

QV Equities Limited

ABN 64 169 154 858

Appendix 4E – Preliminary Final Report For the year ended 30 June 2022

Preliminary Final Report

This preliminary final report is for the year ended 30 June 2022.

Results for announcement to the market

(All comparisons to the year ended 30 June 2021).

	\$	Up \$	% movement
Revenue from ordinary activities	9,866,873	507,077	5.4%
Profit from ordinary activities before tax attributable to equity holders	6,903,129	296,797	4.5%
Profit from ordinary activities after tax attributable to equity holders	6,148,699	514,993	9.1%

Dividend Information

	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking
Interim dividend September 2021 quarter (paid 3 December 2021)	1.2	1.2	30%
Interim dividend December 2021 quarter (paid 4 March 2022)	1.2	1.2	30%
Interim dividend March 2022 quarter (paid 3 June 2022)	1.2	1.2	30%
Final dividend June 2022 quarter (to be paid 2 September 2022)	1.2	1.2	30%
Total dividends per share for the year	4.8	4.8	

Final dividend dates

Ex – dividend date	15 August 2022
Record date	16 August 2022
Payment date	2 September 2022

Net tangible assets

	30 June 2022	30 June 2021
Net tangible asset backing (per share) before tax	\$1.04	\$1.09
Net tangible asset backing (per share) after tax	\$1.06	\$1.08

Audit

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

QV Equities Limited

ABN 64 169 154 858

Annual Report 2022

Year ended 30 June 2022

QV Equities Limited

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Corporate Directory

Directors	Peter McKillop (Independent Director, Chairman) Jennifer Horrigan (Independent Director) Eamonn Roles (Independent Director) Anton Tagliaferro (Non-independent Director) Simon Conn (Non-independent Director)
Secretary	Zac Azzi
Investment Manager	Investors Mutual Limited Level 24, 25 Bligh Street Sydney NSW 2000 (AFSL 229988)
Administrator and Custodian	Citigroup Pty Limited Level 11, 2 Park Street Sydney NSW 2000
Registered Office	Level 24, 25 Bligh Street Sydney NSW 2000 Telephone: (02) 9232 7500 Fax: (02) 9232 7511 Email: info@qvequities.com Website: www.qvequities.com
Share Registrar	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138 Telephone: 1800 868 464
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park, 201 Sussex Street, Sydney NSW 2000
Stock Exchange	Australian Securities Exchange (ASX) ASX code: QVE Ordinary shares

QV Equities Limited

ABN 64 169 154 858

Annual Report - 30 June 2022

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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 fourth 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

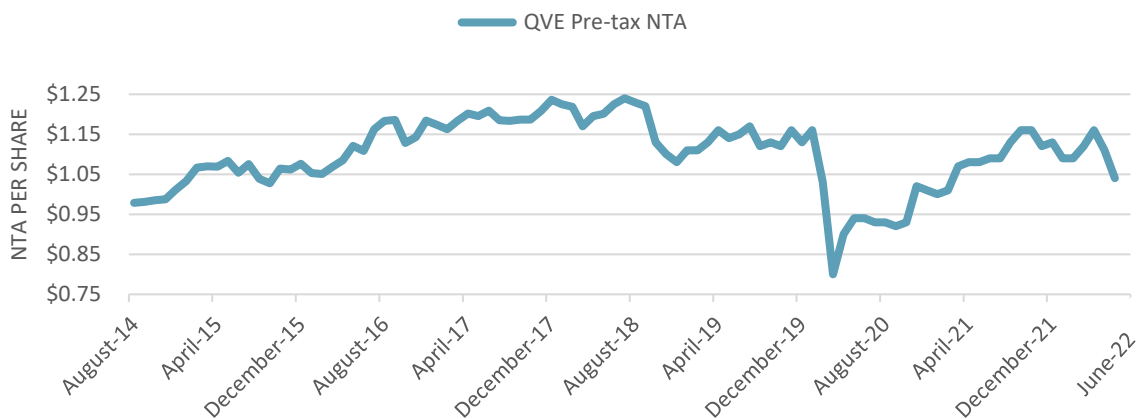
Year in Summary FY2022

Profit after tax \$6,148,699 (\$5,633,706 in FY21)	Management Expense Ratio 1.14% (1.11% in FY21)		
Earnings Per Share (cents) 2.64 Basic (2.26 in FY21)	Portfolio Return (Pre-tax)* +1.6%	Benchmark** -9.0%	ASX 300* -6.8%
Dividends 4.8 cps Fully Franked (declared for FY22) (4.4 cps in FY21)	Portfolio Return (Post-tax)* +2.4%		
Net Assets** \$243,126,059 (\$263,369,217 in FY21)	Net Tangible Assets (NTA) \$1.04 (pre-tax cum div) \$1.06 (post tax cum div)		

All data as at 30 June 2022 unless otherwise specified. *Returns are measured for the 2022 financial year. #S&P/ASX300 ex 20 index.

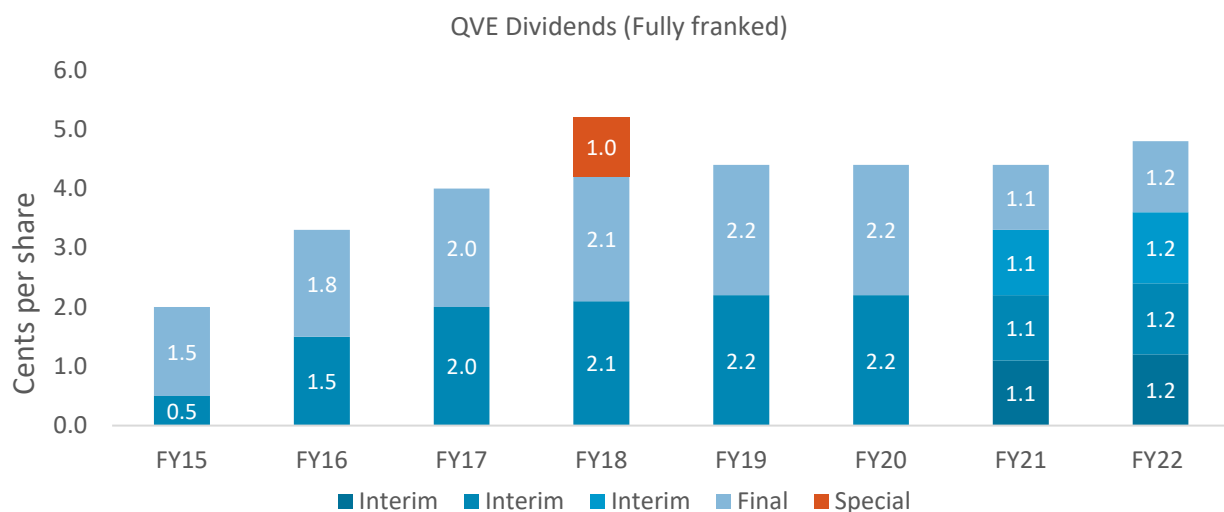
**Whilst the portfolio had a positive return of 2.4% the reduction in Net Assets are mainly due to the share buybacks and dividend payments.

Historical Net Tangible Assets



Source: QV Equities; 30 June 2022

Historical Dividends



Source: QVE Annual Reports & QVE ASX Announcements

QV Equities Overview

QV Equities Limited ("the Company") is a Listed Investment Company, established to invest in a diversified portfolio of ASX-listed entities outside the S&P/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 61% of the S&P/ASX300 Index by market capitalisation and had a 37% concentration in the Financial and Resource sectors at 30 June 2022.

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 nearly 25 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.

A letter from the Chairman, Peter McKillop

Dear Shareholders,

After reaching new all-time highs in the first half of the financial year, concerns over high inflation and rising interest rates, as well as the Russian invasion of Ukraine, led to a reversal in stock markets around the world. Many fell very heavily, including the US sharemarket, which had its worst performance in the first half of a calendar year since 1970.

The Australian sharemarket, as measured by the S&P/ASX 300 Accumulation Index, finished the financial year down 6.8% — this was only the second negative return recorded in the last ten years. The falls were broad-based, but worst affected were many speculative companies, including some previously high-flying technology companies, that reached unprecedented levels as sharemarkets rose to record highs in 2021.

