorp Nominees Pty Limited	3,186,637	1.20%
Bennamon Pty Ltd	3,045,795	1.15%
Netwealth Investments Limited <Wrap Services A/C>	1,286,002	0.49%
Austair Pilots Pty Ltd	1,283,000	0.48%
Australian Executor Trustees <No 1 Account>	1,033,299	0.39%
Investors Mutual Ltd	1,000,000	0.38%
Netwealth Investments Limited <Super Services A/C>	907,318	0.34%
Australian Executor Trustees <IPS Super A/C>	889,710	0.34%
AKAT Investments Pty Ltd <Tag Super Fund A/C>	800,000	0.30%
J P Morgan Nominees Australia Pty Limited	781,148	0.29%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv. Ltd DRP	720,532	0.27%
TAG Family Foundation Pty Ltd <Tag Family Foundation A/C>	700,000	0.26%
HUIC Noms Pty Ltd	565,888	0.21%
Perpetual Corporate Trust Ltd <Affluence LIC Fund>	514,721	0.19%
Pension Holdings Pty Ltd C/- LE Cornu Lewis Hancock	500,000	0.19%
RW & CL King Pty Ltd	500,000	0.19%
		25.00%

D. Substantial shareholders

1607 Capital Partners LLC ("1607") held 11.09% of the shares in QVE on 7 July 2020.



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QV Equities Limited

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