

QV Equities Limited

ABN 64 169 154 858

Appendix 4D – Half Year Report

Results for announcement to the market

For the half-year ended 31 December 2016

	\$	up/down	% movement
Revenue from ordinary activities	5,704,313	up	28
Profit from ordinary activities before income tax expense	4,377,336	up	33
Profit from ordinary activities after tax attributable to equity holders	4,099,696	up	39

Dividend information

	Cents per share	Franked amount per share	Tax rate for franking
2016 Final dividend paid	1.8c	1.8c	30%
2017 Interim dividend declared	2.0c	2.0c	30%

Interim dividend dates

Ex dividend date	17 March 2017
Record date	20 March 2017
Payment date	3 April 2017

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is in operation and the fully franked interim dividend of 2.0 cents per share qualifies. Participant shareholders will be entitled to be allotted the number of shares (rounded to the nearest whole number) which the cash dividend would purchase at the relevant issue price. The relevant issue price will be the volume weighted average market price of shares sold on the ASX on the first trading day after the record date for the relevant dividend and the 4 trading days following that date.

Net tangible assets

	31 December 2016	31 December 2015
Net tangible asset backing (per share) before tax	\$1.18	\$1.08
Net tangible asset backing (per share) after tax	\$1.13	\$1.05

QV Equities Limited

ABN 64 169 154 858

Interim Financial Report For the half-year ended 31 December 2016

QV Equities Limited

ABN 64 169 154 858

Interim Financial Report For the half-year ended 31 December 2016

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The interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the 30 June 2016 annual report and any public announcements made by QV Equities Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

QV Equities Limited

ABN 64 169 154 858

Corporate Directory

Directors

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

Secretary

Zac Azzi

Investment Manager

Investors Mutual Limited
Level 24, 25 Bligh Street
Sydney NSW 2000
(AFSL 229988)

Registered Office

Level 24, 25 Bligh Street
Sydney NSW 2000
Telephone: (02) 9232 7500
Fax: (02) 9232 7511
Email: info@qvequities.com
Website: www.qvequities.com

Share Registrar

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
Telephone: 1800 868 464

Auditor

Pitcher Partners
Level 22 MLC Centre, 19 Martin Place
Sydney NSW 2000

Stock Exchange

Australian Securities Exchange (ASX)
ASX code: QVE Ordinary shares

Directors' Report

The Directors present their report together with the condensed interim financial report of QV Equities Limited ("the Company") for the half-year ended 31 December 2016.

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report:

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

Principal activities

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

Review of operations

Investment operations for the period ended 31 December 2016 resulted in an operating profit before tax of \$4,377,336 (2015: \$3,284,599) and an operating profit after tax of \$4,099,696 (2015: \$2,941,328).

Net Tangible Assets backing (NTA) for each ordinary share as at 31 December 2016 amounted to \$1.18 per share (2015: \$1.08). The NTA backing per share after tax was \$1.13 (2015: \$1.05).

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company during the half-year ended 31 December 2016.

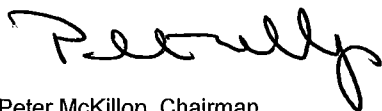
Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts to the nearest dollar

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

The report is made in accordance with a resolution of the Board of Directors:



Peter McKillop, Chairman

Sydney, 15 February 2017

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF QV EQUITIES LIMITED
ABN 64 169 154 858**

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

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

This declaration is in respect of QV Equities Limited during the period.



SCOTT WHIDDETT
Partner

PITCHER PARTNERS
Sydney

15 February 2017

QV Equities Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2016

Statement of Comprehensive Income

	Half-year ended	
	31 December	31 December
	2016	2015
Notes	\$	\$
Investment income		
Dividend income	5,430,008	3,450,457
Interest income	419,705	610,029
Realised (losses)/gains on investments held for trading	(89,455)	553,267
Unrealised (losses)/gains on investments held for trading	(77,780)	(270,662)
Other income	21,835	114,726
Total investment income	5,704,313	4,457,817
Expenses		
Management fees	1,115,025	936,188
Directors' fees	50,000	50,000
ASX fees	38,710	35,518
Registry fees	42,168	19,702
Other expenses	81,074	131,810
Total expenses	1,326,977	1,173,218
Profit before income tax	4,377,336	3,284,599
Income tax expense	277,640	343,271
Profit after income tax	4,099,696	2,941,328
Other comprehensive income		
Items that will not be reclassified to profit and loss		
Movement in fair value of long term equity investments, net of tax	12,302,485	3,418,715
Total other comprehensive income for the period, net of tax	12,302,485	3,418,715
Total comprehensive income for the period	16,402,181	6,360,043
Earnings per share		
Basic earnings per share (cents per share)	5 1.85	1.48
Diluted earnings per share (cents per share)	5 1.85	1.46