Despite the volatility and uncertainty over this period, I am pleased to inform you that the Company's portfolio delivered a positive return of 1.6% to shareholders for the year ended 30 June 2022 which compares very favourably to the portfolio's benchmark (ASX300 ex-20 Accumulation Index) return of negative 9.0%.

It was pleasing to see that the portfolio's value held up relatively well in what was a challenging environment and we can attribute this to the sound fundamentals that underpin the stocks held in the QVE portfolio – which, as we have often repeated, is made up of what QVE's investment manager, Investors Mutual, considers are well-established and well-managed, sound companies.

Also, the Board is delighted to be able to recognise the achievement of QVE Portfolio Manager, and Investors Mutual Founder, Anton Tagliaferro who received the Medal of the Order of Australia (OAM) in the Queen's Birthday 2022 Honours List. Anton was recognised for his services to charitable organisations and the investment sector over the last two decades.

Financial Results

The Company earned a net after-tax profit of \$6.1 million for the year ended 30 June 2022, up 9.1% from the prior financial year. On an earnings per share basis, the FY2022 result equates to after-tax earnings of 2.64 cents per share. The increase in profit was due primarily to an increase in dividends received this year. This is a return to more normal levels, after many companies reduced or cancelled their dividends last financial year due to Covid.

Dividends

In a volatile investment environment, your Board realises the importance of a regular income stream and is committed to continuing its policy of paying quarterly dividends, and where prudent, increasing dividend payments. Your Board recognises the importance of maintaining adequate reserves to allow these regular dividend payments and to this end had \$29 million of capital profits and profits reserves at the end of FY22 prior to the payment of the final dividend.

A final fully-franked dividend for the 2022 financial year of 1.2 cents per share will be paid on 2 September, 2022 (the ex-dividend date for the final dividend will be 15 August, 2022). This is in addition to the fully-franked interim dividends of 1.2 cents that were paid for the September 2021, December 2021 and March 2022 quarters. This takes total dividends per share to 4.8 cents for the financial year 2022, 9.1% higher than the previous financial year.

On Market Buyback

Your Board continues to take active steps to reduce the discount between the net tangible assets (NTA) per share and the Company's sharemarket price.

An on-market share buyback has been in place since September 2019. Apart from supporting the Company's share price, the main advantage of the buyback is that the shares are being purchased at a discount to NTA. On purchase the shares are cancelled, thereby increasing the NTA per share for remaining shareholders.

Since the buyback commenced, the Company has purchased 47.7 million shares at a cost of 43.6 million to 17 August 2017.

Annual General Meeting

It is our intention to hold the Annual General Meeting (AGM) in person, subject to government Covid regulations. You are invited to attend the AGM on **Wednesday, 26 October 2022 at 10am (AEDT)** at the Radisson Blu Plaza Hotel, 27 O'Connell St, Sydney. Following the AGM, Investors Mutual will provide an update on the Company's portfolio. This investment update will also be held the following day via a webinar, for those of you that are unable to attend in person. You will receive further information about the AGM in September including how to RSVP.

Shareholder Communication

I trust 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
- Shareholder briefing events
- Regular webinars

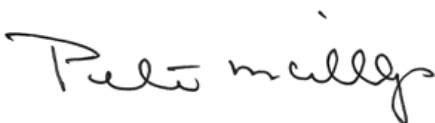
I encourage you to subscribe to receive these updates and invitations through our website www.qvequities.com.

Your Board continues to believe that a carefully selected holding of ex-20 stocks, managed by Investors Mutual Limited, will provide you with reliable income and long-term capital growth. The Manager remains disciplined and true to label, and as always seeks to invest in profitable, well-established companies, underpinned by reasonable valuations, with growth potential and sustainable earnings from a diverse range of sectors. We are particularly focused on paying consistent levels of fully franked dividends in these volatile investment times.

I look forward to discussing the results in this Annual Report further at the Annual General Meeting.

Thank you for your continuing support of QVE.

Yours sincerely



Peter McKillop, Chairman

17 August 2022

Investment Manager's Report

Investors Mutual Limited ('IML') is pleased to deliver its investment report for QV Equities Limited ('QVE') for the financial year ended 30 June 2022.

The year to 30 June 2022 was a year of two distinct parts with world sharemarkets continuing to hit record highs in the first half spurred on by optimism about the economic outlook as interest rates remained at all-time lows in many parts of the world. However, we saw a reversal of fortunes in the second half as the emergence of inflation caused Central Banks to tighten monetary policy by increasing interest rates and we also saw the withdrawal of unprecedented government and central bank stimulus. This prompted significant investor concerns that many economies around the world may fall into recession later in 2022 or in early 2023. Consequently, we saw a broad-based sell off in sharemarkets, but especially in economically sensitive sectors such as in the Media and Consumer Discretionary sectors and also in many speculative companies which, despite very little earnings or cash flow, had risen to unprecedented levels.

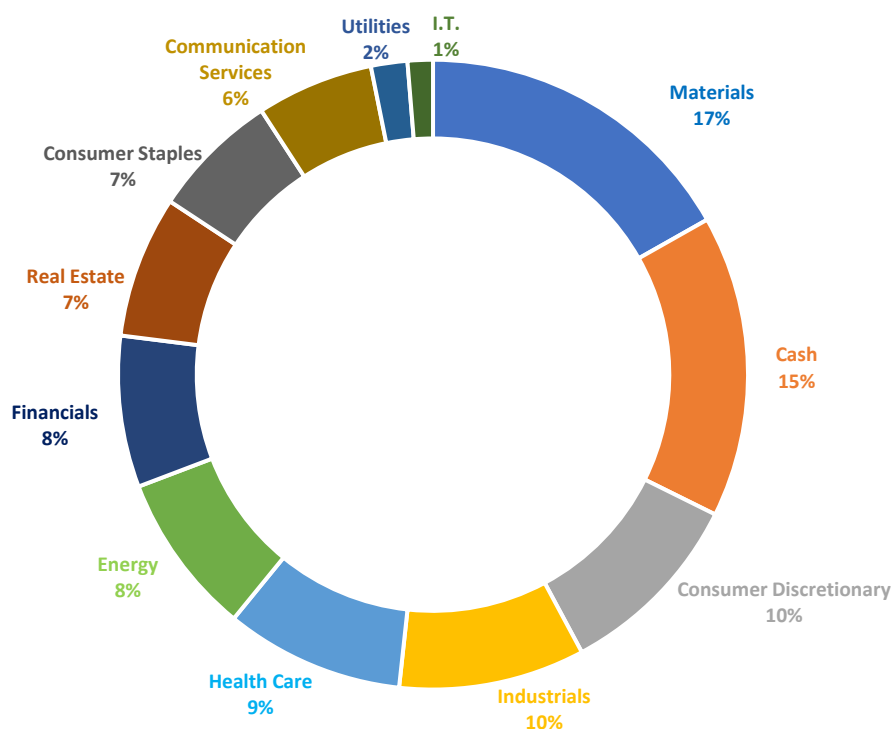
The QVE portfolio held up well in what was a challenging environment in the second half of FY 22. IML's strict adherence to its investment mantra, which has defined its approach to investing through all market cycles for the past 24 years, held the portfolio in good stead.

IML has always looked to invest in well-established companies which possess the following clear 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 2022 was made up of 47 listed securities spread across various ASX sectors. The Company's top holdings include well-known quality companies such as Amcor, Sonic Healthcare, Aurizon, Ampol and Orica.

