

Interim Report

for the six months ended
31 December 2017





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Chair Message	3
Condensed Consolidated Interim Financial Statements	
Consolidated Interim Statement of Comprehensive Income	5
Consolidated Interim Statement of Changes in Equity	6
Consolidated Interim Statement of Financial Position	7
Consolidated Interim Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9
Key Performance Indicators	11
Directory	12



Chair Message

Introduction

We are pleased to present the results of the Quotable Value (QV) Group for the first six months of the 2017/2018 financial year.

During the period \$1.67m has been returned to the shareholder by way of a normal dividend in line with the company's dividend policy.

As set out in our Statement of Corporate Intent, this is a year of investment in the business. The continued business strategy of strengthening the core business and growing QV's data and property insights capability is evidenced with our technology investment program (Monarch) milestones being achieved to date. This financial year the focus remains replacement of core legacy systems to drive productivity and performance. Our new agile environment will be in play for the new financial year allowing QV to bring new digital and data services to the market.

Our ambition is to revolutionise how we share property insights and information across multiple channels (traditional and digital), building on our high brand awareness and trust within the property sector.

In addition, our focus on customer experience, product quality and innovation has ensured we have continued to perform ahead of expectations and meet increased competition in the market.

Financial Performance

The Group full year earnings before interest, tax, depreciation & amortisation (EBITDA) of \$3.5m as detailed in our most recent Statement of Corporate Intent are forecast to be achieved. The half-year EBITDA result of -\$52k is \$105k better than budget. Due to the cyclical nature of the business (in particular related to rating services) the second half of the financial year is traditionally stronger and is again expected to continue in this manner. Overall, the Group financial performance is tracking as expected with the business incurring one-off costs as per its agreed strategy to transform the business and derive long-term future benefits. Our full-year Group EBITDA forecast of \$3.5m is anticipated to be \$1m less than last year due to cyclical rating work and reduced property services activity.

The QV mass appraisal business in New Zealand and Australia continues to perform well and provides scale to leverage resources across the Group. Our large workforce of experienced valuers is also undertaking a wide range of assignments nation-wide. Darroch performance has been as expected and contributes positively to the Group.



The structure of the Group balance sheet remains conservative with cash on hand at 31 December of \$2.1m (\$1.8m held by our subsidiary companies). The current Monarch Project is expected to be funded by the Parent with both cash and term debt (\$1.2m at 31 December 2017). As is common with many professional services businesses, debt gearing is managed carefully with the Board's view that this should be less than 20% and within banking covenants of 30% at all times.

Customers and Operations

QV remains the leading service provider in the New Zealand mass appraisal market and the Company remains committed to improving productivity, service delivery and product solutions to the wide range of stakeholders this business serves. During the period, QV successfully completed New Zealand's largest rating revaluation project, assessing 413,000 properties across the Auckland region.

QV is strengthening its management team in the current year with more expert capability added to drive customer, technology, product and people strategies across the Group. A customer experience framework is being developed for the business to ensure our customer centric philosophies continue to drive improvement in our operations.

Looking Ahead

The Board has a clear focus on maximising performance and shareholder value.

Strategic opportunities are regularly considered and the completion of the Monarch program of work this year will ensure QV can continue to lead the market and anticipate and fulfil evolving customer needs.

We would like to take this opportunity to thank everyone in the Group for their dedication and contribution. We are grateful for the enthusiasm of our people and our stakeholders to further develop the Group.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Raewyn Lovett', written over a series of horizontal lines.

Raewyn Lovett
Chair

A handwritten signature in black ink, appearing to read 'Jacquie Barker', written in a cursive style.

Jacquie Barker
Chief Executive



Consolidated Interim Statement of Comprehensive Income

for the six months ended 31 December 2017

	6 months Dec-17 (unaudited) \$000	6 months Dec-16 (unaudited) \$000	12 months Jun-17 (audited) \$000
Income			
Trading revenue	17,896	18,710	40,530
Total income	17,896	18,710	40,530
Operating costs and other expenses	17,948	18,326	36,071
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(52)	384	4,459
Interest revenue	16	22	39
Interest expense	14	5	9
Depreciation and amortisation	648	570	1,249
Profit (loss) before taxation	(698)	(169)	3,240
Income tax expense	(198)	(40)	920
Profit (loss) for the year net of tax	(500)	(129)	2,320
Profit (loss) for the year is attributable to:			
Equity holders of the Parent	(500)	(129)	2,320
	(500)	(129)	2,320
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Translation of foreign operations	15	-	(3)
Other comprehensive income for the year net of tax	15	-	(3)
Total comprehensive income for the year	(485)	(129)	2,317
Total comprehensive income is attributable to:			
Equity holders of the Parent	(485)	(129)	2,317
	(485)	(129)	2,317

