## **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 2015

(Comparative figures being for the period from 17 April 2014 to 31 December 2014)

	\$	up/down	% movement
Revenue from ordinary activities	4,457,817	ир	59
Profit from ordinary activities before income tax expense	3,284,599	ир	67
Profit from ordinary activities after tax attributable to equity holders	2,941,328	ир	89

## **Dividend information**

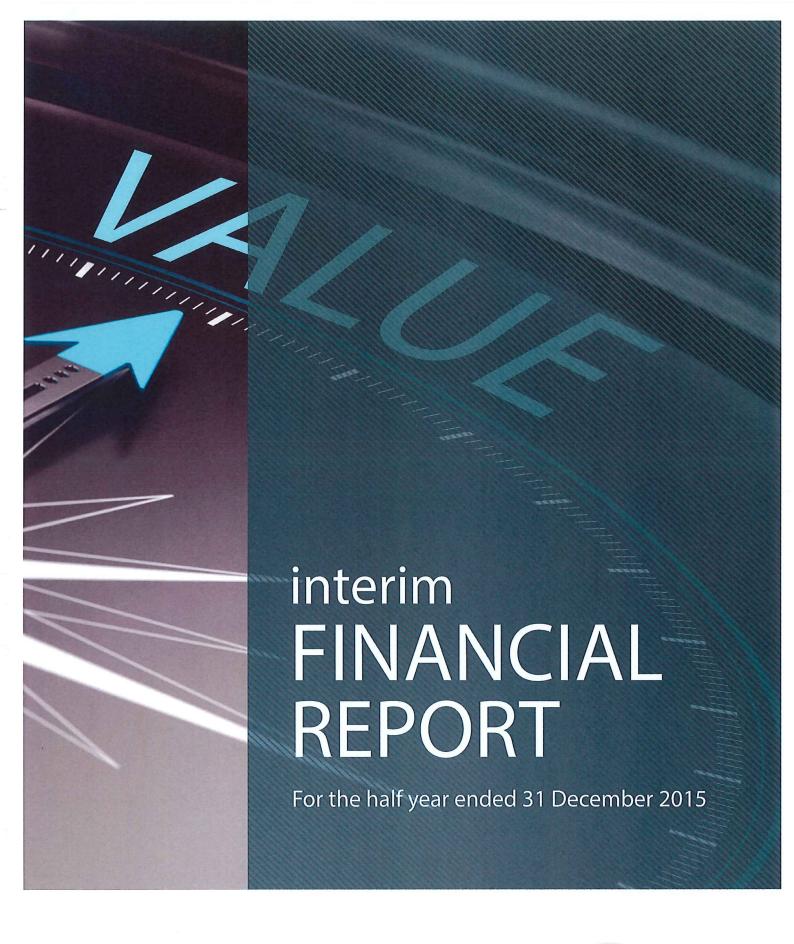
	Cents per share	Franked amount per share	Tax rate for franking
2015 Final dividend per share	1.5c	1.5c	30%
2016 Interim dividend cents per share	1.5c	1.5c	30%

## Interim dividend dates

Ex dividend date	18 March 2016
Record date	21 March 2016
Payment date	4 April 2016

There is currently no Dividend Reinvestment Plan in operation.

Net tangible assets	31 December	31 December
	2015	2014
Net tangible asset backing (per share) before tax	1.08	1.01
Net tangible asset backing (per share) after tax	1.05	1.00





# **QV Equities Limited**ABN 64 169 154 858

## **Interim Financial Report** For the half-year ended 31 December 2015

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flow	9
Notes to Financial Statements	10
Directors' Declaration	16
Independent Auditor's Review Report to the Shareholders	17

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 2015 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** 

Don Stammer (Independent Director, Chairman)

Peter McKillop (Independent Director)
John McBain (Independent Director)
Graham Hook (Non-independent Director)
Anton Tagliaferro (Non-independent Director)

Simon Conn (Alternate Director to Anton Tagliaferro)

Secretary

Linda Kwong

**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

QVEO Options \$1.00 expiring 15 March 2016

#### **Directors' Report**

The Directors present their report together with the interim financial report of QV Equities Limited ("the Company") for the half-year ended 31 December 2015.