Portfolio Allocation at 30 June 2022



Key Equity Investments	Principal activity	Holding weight*
Amcor	Global packaging company	6.1%
Aurizon	Australian rail company	5.7%
Orica	Global manufacturer of commercial grade explosives and chemicals	5.5%
Ampol	Importer, retailer and refiner of petroleum products	4.7%
Coles	Australian supermarket retailer	3.7%
Pact Group	Rigid plastics packaging, contract manufacturing and pallet pooling company	3.7%
The Lottery Corporation	Lotteries company (formerly part of Tabcorp)	3.4%
Skycity Entertainment	New Zealand/Australian casino operator	3.3%
Sonic Healthcare	Global pathology company	3.1%
Brambles	Global supplier of reusable pallets and containers	2.7%
IAG	General insurance provider	2.4%
Metcash	Distributor of food, liquor and hardware	2.3%
Santos	Oil and gas producer	2.2%
Origin Energy	Australian energy retailer & LNG producer	2.2%
Charter Hall REIT	Australian REIT focused on Daily Needs retailers	2.1%
Suncorp	Australian insurance, banking and finance operator	1.8%
TPG Telecom	Telecommunications company	1.8%
Mayne Pharma	Pharmaceutical company	1.7%
Homeco Daily needs REIT	Australian REIT focused on Daily Needs retailers	1.5%
Southern Cross Media	Radio and television operator	1.5%

*Holding weight as at 30 June 2022

The complete portfolio is shown on page 51-52 of this financial report.

Portfolio Performance

The QVE portfolio returned +1.6% before tax and after fees for the 12 months to 30 June 2022, compared to the benchmark ASX300 ex-20 Index's return of -9.0%.

This was a good result, with the portfolio benefiting from its avoidance of highly speculative and over-priced technology stocks and from its low exposure to highly cyclical sectors such as the Resources and Consumer Discretionary sectors.

The portfolio benefited over the year from its exposure to holdings such as AusNet Services, Amcor, Orica, Ampol and New Hope, which all performed strongly. The share prices of energy-related companies including Origin Energy and New Hope Coal all improved as oil, gas and coal prices moved higher on the back of sanctions and disrupted supply stemming from the Russian invasion of Ukraine.

AusNet Services was a strong performer in FY2022, gaining +51% over the year as it accepted a takeover offer from asset manager Brookfield at \$2.65 a share. AusNet is a large, diversified energy network business in Victoria, which owns and operates over \$11 billion of regulated and contracted assets. QVE was attracted to AusNet due to its resilient and recurring earnings and its ability to grow revenues over time, as well as its hard to replicate asset base.

The bid for AusNet was a continuation of the upsurge in corporate activity that we saw emerging over the second half of financial year 2021. This was caused by record low interest rates and increased confidence in the outlook for Australia's economy, combined with the low valuations of certain ASX-listed companies.

QVE also benefited over the year from takeover bids for Spark Infrastructure Group, Australian Pharmaceutical

Industries, Crown Resorts and Z Energy. Over IML's history we have often held companies which have received takeover bids and we see it as an important part of our role to extract full value in these situations. This occurs when we identify an opportunity, or see value, where the market does not. All of these companies own strategic assets, the full value of which were not reflected in the share prices, which created the opportunity for a suitor to acquire these companies.

We believe there are many other companies in the QVE portfolio that could be recipients of takeover approaches in the years ahead as we believe they are significantly undervalued, including Mayne Pharma, Integral Diagnostics and Clearview.

Amcor, a global leader in the development and production of rigid and flexible packaging for the Consumer and Health Care sectors, performed well for QVE, up +23% in FY2022. Its underlying earnings have continued to grow despite the uncertainty of the last three years, highlighting the resilient end-markets of its portfolio of assets, which are focused on food, medicine and other daily essentials. The company has also demonstrated its ability to maintain margins in a rising cost environment by rapidly passing on higher input costs to its customers. Amcor is also a strong generator of free cash which has allowed the company to reinvest in growth while paying its shareholders an attractive and growing dividend over time.

Another very strong performer for QVE was Ampol, which increased +27% over FY2022. Ampol supplies Australia's largest branded petrol and convenience network, as well as refining, importing and marketing fuels and lubricants. The company is also a significant operator in New Zealand, now accounting for approximately 40% of all fuel volumes in that market after completing its acquisition of Z Energy late in financial year 2022. The acquisition will result in a trans-Tasman network of 2,350 sites supplying 25 billion litres of fuel per annum, offering synergy savings of NZ\$60-80 million per annum largely through fuel procurement and overhead cost reductions. Ampol enjoyed significantly higher refining margins over the last financial year in conjunction with recovering fuel volumes following the end of lockdowns and solid fuel retailing margins. The Fuel Security Services Payment program Ampol signed with the federal government was a major development for the company, this arrangement will support a base level of refinery earnings and cash flow, while providing the opportunity to capture the full upside from improving conditions, as has occurred late in the year.

There were a few disappointing performers over the year including Pact, Pro-Pac, Virgin Money UK and Southern Cross Media.

In the case of Pact and Pro Pac, these companies' earnings were impacted by rapidly increasing raw material costs which impacted margins. Pact and Pro-Pac remain significant players in the Australian packaging industry with Pact being the no. 1 player in the rigids plastic segment and Pro-Pac being the no2 player in the flexibles packaging segment. As such while recent results have disappointed, we believe both companies will recover as they pass on price increases to restore margins.

Concerns over the strength of the UK economy weighed on Virgin Money UK while radio operator Southern Cross Media was sold down heavily towards year end over concerns about the future outlook for advertising spend. We believe both stocks have been sold down excessively and that their share prices are reflecting very dire outcomes. Both companies are generating good cashflows, paying dividends and are returning capital to shareholders via share buybacks.

Outlook

Global share markets, including Australia's, have seen greater volatility as central banks wind back on stimulus and look to tighten monetary conditions in the face of rising inflation. While we believe the Australian share market will remain volatile, it now trades at more reasonable levels, and good value is emerging across a number of quality companies.

We continue to be focused on investing in reasonably valued companies which 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 Sonic Healthcare; companies growing

market share, such as Integral Diagnostics; companies restructuring and recovering from Covid-19 headwinds such as SkyCity Entertainment and A2B; companies that are on track for revenue growth, such as Amcor and that can benefit from higher interest rates, such as IAG and Aurizon.

With increased volatility in markets, and investors exhibiting a greater level of caution, fundamentals are coming back into favour and this should continue to suit our investing style as can be seen by the way QVE has performed over the past year.

It remains a privilege, that we do not take for granted, to apply IML's quality and value investment philosophy and approach to investing to the QVE portfolio for another year. This approach has enabled us to deliver reliable income and long-term capital growth to our investors over IML's 24 years of existence, while achieving returns which are more consistent and less volatile than the overall share market.

We believe that a portfolio of well-established, profitable companies, with a strong market position and recurring earnings, in the ex-20 sector of the market, will yield regular income and solid returns in the future, as well as offering investors the opportunity to diversify their exposure away from the ASX top 20 stocks.

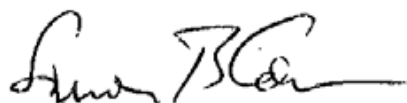
We hope to meet as many of you as possible at our Annual General Meeting in October.

Thank you for your continued support.



Anton Tagliaferro
Investment Director - Investors Mutual Limited

17 August 2022



Simon Conn
Senior Portfolio Manager - Investors Mutual Limited

Directors' Report

The Directors present their report together with the financial report of QV Equities Limited ("the Company") for the year ended 30 June 2022.

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
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
2022				
Ordinary shares – interim 2022	1.2 cents	\$2,751,554	03/06/2022	100%
Ordinary shares – interim 2022	1.2 cents	\$2,765,752	04/03/2022	100%
Ordinary shares – interim 2022	1.2 cents	\$2,798,777	03/12/2021	100%
Ordinary shares – final 2021	1.1 cents	\$2,646,839	03/09/2021	100%
2021				
Ordinary shares – interim 2021	1.1 cents	\$2,668,716	04/06/2021	100%
Ordinary shares – interim 2021	1.1 cents	\$2,697,591	05/03/2021	100%
Ordinary shares – interim 2021	1.1 cents	\$2,741,593	04/12/2020	100%
Ordinary shares – final 2020	2.2 cents	\$5,689,883	18/09/2020	100%

Since year end, the Directors have declared a final fully franked dividend of 1.2 cents per fully paid ordinary share to be paid on 2 September 2022.