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

QV Equities Limited
Statement of Financial Position
As at 31 December 2016

Statement of Financial Position

	31 December 2016	30 June 2016
Notes	\$	\$
Assets		
Current assets		
Cash and cash equivalents	34,091,501	33,161,728
Receivables	834,251	980,456
Prepayments	84,193	41,807
Total current assets	<u>35,009,945</u>	<u>34,183,991</u>
Non-current assets		
Long term equity investments	228,793,060	216,791,950
Deferred tax assets	451,973	540,750
Total non-current assets	<u>229,245,033</u>	<u>217,332,700</u>
Total assets	<u>264,254,978</u>	<u>251,516,691</u>
Liabilities		
Current Liabilities		
Trade creditors and other payables	473,052	4,842,574
Current tax liabilities	1,145,797	703,492
Financial liabilities held at fair value	704,400	451,975
Total current liabilities	<u>2,323,249</u>	<u>5,998,041</u>
Non-current liabilities		
Deferred tax liability	11,784,090	7,933,898
Total non-current liabilities	<u>11,784,090</u>	<u>7,933,898</u>
Total liabilities	<u>14,107,339</u>	<u>13,931,939</u>
Net assets	<u>250,147,639</u>	<u>237,584,752</u>
Equity		
Issued capital	7 216,484,821	216,339,116
Asset revaluation reserve	26,464,962	17,252,345
Capital profits reserve	3,098,160	1,216,678
Profits reserve	4,099,696	2,776,613
Total equity	<u>250,147,639</u>	<u>237,584,752</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 half-year ended 31 December 2016

Statement of Changes in Equity

	Notes	Issued capital \$	Profits reserve \$	Asset revaluation reserve \$	Capital profits reserve \$	Retained profits \$	Total \$
Balance at 1 July 2016		<u>216,339,116</u>	<u>2,776,613</u>	<u>17,252,345</u>	<u>1,216,678</u>	<u>-</u>	<u>237,584,752</u>
Profit for the period		-	-	-	-	4,099,696	4,099,696
Other comprehensive income:							
Net revaluation of investments		-	-	12,302,485	-	-	12,302,485
Total comprehensive income for the period		<u>-</u>	<u>-</u>	<u>12,302,485</u>	<u>-</u>	<u>4,099,696</u>	<u>16,402,181</u>
Transactions with equity holders in their capacity as owners:							
Shares issued on dividend reinvestments	7	145,705	-	-	-	-	145,705
Dividends provided for or paid		-	(2,776,613)	-	(1,208,386)	-	(3,984,999)
Other							
Realised profits on sale of investments		-	-	(3,089,868)	3,089,868	-	-
Transfer to reserves							
Transfer to profits reserve		-	4,099,696	-	-	(4,099,696)	-
Balance at 31 December 2016	7	<u>216,484,821</u>	<u>4,099,696</u>	<u>26,464,962</u>	<u>3,098,160</u>	<u>-</u>	<u>250,147,639</u>

QV Equities Limited
Statement of Changes in Equity
For the half-year ended 31 December 2016
(continued)

	Notes	Issued capital	Profits reserve	Asset revaluation reserve	Capital profits reserve	Retained profits	Total
		\$	\$	\$	\$	\$	\$
Balance at 1 July 2015		<u>188,469,807</u>	<u>2,809,550</u>	<u>8,781,011</u>	<u>274,565</u>	<u>-</u>	<u>200,334,933</u>
Profit for the period		-	-	-	-	2,941,328	2,941,328
Other comprehensive income:							
Net revaluation of investments		-	-	3,418,715	-	-	3,418,715
Total comprehensive income for the period		<u>-</u>	<u>-</u>	<u>3,418,715</u>	<u>-</u>	<u>2,941,328</u>	<u>6,360,043</u>
Transactions with equity holders in their capacity as owners:							
Shares issued on options exercised	7	9,443,342	-	-	-	-	9,443,342
Dividends provided for or paid		-	(2,809,550)	-	(193,359)	-	(3,002,909)
Other							
Realised profit on sale of investments				(2,128,251)	2,128,251		
Transfer to reserves							
Transfer to profit reserves		-	2,941,328	-	-	(2,941,328)	-
Balance at 31 December 2015	7	<u>197,913,149</u>	<u>2,941,328</u>	<u>10,071,475</u>	<u>2,209,457</u>	<u>-</u>	<u>213,135,409</u>