Consolidated Interim Statement of Changes in Equity

for the six months ended 31 December 2017

	Fully paid ordinary shares	Retained Earnings	Foreign currency translation reserve	Total
	\$000	\$000	\$000	\$000
Balance as at 1 July 2017	4,600	4,392	246	9,238
Total comprehensive income for the six months net of tax	-	(485)	15	(470)
Payment of dividends	-	(1,668)	-	(1,668)
Balance as at 31 December 2017	4,600	2,239	261	7,100
Balance as at 1 July 2016	4,600	3,698	249	8,547
Total comprehensive income for six months net of tax	-	(129)	-	(129)
Payment of dividends	-	(1,626)	-	(1,626)
Balance as at 31 December 2016	4,600	1,943	249	6,792
Balance as at 1 July 2016	4,600	3,698	249	8,547
Total comprehensive income for the year net of tax	-	2,320	(3)	2,317
Payment of dividends	-	(1,626)	-	(1,626)
Balance as at 30 June 2017	4,600	4,392	246	9,238



Consolidated Interim Statement of Financial Position

as at 31 December 2017

	6 months Dec-17 (unaudited) \$000	6 months Dec-16 (unaudited) \$000	12 months Jun-17 (audited) \$000
Current assets			
Cash and cash equivalents	2,091	2,708	4,463
Taxation receivable	322	235	-
Trade and other receivables	4,510	3,841	6,040
Total current assets	6,923	6,784	10,503
Non-current assets			
Property and equipment assets	335	598	467
Goodwill	1,148	1,148	1,148
Intangible assets	5,470	3,010	3,858
Deferred taxation	283	198	278
Total non-current assets	7,236	4,954	5,751
Total assets	14,159	11,738	16,254
Current liabilities			
Trade and other payables	2,461	1,973	2,529
Borrowings	282	-	563
Provisions	-	-	57
Taxation payable	-	-	399
Employee entitlements	2,754	2,652	2,911
Total current liabilities	5,497	4,625	6,459
Non-current liabilities			
Term Loans	1,207	-	-
Employee entitlements	-	-	260
Provisions	355	321	297
Total non-current liabilities	1,562	321	557
Total liabilities	7,059	4,946	7,016
Net assets	7,100	6,792	9,238
Equity			
Issued capital	4,600	4,600	4,600
Foreign currency translation reserve	261	249	246
Retained earnings	2,239	1,943	4,392
Total equity	7,100	6,792	9,238



Consolidated Interim Statement of Cash Flows

for the six months ended 31 December 2017

	6 months Dec-17 (unaudited) \$000	6 months Dec-16 (unaudited) \$000	12 months Jun-17 (audited) \$000
<u>Cash flows from operating activities</u>			
Cash was provided from:			
Revenues from operations	19,916	22,914	41,156
Interest received	16	22	39
	19,932	22,936	41,195
Cash was applied to:			
Payments to employees and suppliers	18,884	20,453	36,356
Income tax paid	530	295	700
	19,414	20,748	37,056
Net cash flows from operating activities	518	2,188	4,139
<u>Cash flows from investing activities</u>			
Cash was provided from:			
Loan repayments	-	-	-
Proceeds from sale of property, plant and equipment	-	24	-
Disposal of investment in associate	-	-	-
	-	24	-
Cash was applied to:			
Purchase of property, plant and equipment, and intangible	2,133	1,783	2,518
	2,133	1,783	2,518
Net cash flows from investing activities	(2,133)	(1,759)	(2,518)
<u>Cash flows from financing activities</u>			
Cash was provided from:			
Loan advance	1,207	565	563
Cash was applied to:			
Loans repayments	296	565	-
Dividends paid	1,668	1,626	1,626
	1,964	2,191	1,626
Net cash flows from financing activities	(757)	(1,626)	(1,063)
Net increase (decrease) in cash and cash equivalents	(2,372)	(1,197)	558
Exchange rate translation reserve	-	-	-
Plus opening cash	4,463	3,905	3,905
Closing cash balance	2,091	2,708	4,463
Cash and cash equivalents	2,091	2,708	4,463



Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2017

Note 1: Accounting Policies

Reporting Entity

These are the condensed consolidated interim financial statements of Quotable Value Limited (the Parent) and its subsidiaries. Quotable Value Limited is a State-Owned Enterprise in terms of the State-Owned Enterprises Act 1986. The Group comprises Quotable Value Limited and Darroch Limited which are registered under the Companies Act 1993 and Quotable Value Australia Pty Limited which is registered in Australia under the Corporations Law.

The Parent is incorporated and domiciled in New Zealand. Its principal activity is the provision of property valuation and data. All the companies in the Group are designated as for profit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Statement of Compliance

These condensed consolidated interim financial statements as at and for the six months ended 31 December 2017 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), IAS 34 and NZ IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the 2017 Annual Report.

Basis of Measurement

The principal accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the 2017 Annual Report.

Note 2: Related Party Information (Selected Information)

Compensation of Key Management Personnel

Key management personnel include all board members, the CEO and the four (Dec 16: four; Jun 17: four) other members of the management team. Compensation paid to these members is as follows:

	Dec-17	Dec-16	Jun-17
	\$NZ'000	\$NZ'000	\$NZ'000
Salaries and short-term benefits	850	814	1,893
Post-employment benefits	-	-	42
Other long term benefits	-	-	-
Termination benefits	-	-	-
Total key management personnel compensation	850	814	1,935



Related Party Transactions with Entities Related to Key Management Personnel and Directors

	Dec-17	Dec-16	Jun-17
	\$NZ'000	\$NZ'000	\$NZ'000
Duncan Cotterill - valuation (sales)	5	3	7
Duncan Cotterill - legal services (purchases)	-	4	10
NZ Institute of Valuers (purchases)	2	2	-
Property Institute of NZ (purchases)	14	28	-
Yellow Pages Group (purchases)	-	2	-

All transactions between entities and Directors within the Group were at market prices and on normal commercial terms.

There are no guarantees to or from any related parties.

Note 3: Subsequent Events

There are no significant events subsequent to balance date.



Key Performance Indicators

for the six months ended 31 December 2017

	6 months Dec-17 Actual	12 months Jun-18 SCI	6 months Dec-16 Actual	12 months Jun-17 Actual
Surplus after taxation and impairment and before dividends (\$'000)	(500)	823	(129)	2,320
EBIT/tangible assets	(9.30)%	20.76%	(1.60)%	29.26%
Shareholder return	(2.76)%	4.54%	(0.53)%	12.80%
Operating margin (EBITDA/revenue)	(0.29)%	9.12%	2.05%	11.10%
Current ratio	1.19%	1.37%	1.37%	1.63%
Net debt to equity plus net debt ratio (max 30%)	(9.30)%	5.85%	(66.28)%	(73.06)%



Directory

for the six months ended 31 December 2017

Board of Directors

Chair

Raewyn Lovett
Auckland

Deputy Chair

Roger Bridge
Christchurch

Director

Neil Barr
Auckland

Director

David Cameron-Brown
Auckland

Director

Paula Jackson
Martinborough

Director

Stephen Panckhurst
Auckland

Director

Kim Wallace
Christchurch

Director

Bennett Medary
Auckland

Executive Team

Chief Executive

Jacquie Barker
email: jacquie.barker@qv.co.nz

Chief Financial Officer

Greg Cate
email: greg.cate@qv.co.nz

Chief People Officer

Rochelle Clancy
email: rochelle.clancy@qv.co.nz

Chief Customer Officer

Justin Snarski
email: justin.snarski@qv.co.nz

Chief Data Officer

Duncan Reed
email: duncan.reed@qv.co.nz

Registered Office

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Lower Hutt 5045

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Auditors

**Audit New Zealand
on behalf of the Controller and Auditor-General**

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Wellington

Bankers

Westpac

318 Lambton Quay
P O Box 1298
Wellington