Review of operations

Our Investment Manager ("the Manager"), Investors Mutual Limited ("IML") has been diligently building a portfolio of quality STP/ASX 20 Index 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/(Decrease) in QVE's NTA	Benchmark return
1 July 2021 to 30 June 2022	+2.4% post-tax / +1.6% pre-tax	-9.0%
1 January 2022 to 30 June 2022	-3.7% post-tax / -6.1% pre-tax	-15.9%

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

Investment operations for the year ended 30 June 2022 resulted in an operating profit before tax of \$6,903,129 (2021: \$6,606,332) and an operating profit after tax of \$6,148,699 (2021: \$5,633,706).

Net Tangible Assets (NTA) for each ordinary share as at 30 June 2022 (calculated on market value before applicable taxes and before provision for dividends) amounted to \$1.04 (2021: \$1.09) per share. NTA after provision for tax and before provision for dividends was \$1.06 (2021: \$1.08) per share.

Further information on the operating and financial review of the Company is contained in the Chairman's letter on pages 3 to 4 of the Annual Report.

Financial position

The net asset value of the Company at 30 June 2022 was \$243,126,059 (2021: \$263,369,217).

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 2022.

Matters subsequent to the end of the year

Since the end of the financial year, the Directors declared a fully franked final dividend of 1.2 cents per fully paid ordinary share payable on 2 September 2022. The Company bought back 70,717 shares for \$67,102 since 30 June 2022.

Subsequent to 30 June 2022 to the date of this report there have been no other events specific to the Company of which the Directors are aware which have had a material effect on the Company or its financial position.

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.

The outlook for corporate earnings remains uncertain with rising inflation, the Ukraine war, the ongoing presence of COVID-19 adding to the economic uncertainty.

Further information on the Company's business strategies and results is contained in the Investment Manager's Report on pages 5 to 8 of the Annual Report.

Directors' Report (continued)

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 of the Company

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

Interests in contracts

Peter McKillop has no interests in contracts of the Company.

Directors' Report (continued)

Information on Directors (continued)

Jennifer Horrigan *Independent Director*

Experience and expertise

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

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

Other current directorships

Jennifer Horrigan is Chairman of Dexus Asset Management (includes Dexus Industria REIT (ASX: DXI) and Dexus Convenience Retail REIT (ASX: DXC) and a Director of Yarra Funds Management Ltd and A2B Australia Limited.

Former directorships in last 3 years

Jennifer Horrigan was formerly a Director of Generation Healthcare (ASX: GHC), Redkite (national children's cancer charity) and Breast Cancer Trials.

Special responsibilities

Chair of the Audit and Risk Committee.

Interests in shares 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.

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.

Directors' Report (continued)

Information on Directors (continued)

Interests in shares 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. Anton emigrated to Sydney in 1984 and joined the funds management industry in 1986 when he joined Prudential Assurance. Anton went on to successfully manage Australian equity portfolios for Perpetual, County Natwest Investment Management and BNP Investment Management before he established Investors Mutual as specialist Australian Equities Manager in 1998 where he has been the Investment Director for the last 23 years.

Anton holds a Bachelor of Arts (Honours) in Accountancy and a member of the Institute of Chartered Accountants and 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 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 in contracts with the Company are included later in this report.

Simon Conn

Non-independent Director

Experience and expertise

Simon Conn has served as part of the Manager's investment team since June 1998 and has over 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.

Directors' Report (continued)

Information on Directors (continued)

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 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 with the Company are included later in this report.

Zac Azzi

Company Secretary

Zac Azzi has over 25 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 2022, and the numbers of meetings attended by each Director were:

	Meeting of committees					
	Directors' meetings		Audit and Risk		Nominations and Corporate Governance	
	A	B	A	B	A	B
Directors						
Peter McKillop	7	7	5	5	3	3
Jennifer Horrigan	7	7	5	5	3	3
Eamonn Roles	7	7	5	5	3	3
Anton Tagliaferro	5	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 (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.

Directors' Report (continued)

Remuneration report (audited) (continued)

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

Five Year Financial Summary	2022	2021	2020	2019	2018
Profit after tax (\$m)	6.1	5.6	10.5	9.4	11.1
Basic EPS (cents)	2.64	2.26	3.85	3.40	4.05
Total dividends (cents per share)	4.8	4.4	4.4	4.4	5.2
NTA per share post-tax at 30 June (\$)	1.06	1.08	0.98	1.13	1.18
Share price at 30 June (\$)	0.940	0.995	0.795	1.030	1.140
Total Directors remuneration (\$)	100,000	100,000	100,000	100,000	100,000

As outlined above, Directors' fees are not directly linked to the Company's performance.

(a) Details of remuneration

The following table shows details of the remuneration paid and payable by the Company to the Directors for the year ended 30 June 2022 and 30 June 2021.

2022

	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
Non-Executive Directors			
Peter McKillop	12,501	27,499	40,000
Jennifer Horrigan	27,242	2,758	30,000
Eamonn Roles	27,242	2,758	30,000
Total key management personnel compensation	66,985	33,015	100,000

2021

	Short term employee benefits Directors' fees \$	Post-employment benefits superannuation \$	Total \$
Non-Executive Directors			
Peter McKillop	9,132	30,868	40,000
Jennifer Horrigan	27,366	2,634	30,000
Eamonn Roles	27,366	2,634	30,000
Total key management personnel compensation	63,864	36,136	100,000

Directors' Report (continued)

Remuneration report (audited) (continued)

Directors receive a superannuation guarantee contribution required by the government, which was 10% of individual benefits for financial year 2022 and did not receive any other retirement benefits. Directors may also elect to salary sacrifice their fees into superannuation.

(b) Director related entity remuneration

Anton Tagliaferro and Simon Conn are Directors and hold equity interests in IML, the entity appointed to manage the investment portfolio of QV Equities Limited.

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

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 \$2,390,503 (2021: \$2,297,676) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit was \$2,227,514 (2021: \$2,141,016). As at 30 June 2022, the balance payable to the Manager was \$169,565 (2021: \$185,890).

No other 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.

(d) Equity instrument disclosures relating to Directors

As at 30 June 2022, the Company's Directors and their related parties held the following interests in the Company:

Ordinary shares held

2022

Directors	Balance as at 30 June 2021	Acquisitions	Disposals	Balance as at 30 June 2022*
Peter McKillop	537,060	-	-	537,060
Jennifer Horrigan	29,200	-	-	29,200
Eamonn Roles	155,000	-	-	155,000
Anton Tagliaferro	8,050,000	450,000	-	8,500,000
Simon Conn	400,000	-	-	400,000
	9,171,260	450,000	-	9,621,260

*The Directors' shareholding balances as at 30 June 2022 were the same at the date of the report

Directors' Report (continued)

Remuneration report (audited) (continued)

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

2021

Directors	Balance as at 30 June 2020	Acquisitions	Disposals	Balance as at 30 June 2021
Peter McKillop	504,560	32,500	-	537,060
Jennifer Horrigan	29,200	-	-	29,200
Eamonn Roles	100,000	55,000	-	155,000
Anton Tagliaferro	6,050,000	2,000,000	-	8,050,000
Simon Conn	230,000	170,000	-	400,000
	<u>6,913,760</u>	<u>2,257,500</u>	<u>-</u>	<u>9,171,260</u>

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)*.

Directors' Report (continued)

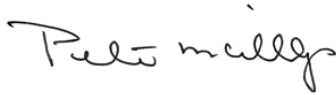
Rounding of amounts

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

17 August 2022

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

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e. sydneypartners@pitcher.com.au

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

In relation to the independent audit of QV Equities Limited for the year ended 30 June 2022, 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)*.