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

QV Equities Limited
Statement of Cash Flow
For the half-year ended 31 December 2016

Statement of Cash Flow

	Half-year ended	
	31 December	31 December
	2016	2015
Notes	\$	\$
Cash flows from operating activities		
Dividends/distributions received	5,482,957	3,464,187
Interest received	417,692	666,903
Net realised gains on exchange traded options	85,191	248,100
Other income	25,523	89,837
Payments for other expenses	(1,360,284)	(1,216,221)
Income tax paid	(1,077,682)	-
Net cash inflow from operating activities	3,573,397	3,252,806
Cash flows from investing activities		
Payments for investments	(28,170,103)	(36,901,404)
Proceeds from sale of investments	29,365,773	17,061,670
Net cash inflow/(outflow) from investing activities	1,195,670	(19,839,734)
Cash flows from financing activities		
Dividends paid	(3,839,294)	(3,002,998)
Shares issued	-	9,373,368
Net cash (outflow)/inflow from financing activities	(3,839,294)	6,370,370
Net increase/(decrease) in cash and cash equivalents	929,773	(10,216,558)
Cash and cash equivalents at the beginning of the period	33,161,728	52,397,844
Cash and cash equivalents at the end of the period	34,091,501	42,181,286

The Statement of Cash Flow should be read in conjunction with the accompanying notes.

1 General information

QV Equities Limited ("the Company") is a listed investment company domiciled in Australia. The Company was established with the primary objective of providing long term capital growth and income, through a diversified portfolio of the ASX listed entities outside of the S&P/ASX 20 Index. The portfolio is managed by Investors Mutual Limited.

The condensed interim financial statements were authorised for issue by the Board on 15 February 2017.

2 Summary of significant accounting policies

The principal accounting policies adopted in preparation of these interim financial statements are set out below.

(a) Basis of preparation of the half-year report

The half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting* and other applicable Australian Accounting Standards (including Australian Accounting Interpretations).

These half-year financial statements do not include all the notes of the type normally included in an annual financial report. It is recommended that these half-year financial statements be read in conjunction with the 30 June 2016 annual financial report and any public announcements made by QVE during the half-year in accordance with any disclosure requirements arising under the *Corporations Act 2001*.

These half-year financial statements have been prepared on an accrual basis and are based on the historical cost basis except as modified by the revaluation of non-current investments which are recorded at fair value.

The accounting policies have been consistently applied by and are consistent with those applied in the 30 June 2016 annual financial report.

(b) Investments

Revenue is measured at the fair value of the consideration received or receivable.

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

The Company designates all long term equity investments as available for sale financial assets and therefore records subsequent changes in fair value of equity investments in the Statement of Comprehensive Income through the asset revaluation reserve, not to be reclassified to profit and loss, after deducting a provision for the potential deferred capital gains tax liability.

The Company holds call option derivative financial instruments which are held for trading and are mandatorily classified as at fair value through profit and loss, changes in the fair value of options are recognised in profit or loss for the period.

2 Summary of significant accounting policies (continued)

(b) Investments (continued)

(iii) Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Gains or losses on long term equity investments are transferred from the asset revaluation reserve to the capital profits reserve.

(iv) Valuation

All investments are classified and measured as being at fair value, please refer to note 3 for more information on the Company's policy for measuring fair value.

(c) Revenue

(i) 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.

(ii) Interest income

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(d) Rounding of amounts to the nearest dollar

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

3 Fair value measurement

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

- Long term equity investments
- Financial liabilities held for trading

Fair value hierarchy

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

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

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

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

3 Fair value measurement (continued)

(i) *Recurring fair value measurements*

The following tables present the Company's assets measured and recognised at fair value as at 31 December 2016 and 30 June 2016:

As at 31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long term equity investments:				
Listed equities	199,395,985	-	-	199,395,985
Listed unit trusts	26,719,500	-	-	26,719,500
Floating rate notes	2,677,575	-	-	2,677,575
Total	228,793,060	-	-	228,793,060
Financial liabilities				
Financial liabilities held for trading:				
Options	704,400	-	-	704,400
Total	704,400	-	-	704,400

