Level 24, 25 Bligh Street, SYDNEY NSW 2000
PO Box H104, Australia Square, SYDNEY NSW 1215
1300 551 132 Ph +61 2 9232 7500 Fax +61 2 9232 7511

www.qvequities.com ACN: 169 154 858

QV Equities Ltd.

10th September 2018

Shareholder Update: Retrospective Changes to Tax Legislation for QV Equities Limited ('Company')

The amount of franking credits for dividends you received during the 2017-18 financial year will change.

Background

In May 2017 the Government introduced tax laws that reduced the corporate tax rate from 30% to 27.5% for companies with a turnover of less than $25 million. The Company had a turnover of less than $25 million for the 2017-18 financial year, it applied a tax rate of 27.5% which was reflected in the franking levels disclosed on dividend statements issued to shareholders**.**

What's changed

In August 2018 the Government passed new legislation (*Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2018*) resulting in the Company's tax and franking rate reverting back to 30%. This amendment was designed to carve out companies from the lower tax rate where more than 80% of their income is passive (for example dividends and interest). The Company meets these criteria.

Impact of changes

This new legislation retrospectively removes the Company's eligibility for the lower tax rate. As such, the franking credits on the dividend statements issued to shareholders in respect of the 2017-18 financial year will be revised to reflect this change.

The franking credits attached to each dividend paid during the 2017-18 financial year will be based on a tax rate of 30% instead of the 27.5% used when the dividend statements were issued. This will result in a slight increase to the franking credits attached to dividends paid during the 2017-18 financial year.

Example of franking credits impact

Based on a dividend of $100 franked at 27.5% the franking credits for the dividend were $37.93. For the same dividend of $100 franked at 30%, franking credits will be $42.86. This change does not impact the amount of any cash payment received or the number of shares issued under the DRP.

Income Tax return 2017-18

Shareholders should note that the revised franking amount may impact their 2017-18 income tax return and are advised to check with the Australian Tax Office or their tax advisor on the appropriate approach to take.

2018 Annual Results

The Company's 2018 Annual Results were prepared and signed off using a corporate tax rate of 27.5% (being the legislated tax rate at the time of signing). The 2.5% change in tax rate is not material for the 2018 Annual Results and will be captured as an under provision in the 2018-19 year.

Next steps

By the end of September, the Company will issue a notice to each shareholder reflecting the correct amount of franking credits. The franking credits for the dividend declared on 15 August 2018 has been updated.

Please direct any enquiries to info@qvequities.com or phone 1800 868 464. Please note we are unable to provide tax advice.