C I Chandran
Partner

Pitcher Partners
Sydney

17 August 2022

QV Equities Limited
Statement of Comprehensive Income
For the year ended 30 June 2022

Statement of Comprehensive Income

		30 June 2022	30 June 2021
	Notes	\$	\$
Investment Income			
Dividend/distribution income		8,089,828	6,548,716
Interest income		144,482	147,613
Realised gains on options and futures		614,754	2,702,658
Unrealised gains/(losses) on options		994,218	(123,261)
Other income		23,591	84,070
Total investment income		<u>9,866,873</u>	<u>9,359,796</u>
Expenses			
Management fees		2,227,514	2,141,016
Directors' fees	15	100,000	100,000
ASX fees		70,312	72,370
Registry fees		75,113	75,889
Insurance fees		308,436	261,701
Other expenses		182,369	102,488
Total expenses		<u>2,963,744</u>	<u>2,753,464</u>
Profit before income tax		6,903,129	6,606,332
Income tax expense	5	754,430	972,626
Profit after income tax attributable to owners		<u>6,148,699</u>	<u>5,633,706</u>
Other comprehensive income			
Items that will not be recycled to profit and loss			
Movement in fair value of long term equity investments, net of tax		(1,947,403)	30,154,715
Items that will be recycled to profit and loss			
Movement in fair value of floating rate notes, net of tax		138,454	22,801
Other comprehensive (loss)/income, net of tax		<u>(1,808,949)</u>	<u>30,177,516</u>
Total comprehensive income for the year, net of tax attributable to owners		<u>4,339,750</u>	<u>35,811,222</u>
Earnings per share			
Basic and diluted earnings per share (cents per share)	13	2.64	2.26

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

QV Equities Limited
Statement of Financial Position
As at 30 June 2022

Statement of Financial Position

	Notes	30 June 2022 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents	6	32,092,735	19,027,433
Receivables	7	2,089,625	954,841
Prepayments		143,890	152,513
Total current assets		<u>34,326,250</u>	<u>20,134,787</u>
Non-current assets			
Financial assets at fair value	8	206,870,930	246,182,122
Deferred tax assets	5	10,667,089	4,202,090
Total non-current assets		<u>217,538,019</u>	<u>250,384,212</u>
Total assets		<u>251,864,269</u>	<u>270,518,999</u>
Liabilities			
Current liabilities			
Trade creditors and other payables	10	1,892,072	1,144,653
Current tax liabilities	5	5,719,638	4,856,094
Financial liabilities at fair value	9	1,126,500	1,149,035
Total current liabilities		<u>8,738,210</u>	<u>7,149,782</u>
Total liabilities		<u>8,738,210</u>	<u>7,149,782</u>
Net assets		<u>243,126,059</u>	263,369,217
Equity			
Issued capital	11	239,449,478	253,069,464
Asset revaluation reserve	12	(25,545,039)	(9,730,977)
Capital profits reserve	12	25,549,403	17,094,620
Profits reserve	12	3,672,217	2,936,110
Total equity		<u>243,126,059</u>	<u>263,369,217</u>

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

QV Equities Limited
Statement of Changes in Equity
For the year ended 30 June 2022

Statement of Changes in Equity

	Notes	Issued capital \$	Asset revaluation reserve \$	Capital profits reserve \$	Profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2021		253,069,464	(9,730,977)	17,094,620	2,936,110	–	263,369,217
Profit for the year		–	–	–	–	6,148,699	6,148,699
Other comprehensive income:							
Net revaluation of investments		–	(1,808,949)	–	–	–	(1,808,949)
Total comprehensive income for the year		–	(1,808,949)	–	–	6,148,699	4,339,750
Transactions with equity holders in their capacity as owners:							
Dividends provided for or paid	14	–	–	(5,550,330)	(5,412,592)	–	(10,962,922)
Shares buyback - redemption	11	(13,619,986)	–	–	–	–	(13,619,986)
Other:							
Realised gains/(losses) on sale of investments transferred to capital profits reserve	12	–	(14,005,113)	14,005,113	–	–	–
Transfer to profits reserve		–	–	–	6,148,699	(6,148,699)	–
Balance at 30 June 2022		239,449,478	(25,545,039)	25,549,403	3,672,217	–	243,126,059

	Notes	Issued capital \$	Asset revaluation reserve \$	Capital profits reserve \$	Profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2020		272,103,428	(29,628,264)	13,392,726	4,521,852	–	260,389,742
Profit for the year		–	–	–	–	5,633,706	5,633,706
Other comprehensive income:							
Net revaluation of investments		–	30,177,516	–	–	–	30,177,516
Total comprehensive income for the year		–	30,177,516	–	–	5,633,706	35,811,222
Transactions with equity holders in their capacity as owners:							
Dividends provided for or paid	14	–	–	(6,578,335)	(7,219,448)	–	(13,797,783)
Shares buyback - redemption	11	(19,033,964)	–	–	–	–	(19,033,964)
Other:							
Realised gains/(losses) on sale of investments transferred to capital profits reserve	12	–	(10,280,229)	10,280,229	–	–	–
Transfer to profits reserve		–	–	–	5,633,706	(5,633,706)	–
Balance at 30 June 2021		253,069,464	(9,730,977)	17,094,620	2,936,110	–	263,369,217

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

QV Equities Limited
Statement of Cash Flow
For the year ended 30 June 2022

Statement of Cash Flow

	30 June 2022	30 June 2021
Notes	\$	\$
Cash flows from operating activities		
Dividends/distributions received	7,758,337	6,506,141
Interest received	60,137	147,729
Net realised gains on exchange traded options	1,571,905	2,241,290
Other income	20,056	97,448
Payments for other expenses	(2,941,650)	(2,848,071)
Income tax paid	(5,568,789)	(1,499,483)
Net cash inflow from operating activities	6 <u>899,996</u>	<u>4,645,054</u>
Cash flows from investing activities		
Payments for investments	(85,773,519)	(68,126,016)
Proceeds from sale of investments	122,450,935	84,596,052
Net cash inflow from investing activities	<u>36,677,416</u>	<u>16,470,036</u>
Cash flows from financing activities		
Dividends paid	(10,962,922)	(13,797,783)
Payments for share buyback	(13,549,188)	(19,494,494)
Net cash (outflow) from financing activities	<u>(24,512,110)</u>	<u>(33,292,277)</u>
Net increase/(decrease) in cash and cash equivalents	13,065,302	(12,177,187)
Cash and cash equivalents at beginning of the year	19,027,433	31,204,620
Cash and cash equivalents at the end of the year	6 <u>32,092,735</u>	<u>19,027,433</u>

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 Investors Mutual Limited.

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

The financial statements were authorised for issue by the Board on 17 August 2022.

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 2022 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*

There are no new standards or interpretations applicable that would have a material impact for 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*

Financial assets are recognised initially at fair value including transaction costs. Financial liabilities are recognised initially at fair value.

2 Summary of significant accounting policies (continued)

(b) Investments (continued)

(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 accumulates in the asset revaluation reserve. On derecognition the cumulative gain/loss on these securities are recycled to the profit or loss.

The Company holds options which are derivative 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.

(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.

2 Summary of significant accounting policies (continued)

(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 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 ATO, are presented as operating cash flows.

(g) Cash and cash equivalents

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

(h) Receivables

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

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

2 Summary of significant accounting policies (continued)

(h) Receivables (continued)

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 were 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. Costs directly attributable to the buy back are recognised as a deductible from equity.

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/(loss) attributable to owners of the Company.
- 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.

2 Summary of significant accounting policies (continued)

(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 and tax losses 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 financial assets and financial liabilities at fair value.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

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 2022 and 30 June 2021 is listed below:

Industry sector	2022 %	2021 %
Financials	7.8	4.7
Materials	16.8	19.2
Health Care	9.2	9.7
Utilities	1.9	8.6
Consumer Discretionary	9.8	13.4
Industrials	9.6	6.4
Energy	8.3	6.8
Listed Property Trusts	7.3	7.0
Communication Services	6.0	9.1
Consumer Staple	6.5	4.4
Information Technology	1.3	0.0
	<u>84.5</u>	<u>89.3</u>
Cash	15.5	10.7
	<u>100.0</u>	<u>100.0</u>

Sensitivity analysis

A sensitivity analysis relating to price risk was performed on investments held by the Company at the end of the reporting year. The sensitivity assumes all other variables remain constant.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Investments represent 82% (2021: 91%) 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% (2021: 30%).