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Long term equity investments:				
Listed equities	177,647,250	-	-	177,647,250
Listed unit trusts	33,566,500	-	-	33,566,500
Floating rate notes	2,396,850	-	-	2,396,850
Unlisted equities	-	3,181,350	-	3,181,350
Total	213,610,600	3,181,350	-	216,791,950
Financial liabilities				
Financial liabilities held for trading:				
Options	451,975	-	-	451,975
Total	451,975	-	-	451,975

The unlisted equities recognised at fair value level 2 in the preceding period have been transferred to level 1 during the half-year. These investments related to pre-trade securities placements measured at cost as there was no active market. On commencement of trading an active market could be observed and consequently these investments were re-classified at level 1.

(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.

4 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.

5 Earnings per share

	Half year ended	
	31 December 2016	31 December 2015
	cents	cents
(a) Basic earnings per share		
Total earnings per share attributable to the ordinary equity holders of the Company	1.85	1.48
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	1.85	1.46
(c) Weighted average number of shares used as denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share is based on the average number of shares as at 31 December 2016 and 31 December 2015	221,428,605	199,045,151
Weighted average number of shares used as the denominator in calculating diluted earnings per share is based on the average number of shares as at 31 December 2016 and 31 December 2015, plus the weighted average number of unexercised options as at 31 December 2016 and 31 December 2015 (unexercised options 2016: nil; 2015: 166,278,909)	221,428,605	200,924,255

6 Dividends

Dividends paid fully franked at 30% tax rate.

(a) Dividend paid during the period

	Dividend Rate	Total Amount	Date of Payment	% Franked
2016				
Ordinary shares - final 2016	1.8 cents	3,984,999	31/10/2016	100

6 Dividends (continued)

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

31 December
2016
\$

In addition to the above dividends, since half-year end the Directors have announced the payment of an interim dividend of 2.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the interim dividend expected to be paid on 3 April 2017 out of the profits of the Company at 31 December 2016, but not recognised as a liability at period end is:

4,430,175

7 Issued Capital

(a) Share capital

	31 December 2016 Number of Shares	31 December 2016 Total amount \$	30 June 2016 Number of Shares	30 June 2016 Total amount \$
Fully paid ordinary shares	<u>221,508,748</u>	<u>216,484,821</u>	<u>221,388,859</u>	<u>216,339,116</u>

(b) Movements in ordinary share capital

Date		Number of shares	Issue price	Total amount \$
01/07/2016	Opening balance	221,388,859		216,339,116
	Shares issued under DRP	119,889	\$1.21	145,705
31/12/2016	Closing balance	<u>221,508,748</u>		<u>216,484,821</u>

Date		Number of shares	Issue price	Total amount \$
01/07/2015	Opening balance	193,519,550		188,469,807
	Options exercised	27,869,309	\$1.00	27,869,309
30/06/2016	Closing balance	<u>221,388,859</u>		<u>216,339,116</u>

(c) Fully paid ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

7 Issued Capital (continued)

(d) Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan "DRP" under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. The relevant issue price will be the volume weighted average market price of shares sold on the ASX on the first trading day after the record date for the relevant dividend and the 4 trading days following that date. 119,889 shares at a price of \$1.21 have been issued for the half year ending 31 December 2016.

8 Contingencies and commitments

The Company had no contingent liabilities as at 31 December 2016 (2015: nil).

9 Events occurring after the reporting period

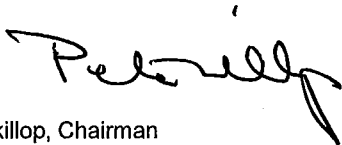
No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Directors' Declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 5 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (b) giving a true and fair view of the financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that QV Equities will be able to pay its debts as and when they become due and payable.

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



Peter McKillop, Chairman

Sydney, 15 February 2017

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of QV Equities Limited ("the company"), which comprises the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the entity.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "*Review of a Financial Report Performed by the Independent Auditor of the Entity*", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "*Interim Financial Reporting*" and the *Corporations Regulations 2001*. As the auditor of QV Equities Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

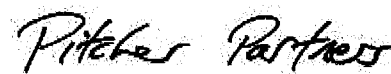
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QV Equities Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



SCOTT WHIDDETT
Partner

15 February 2017



PITCHER PARTNERS
Sydney