#### **Directors**

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

Name	Fosition
Don Stammer Peter McKillop John McBain Graham Hook Anton Tagliaferro Simon Conn	Independent Director (Chairman) Independent Director Independent Director Non-independent Director Non-independent Director Alternate Director to Anton Tagliaferro

#### 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 2015 resulted in an operating profit before tax of \$3,284,599 (2014: \$1,967,054) and an operating profit after tax of \$2,941,328 (2014: \$1,559,072).

Net Tangible Assets backing (NTA) for each ordinary share as at 31 December 2015 (calculated on market value less realisation costs, all applicable taxes and before provision for the final dividend) amounted to \$1.08 per share (2014: \$1.01). NTA after provision for tax on realised gains but not on unrealised gains was \$1.05 per share (2014: \$1.00).

On 21 August 2014, the Company issued options to acquire ordinary shares in the Company at an exercise price of \$1.00 with an expiry date of 15 March 2016. A total of 18,341,991 options have been exercised as at the date of this report.

#### 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 2015.

## Directors' Report (continued)

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 5.

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

Don Stammer, Chairman

Sydney, 10 February 2016



Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Australia Postal Address: GPO Box 1615 Sydney NSW 2001 Australia

Tel: +61 2 9221 2099 Fax: +61 2 9223 1762 www.pitcher.com.au sydneypartners@pitcher.com.au

Pitcher Partners is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle

## Auditor's Independence Declaration to the Directors of QV Equities Limited

As lead auditor for the review of QE Equities Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. 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.

**Pitcher Partners** 

**Scott Whiddett** 

Partner

Dated in Sydney, 10 February 2016



## **Statement of Comprehensive Income**

		Half-yea 31 December 2015	r ended 31 December 2014
	Notes	\$	\$
Investment income			
Dividend income Interest income		3,450,457 610,029	1,126,103 1,484,516
Other income Profit from sale of equity investments		114,726 -	30,655 160,952
Realised gains on investments held for trading Unrealised losses on investments held for trading		553,267 (270,662)	-
Total investment income		4,457,817	2,802,226
Expenses			
Management fees		936,188	622,071
Directors' fees ASX fees		50,000 35,518	50,000 58,315
Registry fees		19,702	38,442
Other expenses Total expenses		<u>131,810</u> 1,173,218	66,344 835,172
Profit before income tax		3,284,599	1,967,054
Income tax expense		343,271	407,982
Profit after income tax		2,941,328	1,559,072_
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 Total other comprehensive income for the period, net of tax		3,418,715 3,418,715	4,435,799 4,435,799
Total comprehensive income for the period		6,360,043	5,994,871
Familiare nor chare			
Earnings per share Basic earnings per share (cents per share) Diluted earnings per share (cents per share)	5 5	1.48 1.46	1.66 1.66

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

## **Statement of Financial Position**

Statement of Financial Position			
		31 December 2015	30 June 2015
	Notes	\$	\$
Assets Current assets			
Cash and cash equivalents Receivables Prepayments		42,181,286 783,255 90,640	52,397,844 710,151 50,239
Total current assets		43,055,181	53,158,234
Non-current assets Long term equity investments		176,492,763	155,210,278
Deferred tax assets		624,294	709,155
Total non-current assets		177,117,057	155,919,433
Total assets		220,172,238	209,077,667
Liabilities Current Liabilities Current tax liabilities Trade creditors and other payables Financial liabilities held at fair value Total current liabilities		1,568,489 579,674 256,825 2,404,988	449,441 3,974,230 291,330 4,715,001
Non-current liabilities Deferred tax liability Total non-current liabilities		4,631,841 4,631,841	4,027,733 4,027,733
Total liabilities		7,036,829	8,742,734
Net assets		213,135,409	200,334,933
Equity Issued capital Asset revaluation reserve Capital profits reserve Profits reserve Total equity	7	197,913,149 10,071,475 2,209,457 2,941,328 213,135,409	188,469,807 8,781,011 274,565 2,809,550 200,334,933