	Impact on Comprehensive income	
	2022	2021
	\$	\$
Increase 5%	7,201,055	8,576,158
Decrease 5%	(7,201,055)	(8,576,158)
Increase 10%	14,402,110	17,152,316
Decrease 10%	(14,402,110)	(17,152,316)

(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 performance, 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 2022			
Financial Assets			
Cash and cash equivalents	32,092,735	–	32,092,735
Receivables	–	2,089,625	2,089,625
Financial assets at fair value	4,179,130	202,691,800	206,870,930
	36,271,865	204,781,425	241,053,290
Financial liabilities			
Trade creditors and other payables	–	(1,892,072)	(1,892,072)
Financial liabilities at fair value	–	(1,126,500)	(1,126,500)
	–	(3,018,572)	(3,018,572)
Net exposure to interest rate risk	36,271,865	201,762,853	238,034,718

3 Financial risk management (continued)

(a) Market risk (continued)

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

	Floating interest rate \$	Non-interest bearing \$	Total \$
30 June 2021			
Financial Assets			
Cash and cash equivalents	19,027,433	–	19,027,433
Receivables	–	954,841	954,841
Financial assets at fair value	3,976,590	242,205,532	246,182,122
	<u>23,004,023</u>	<u>243,160,373</u>	<u>266,164,396</u>
Financial liabilities			
Trade creditors and other payables	–	(1,144,653)	(1,144,653)
Financial liabilities at fair value	–	(1,149,035)	(1,149,035)
	<u>–</u>	<u>(2,293,688)</u>	<u>(2,293,688)</u>
Net exposure to interest rate risk	<u>23,004,023</u>	<u>240,866,685</u>	<u>263,870,708</u>

The weighted average interest rate of the Company's interest bearing financial assets at 30 June 2022 is 0.51% (2021: 0.61%).

Sensitivity analysis

At 30 June 2022, if interest rates had increased/decreased by 75 basis points (2021: 75 basis points) from the year end rates with all other variables held constant, post-tax profit for the year would have been \$150,226 (2021: \$127,822) higher and \$150,226 lower (2021: \$127,822), mainly as a result of higher/lower interest income from interest bearing financial assets.

(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 receives payment.

3 Financial risk management (continued)

(b) Credit risk (continued)

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 for the purchase of securities, expenses 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.

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.

4 Fair value measurement (continued)

(i) *Recurring fair value measurements*

The following table presents the Company's assets measured and recognised at fair value as at 30 June 2022 and 30 June 2021.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2022				
Financial assets				
Financial assets at fair value:				
Listed equities	185,996,300	—	—	185,996,300
Listed unit trusts	16,695,500	—	—	16,695,500
Floating rate notes	4,179,130	—	—	4,179,130
Total	206,870,930	—	—	206,870,930
Financial liabilities				
Financial liabilities held for trading:				
Options	1,126,500	—	—	1,126,500
Total	1,126,500	—	—	1,126,500
As at 30 June 2021				
Financial assets				
Financial assets at fair value:				
Listed equities	220,407,856	—	—	220,407,856
Listed unit trusts	21,797,676	—	—	21,797,676
Floating rate notes	3,976,590	—	—	3,976,590
Total	246,182,122	—	—	246,182,122
Financial liabilities				
Financial liabilities held for trading:				
Futures	5,000	—	—	5,000
Options	1,144,035	—	—	1,144,035
Total	1,149,035	—	—	1,149,035

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 closing prices at the end of the reporting year.

During the year \$nil (2021: \$nil) 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.

4 Fair value measurement (continued)

(ii) Disclosed fair values

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

5 Taxation

(a) Income tax expense

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

	30 June 2022 \$	30 June 2021 \$
Prima facie tax on profit from ordinary activities before income tax of 30% (2021: 30%)	2,070,939	1,981,900
Increase/(decrease) in income tax expense due to:		
Gross up of imputation credits received	550,927	420,710
Imputation credits on dividends received	(1,836,421)	(1,402,367)
Gross up of foreign income tax offsets	10,162	3,779
Foreign income tax offsets	(33,875)	(12,598)
Franked dividend income receivable	(10,800)	1,227
Tax deferred and income from trust distributions	-	-
Cash flow boost received	-	(3,000)
Under/(over) provisions in previous year	7,988	(3,000)
Share buyback costs raised directly in equity	(4,490)	(14,025)
	754,430	972,626
Tax expense composition:		
Current tax expense	208,459	819,801
Movement in deferred tax liabilities	543,437	93,480
Movement in deferred tax assets	(964)	73,357
Under provision in previous year	7,988	13
Share buyback costs raised directly in equity	(4,490)	(14,025)
	754,430	972,626
Effective tax rate is:	10.93%	14.72%

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

5 Taxation (continued)

(b) Deferred tax assets

	30 June 2022 \$	30 June 2021 \$
This balance comprises temporary differences attributable to:		
Accruals	13,398	10,890
Share issue costs capitalised	15,367	16,261
Transfer from deferred tax liabilities	<u>10,638,324</u>	<u>4,174,939</u>
	10,667,089	4,202,090
Movements:		
Opening balance	4,202,090	12,765,887
Share issue costs capitalised	650	14,025
Charged to statement of comprehensive income	964	(73,357)
Transfer from deferred tax liabilities	<u>6,463,385</u>	<u>(8,504,465)</u>
The rate used at 30 June 2022 is 30% (2021: 30%)	10,667,089	4,202,090

(c) Current tax liabilities

	30 June 2022 \$	30 June 2021 \$
Balance at beginning of the year	4,856,094	939,610
Current year income tax on operating profit	203,970	822,814
Current year realised capital gain	6,215,211	4,596,166
Net income tax paid	<u>(5,568,789)</u>	<u>(1,499,483)</u>
Under/(over) provision of income tax in previous year	13,152	(3,013)
	5,719,638	4,856,094

5 Taxation (continued)

(d) Deferred tax liabilities

	30 June 2022 \$	30 June 2021 \$
This balance comprises temporary differences attributable to:		
Fair value adjustment on equity investments	(11,113,902)	(3,961,403)
Revaluation of options	213,531	(84,732)
Income receivable not assessable for tax until receipt	34,320	16,875
Tax deferred distributable income	227,727	(145,679)
Transfer to deferred tax assets*	10,638,324	4,174,939
	—	—
Movements		
Opening balance	—	—
Charged to statement of comprehensive income	543,437	93,480
Impact to other comprehensive income	(7,014,810)	8,410,972
Under provision	7,988	13
Transfer to deferred tax assets*	6,463,385	(8,504,465)
The rate used at 30 June 2022 is 30% (2021: 30%)	—	—

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

6 Cash and cash equivalents

	30 June 2022 \$	30 June 2021 \$
Cash at bank	32,092,735	19,027,433
Total cash and cash equivalents	32,092,735	19,027,433

6 Cash and cash equivalents (continued)

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

	30 June 2022	30 June 2021
	\$	\$
Net profit after income tax	6,148,699	5,633,706
Changes in operating assets and liabilities		
Unrealised (gains)/losses on options	(994,218)	123,261
Dividend/distribution income reinvested	(164,296)	–
(Increase) in dividends/distributions receivable	(167,195)	(42,575)
(Increase)/decrease in interest receivable	(84,346)	116
(Increase) in other income receivable	(3,535)	–
Decrease/(increase) in prepayments	8,623	(61,945)
Increase/(decrease) in sundry creditors and accruals	970,623	(480,651)
(Increase)/decrease in deferred tax assets	(1,615)	59,332
(Decrease) in current tax liabilities	(5,356,181)	(679,670)
Increase in deferred tax liabilities	543,437	93,480
	(5,248,703)	(988,652)
Net cash inflow from operating activities	899,996	4,645,054

7 Receivables

	30 June 2022	30 June 2021
	\$	\$
Receivables – unsettled trades	1,351,967	472,257
Interest receivable	84,346	–
Dividends/distributions receivable	604,160	436,965
Other receivables	49,152	45,619
Total receivables	2,089,625	954,841

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

8 Financial assets at fair value

Financial assets held at fair value through other comprehensive income include the following:

	30 June 2022	30 June 2021
	\$	\$
Listed securities	206,870,930	246,182,122

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, included in the Statement of Comprehensive Income were:

	2022	2021
	\$	\$
Dividend income:		
Listed securities held at year-end	6,520,876	6,115,184
Listed securities sold during the year	1,568,952	433,532
Total dividend	8,089,828	6,548,716

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

	2022	2021
	\$	\$
Fair value at disposal date		
Listed securities	136,297,618	85,068,309
Gain on disposal after tax		
Listed securities	14,005,113	10,280,229

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:

	30 June 2022	30 June 2021
	\$	\$
Exchange traded options	1,838,279	866,595
Exchange traded options revaluation	(711,779)	282,440
Total financial liabilities at fair value	1,126,500	1,149,035

10 Trade creditors and other payables

	30 June 2022 \$	30 June 2021 \$
Payable - unsettled trades	1,496,875	833,725
Payable - share buyback	76,477	—
Payable - other expenses	318,720	310,928
Total trade creditors and other payables	1,892,072	1,144,653

11 Issued capital

(a) Share Capital

	30 June 2022 Number of Shares	30 June 2022 Total amount \$	30 June 2021 Number of Shares	30 June 2021 Total amount \$
Fully paid ordinary shares	229,049,493	239,449,478	242,506,634	253,069,464

(b) Movement in ordinary share capital

2022

Date		Number of shares	Share price* \$	Total amount \$
01/07/2021	Opening balance	242,506,634		253,069,464
	Share buyback	(13,457,141)	1.01	(13,619,986)
30/06/2022	Closing balance	229,049,493	-	239,449,478

2021

Date		Number of shares	Share price* \$	Total amount \$
01/07/2020	Opening balance	264,818,778		272,103,428
	Share buyback	(22,312,144)	0.85	(19,033,964)
30/06/2021	Closing balance	242,506,634	—	253,069,464

* Rounded to two decimal places

11 Issued capital (continued)

(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. There are no separate classes of shares and each share has the same rights attaching to it as all other shares of the Company.

(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 future dividend payments purposes.

(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 long term investment the realised gain or loss is transferred from the asset revaluation reserve to the capital profits reserve.

(c) Profits reserve

Retained earnings are transferred to the profit reserve for future dividend payments.

13 Earnings per share

	30 June 2022 cents	30 June 2021 cents
(a) Basic and diluted earnings per share		
Total earnings per share attributable to the ordinary equity holders of the Company	2.64	2.26
(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 issues during the year.	233,106,211	249,046,600

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% (2021: 30%) tax rate.

	30 June 2022 \$	30 June 2021 \$
Final dividend FY21: 1.1 cents per share fully franked paid 3 September 2021 (Final dividend FY20: 2.2 cents per share fully franked paid 18 September 2020)	2,646,839	
Interim dividend FY22: 1.2 cents per share fully franked paid 3 December 2021 (Interim dividend FY21: 1.1 cents per share fully franked paid 4 December 2020)	2,798,777	5,689,883
Interim dividend FY22: 1.2 cents per share fully franked paid 4 March 2022 (Interim dividend FY21: 1.1 cents per share fully franked paid 5 March 2021)	2,765,752	2,741,593
Interim dividend FY22: 1.2 cents per share fully franked paid 3 June 2022 (Interim dividend FY21: 1.1 cents per share fully franked paid 4 June 2021)	2,751,554	2,697,591
		2,668,716
	10,962,922	13,797,783

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

	30 June 2022 \$	30 June 2021 \$
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 1.2 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 2 September 2022 (2021: 3 September 2021) out of the profits of the Company at 30 June 2022 and 30 June 2021, but not recognised as a liability at year end is:	2,748,594	2,667,573

14 Dividends (continued)

(c) Dividends franking account

The fully franked final dividend to be paid on 2 September 2022 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 2022.

	30 June 2022	30 June 2021
	\$	\$
Opening balance of franking account	1,311,938	4,323,424
Franking credits on dividends received	1,836,421	1,402,367
Tax paid during the period	5,568,789	1,499,483
Franking credits on ordinary dividends paid	(4,698,395)	(5,913,336)
Closing balance of franking account	4,018,753	1,311,938
Adjustment for tax payable on the current period profits	5,719,638	4,856,094
Franking credits available for use in subsequent reporting periods	9,738,391	6,168,032
Adjusted for dividends declared subsequent to reporting period 30% (2021: 30%)	(1,177,969)	(1,143,246)
Adjusted franking account balance	8,560,422	5,024,786

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

15 Key management personnel disclosures

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

Peter McKillop	Independent Director (Chairman)
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 15 and 18.

	30 June 2022	30 June 2021
	\$	\$
Short term employee benefits - Directors fees	66,985	63,864
Post employment benefits - Superannuation	33,015	36,136
	100,000	100,000

15 Key management personnel disclosures (continued)

(b) Share 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

2022

Directors	Balance as at 30 June 2021	Acquisitions	Disposals	Balance as at 30 June 2022
Peter McKillop	537,060	-	-	537,060
Jennifer Horrigan	29,200	-	-	29,200
Eamonn Roles	155,000	-	-	155,000
Anton Tagliaferro	8,050,000	450,000	-	8,500,000
Simon Conn	400,000	-	-	400,000
	9,171,260	450,000	-	9,621,260

2021

Directors	Balance as at 30 June 2020	Acquisitions	Disposals	Balance as at 30 June 2021
Peter McKillop	504,560	32,500	-	537,060
Jennifer Horrigan	29,200	-	-	29,200
Eamonn Roles	100,000	55,000	-	155,000
Anton Tagliaferro	6,050,000	2,000,000	-	8,050,000
Simon Conn	230,000	170,000	-	400,000
	6,913,760	2,257,500	-	9,171,260

16 Related party transactions

Anton Tagliaferro and Simon Conn are Directors and hold equity interests in IML, the entity appointed to manage the investment portfolio of QV Equities Limited.

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

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 \$2,390,503 (2021: \$2,297,676) inclusive of GST. The amount expensed in the Statement of Comprehensive Income after allowing for the reduced input tax credit was \$2,227,514 (2021: \$2,141,016). As at 30 June 2022, the balance payable to the Manager was \$169,565 (2021: \$185,890).

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

17 Segment information

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

18 Contingencies and commitments

The Company had no commitments or contingent liabilities as at 30 June 2022 and 30 June 2021.

19 Events occurring after the reporting period

Since the end of the financial year, the Directors declared a fully franked final dividend of 1.2 cents per fully paid ordinary share payable on 2 September 2022. The Company bought back 70,717 shares for \$67,102 since 30 June 2022.

Subsequent to 30 June 2022 to the date of this report there have been no other events specific to the Company of which the Directors are aware which have had a material effect on the Company or its financial position.

20 Remuneration of auditors

	30 June 2022	30 June 2021
	\$	\$
Audit and other assurance services:		
Audit and review of financial report	47,700	44,600
Non-assurance services:		
Tax services	11,100	10,400
	58,800	55,000

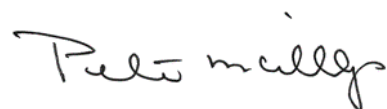
The Company's Audit Committee oversees the relationship with the Company's external auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and the scope of the other tax compliance services of the related entity of the audit firm, to ensure that they do not compromise independence.

In the Directors' opinion,

- (1) the financial statements and notes set out on pages 21 to 45 are in accordance with the *Corporations Act 2001* including:
 - (a) complying with the *Accounting Standards*, the *Corporations Regulations 2001* and any other mandatory professional reporting requirements;
 - (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 2022 and of its performance for the year ended on that date.
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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



Peter McKillop, Chairman

17 August 2022

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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 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow 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 2022 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.

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
Existence and Valuation of Financial Assets	
Refer to Note 8: Financial Assets	
<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 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 an active market).</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of and evaluating the design of the investment management processes and controls; ▪ Reviewing and evaluating the independent auditor's reports on the design and operating effectiveness of internal controls (ASAE 3402 <i>Assurance Reports on Controls at a Service Organisation</i>) for the Custodians; ▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness for the period to which the auditor's report relate to and 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.