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

## Statement of Changes in Equity

	Note	es Issued capital \$	Profits reserve \$	Asset revaluation reserve \$	Capital profits reserve \$	Retained profits	Total
Balance at 1 July 2015 * Profit for the period Other comprehensive income:		188,469,807	2,809,550	8,781,011 -	274,565 -	- 2,941,328	200,334,933 2,941,328
Net revaluation of investments		2	-	3,418,715	-	-	3,418,715
Total other comprehensive income for the period Transactions with equity holders in their capacity		188,469,807	2,809,550	12,199,726	274,565	2,941,328	206,694,976
as owners: Costs of issued capital Shares issued on options exercised	7	- 9,443,342	-	-	-	-	9,443,342
Realised profit on sale of investments transferred to reserves		-	-	(2,128,251)	2,128,251	-	-
Dividends provided for or paid Transfer to profit reserves			(2,809,550) 2,941,328	<u>-</u>	(193,359)	(2,941,328)	(3,002,909)
Balance at 31 December 2015	7	197,913,149	2,941,328	10,071,475	2,209,457		213,135,409
Balance at 17 April 2014 Profit for the period Other comprehensive income:		-		-	-	- 1,559,072	1,559,072
Net revaluation of investments		=	=	4,435,799	-	-	4,435,799
Total other comprehensive income for the period  Transactions with equity		-		4,435,799		1,559,072	5,994,871
holders in their capacity as owners: Shares issued on incorporation Shares issued under IPO		1 181,617,990	-	-	-	-	1 181,617,990
Costs of issued capital Shares issued on options		(2,046,834)	-	-	-	-	(2,046,834)
exercised Balance at 31 December		7,500 ——— 179,578,657		4,435,799		1,559.072	7,500 ———— 185,573,528
2014							· · · · · · · · · · · · · · · · · · ·

<sup>\*</sup> For the year ended 30 June 2015, the Company early adopted AASB 9: *Financial Instruments* Standard which allows equity instruments realised gains and losses to be recognised through a capital profits reserve and not through the profit and loss as previously required by AASB 139.

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

## **Statement of Cash Flow**

	Notes	Half-yea 31 December 2015 \$	
Cash flows from operating activities Dividends/distributions received Interest received Net realised gains on exchange traded options Other income Payments for other expenses Net cash inflow from operating activities		3,464,187 666,903 248,100 89,837 (1,216,221) 3,252,806	791,283 1,233,584 - 30,655 
Cash flows from investing activities Proceeds from sale of investments Payments for investments Net cash outflow from investing activities		17,061,670 (36,901,404) (19,839,734)	2,107,176 (86,158,803) (84,051,627)
Cash flows from financing activities Dividends paid Proceeds from issue of ordinary shares Shares issued on options exercised Share issue transaction costs Net cash inflow from financing activities		(3,002,998) 9,373,368 - - - 6,370,370	181,617,990 7,500 (2,924,422) 178,701,068
Net (decrease)/increase in cash and cash equivalents		(10,216,558)	95,983,514
Cash and cash equivalents at the beginning of the period  Cash and cash equivalents at the end of the period		52,397,844 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 Company's comparative period for the profit and loss balances is from 17 April 2014 to 31 December 2014.

The interim financial statements were authorised for issue by the Board on 10 February 2016.

## 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 conjuction with the 30 June 2015 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 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 2015 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 and the Company has elected to present subsequent changes in fair value of equity investments in the Statement of Comprehensive Income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity investments.

#### (ii) 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.

#### (iii) Valuation

All investments are classified and measured at fair value, being market value, including the potential tax charges that may arise from the future sale of the investments.

## 2 Summary of significant accounting policies (continued)

#### (b) Investments (continued)

#### (iv) 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.

#### (v) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss.

#### (c) Rounding of amounts

Amounts in the financial statements 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 either directly or indirectly; and

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

## 3 Fair value measurement (continued)

## (i) Recognised fair value measurements

The following tables present the Company's assets measured and recognised at fair value as at 31 December 2015 and 30 June 2015:

TO GEOT BOOCHIDGE ACTO	As at 31	December	2015
------------------------	----------	----------	------

As at 31 December 2013				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Listed Equities	146,123,963	-	-	146,123,963
Listed unit trusts	28,427,050	=	-	28,427,050
Floating rate notes	1,941,750			1,941,750
Total	176,492,763			176,492,763
Financial liabilities held for trading:				
Options	256,825			256,825
Total	256,825			256,825
As at 30 June 2015	1T.d	1		<b>+</b> 7.7
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Long term equity investments				
Listed Equities	131,077,896	=	-	131,077,896
Listed unit trusts	21,952,132	_	-	21,952,132
Floating rate notes	2,180,250			2,180,250
Total	155,210,278			155,210,278
Financial liabilities				
Financial liabilities held for trading:				
Options	291,300_			291,300
Total	291,300_			291,300

There were no transfers between levels for recurring fair value measurements during the period.