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 2022 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.

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 15 to 18 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of QV Equities Limited, for the year ended 30 June 2022, 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.



C I Chandran
Partner

17 August 2022



Pitcher Partners
Sydney

Shareholder Information

The shareholder information set out below was applicable as at 30 June 2022.

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 2022:

	2022		2021	
Ordinary shares, trust units or stapled securities	Holding units	Fair value \$	Holding units	Fair value \$
A2B Australia Limited	2,100,000	2,310,000	2,100,000	2,646,000
Abacus Property Group	1,000,000	2,570,000	500,000	1,575,000
Alumina Ltd*	1,200,000	1,758,000	1,000,000	1,645,000
Amtcor Limited*	800,000	14,432,000	900,000	13,617,000
Ampol Limited (formerly Caltex Australia)	330,000	11,295,900	380,000	10,719,800
Aurizon Holdings Limited	3,600,000	13,680,000	2,900,000	10,788,000
AusNet Services Limited	-	-	6,200,000	10,850,000
Australian Clinical Labs Ltd	480,000	2,203,200	650,000	2,210,000
Australian Pharmaceutical Industries Limited	-	-	3,500,000	3,902,500
Bank of Queensland Limited	370,000	2,467,900	250,000	2,277,500
Bega Cheese Ltd	600,000	2,292,000	-	-
Best and Less Group Holdings	-	-	164,609	355,555
Brambles Ltd*	600,000	6,426,000	-	-
Charter Hall Retail REIT	1,300,000	4,901,000	1,300,000	4,940,000
Cleanaway Waste Management Ltd	-	-	1,000,000	2,640,000
Clearview Wealth Limited	1,600,000	1,088,000	1,600,000	800,000
Codan Ltd	300,000	2,088,000	-	-
Coles Group Limited*	500,000	8,905,000	500,000	8,545,000
Crown Resorts Limited	-	-	1,100,000	13,101,000
Event Hospitality and Entertainment Ltd	-	-	350,000	4,424,000
G.U.D. Holdings Limited	400,000	3,196,000	-	-
Hipages Group Holdings Ltd	1,600,000	1,584,000	900,000	2,691,000
Home Consortium	300,000	1,353,000	450,000	2,448,000
Homeco Daily Needs REIT	2,800,000	3,584,000	4,300,000	6,020,000
Incitec Pivot Limited*	500,000	1,655,000	2,200,000	5,236,000
Informedia Limited	600,000	1,002,000	-	-
Insurance Australia Group	1,300,000	5,668,000	900,000	4,644,000
Integral Diagnostics Limited	1,100,000	3,333,000	480,000	2,496,000
Lottery Corporation	1,800,000	8,136,000	-	-
Mayne Pharma Group Limited	16,000,000	4,000,000	16,000,000	5,120,000
Medibank Private Ltd	425,000	1,381,250	-	-
Metcash Limited*	1,300,000	5,512,000	1,350,000	5,386,500
Mirvac Group*	500,000	987,500	-	-
National Storage REIT	-	-	564,483	1,117,677
New Hope Corporation Limited	1,000,000	3,460,000	1,650,000	2,854,500
Newcrest Mining Limited	100,000	2,089,000	100,000	2,528,000
Nine Entertainment Co. Holdings Limited	1,900,000	3,467,500	1,900,000	5,529,000
Oceanagold Corp	-	-	350,000	854,000
Oil Search Limited	-	-	800,000	3,048,000
Ooh Media Limited	1,500,000	1,815,000	1,300,000	2,275,000

Shareholder Information (continued)

A. Long term equity investments (continued)

	2022		2021	
	Holding units	Fair value \$	Holding units	Fair value \$
Ordinary shares, trust units or stapled Securities (continued)				
Orica Limited*	830,000	13,089,100	750,000	9,960,000
Origin Energy Limited*	900,000	5,157,000	1,400,000	6,314,000
Pact Group Holdings Ltd	4,900,000	8,844,500	3,500,000	12,950,000
Pro-Pac Packaging Limited**	2,650,000	1,285,250	26,500,000	5,300,000
Ramsay Health Care Ltd (preference shares)	20,000	1,993,000	-	-
Regis Healthcare Limited	900,000	1,665,000	1,200,000	2,340,000
Santos Ltd*	700,000	5,194,000	-	-
Shopping Centres Australasia Property Group	1,200,000	3,300,000	1,000,000	2,520,000
Skycity Entertainment Group Limited	3,000,000	7,950,000	1,750,000	5,687,500
Sonic Healthcare Limited*	220,000	7,262,200	300,000	11,520,000
Southern Cross Media Group Limited	3,500,000	3,482,500	3,500,000	7,315,000
Spark Infrastructure Group	-	-	2,500,000	5,625,000
Suncorp Group Ltd*	400,000	4,392,000	-	-
Tabcorp Holding Limited	-	-	2,400,000	12,432,000
TPG Telecom Ltd*	700,000	4,179,000	350,000	2,191,000
United Malt Group Ltd	900,000	2,943,000	550,000	2,464,000
Virgin Money UK PLC (formerly Cybg PLC)*	1,500,000	3,315,000	1,500,000	5,520,000
Z Energy Limited	-	-	1,100,000	2,783,000
Floating rate notes				
Crown Resorts Limited unsecured sub floating rate note	41,000	4,179,130	41,000	3,976,590
Total equities		206,870,930		246,182,122
Cash		32,092,735		19,027,433
Total portfolio		238,963,665		265,209,555

* Part or all of the security was subject to call options written by the Company as at 30 June 2022.

** Pro-Pac Packaging had a one for 10 share consolidation during the year ended 30 June 2022.

There were 677 (2021: 592) investment transactions during the financial year. The total brokerage paid on these transactions was \$261,919 (2021: \$289,564).

B. Distribution of equity securities

Analysis of numbers of shareholders by size of holding as at 30 June 2022:

Holding	Number of shareholders	Ordinary shares	Percentage
1 – 1,000	291	93,584	0.04
1,001 – 5,000	560	1,846,459	0.81
5,001 – 10,000	682	5,565,355	2.43
10,001 – 100,000	3,085	108,223,771	47.25
100,001 and over	308	113,320,324	49.47
	4,926	229,049,493	100.00

There were 210 holders of less than a marketable parcel of ordinary shares holding a total of 24,600 shares.

Shareholder Information (continued)

C. Equity security holders

Twenty largest shareholders - ordinary shares:

Name	Ordinary shares	
	Number held	Percentage of Issued shares
HSBC Custody Nominees (Australia) Limited	26,438,083	11.54
Citicorp Nominees Pty Limited	8,128,160	3.55
AKAT Investments Pty Ltd <Tag Family A/C>	5,350,000	2.34
Navigator Australia Limited <MLC Investment Sett A/C>	3,083,708	1.35
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	2,521,520	1.10
Bennamon Pty Ltd	2,295,795	1.00
Netwealth Investments Limited <Wrap Services A/C>	1,838,704	0.80
J P Morgan Nominees Australia Pty Limited	1,251,873	0.55
AKAT Investments Pty Ltd <Tag Super Fund A/C>	1,150,000	0.50
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,072,020	0.47
Atrol Pty Ltd <The Atrol Super Fund A/C>	1,000,000	0.44
Investors Mutual Ltd	1,000,000	0.44
TAG Family Foundation Pty Ltd <Tag Family Foundation A/C>	1,000,000	0.44
Peter MacGill Investments Pty Ltd <P D MacGill Super Fund A/C>	812,295	0.35
Australian Executor Trustees Limited <No 1 Account>	797,517	0.35
Mr Anthony Archer	773,000	0.34
Australian Executor Trustees Limited <IPS IOOF Employer Super A/C>	715,414	0.31
Netwealth Investments Limited <Super Services A/C>	669,000	0.29
Pinetown Pty Ltd <Pinetown Emp Super Fund A/C>	628,807	0.27
Fairview Investments Pty Limited	600,000	0.26
		<u>26.69</u>

D. Substantial shareholders

1607 Capital Partners LLC ("1607") held 10.045% of the shares in QVE on 25 October 2021.