#### (ii) Disclosed fair values

The Company also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed.

The carrying amounts of receivables and payables are assumed to approximate 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 e 31 December 3 2015 cents	
(a) Basic earnings per share		
Total earnings per share attributable to the ordinary equity holders of the Company	1.48	1.66
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	1.46	1.66
(c) Weighted average number of shares used as denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	199,045,151	94,130,683
Weighted average number of shares used as the denominator in calculating diluted earnings per share includes the weighted average number of unexercised options as at 31 December 2015	200,924,255	94,130,683

## (d) Comparatives

The weighted average number of shares used as the denominator in calculating basic and diluted earnings per share for the prior period is based on the average number of shares from 17 April 2014 being the date of incorporation to 31 December 2014.

#### 6 Dividends

Dividends paid fully franked at 30% tax rate

## 6 Dividends (continued)

#### (a) Dividend paid during the period

	Dividend Rate	Total Amount	Date of Payment	% Franked
<b>2015</b> Ordinary shares - final 2015	1.5 cents	\$3,002,998	06/11/2015	100
(b) Dividends not recognised at t	he end of the rep	orting period		
				31 December 2015 \$
In addition to the above dividends, s	ince half-vear end	the Directors have a	nnounced the	

In addition to the above dividends, since half-year end the Directors have announced the payment of an interim dividend of 1.5 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 4 April 2016 out of the profits of the Company at 31 December 2015, but not recognised as a liability at period end is:

3,058,001

## 7 Issued Capital

#### (a) Share capital

	31 December 2015 Shares	31 December 2015 \$	30 June 2015 Shares	30 June 2015 \$
Fully paid ordinary shares	202,962,892	197,913,149	193,519,550	188,469,807

## (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1/7/2015	Opening balance	193,519,550		188,469,807
	Options exercised	9,443,342	\$1.00	9,443,342
31/12/2015	Closing balance	202,962,892		197,913,149

#### (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) Shares under IPO

The Company issued a Prospectus on 23 June 2014 for the offer of up to 200,000,000 fully paid ordinary shares at an offer price of \$1.00 per share to raise up to \$200,000,000, together with 1 option to acquire 1 ordinary share exercisable at \$1.00 per option on or before 15 March 2016. On 21 August 2014, the Company issued 184,620,900 full paid ordinary shares under this initial public offering at \$1.00 per share.

#### (e) Options

As part of the IPO the Company issued options to acquire ordinary shares in the Company at an exercise price of \$1.00. A total of 18,341,991 options have been exercised as at the date of this report.

The options can be exercised at any time on or before 15 March 2016. The options give the shareholders the right but not the obligation to subscribe for shares in the Company at \$1.00 per share. The options can be exercised in full or in part. The options are currently trading on the ASX under the code QVEO.

## 8 Contingencies and commitments

The Company has no contingent liabilities as at 31 December 2015 (2014: 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**

In the Directors' opinion,

- (a) the interim financial statements and notes, set out on pages 6 to 15, are in accordance with the *Corporations Act 2001*, including:
  - complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and any other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Company 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.

Don Stammer, Chairman

Sydney, 10 February 2016



Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Australia Postal Address: GPO Box 1615 Sydney NSW 2001 Australia

Tel: +61 2 9221 2099 Fax: +61 2 9223 1762 www.pitcher.com.au sydneypartners@pitcher.com.au

Pitcher Partners is an association of independent firms

Melbourne | Sydney | Perth | Adelaide | Brisbane | Newcastle

## Independent Auditor's Review Report to the Members of QV Equities Limited

#### 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 2015, 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 2015 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 and the entities it controlled, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of QV Equites Limited, would be the same terms if provided to the directors as at the date of signing this review report.

#### 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 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**Pitcher Partners** 

**Scott Whiddett** 

Partner

Dated in Sydney, 10 February 2016

Pitcher Partners

Alheldel \

