

QV Statement of Corporate Intent

1 July 2020 – 30 June 2023



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The QV story

QV is at the heart of nearly every property transaction in New Zealand, supporting government, business and the public to make better decisions.

Quotable Value Limited Group (QV) is at the heart of nearly every property transaction in New Zealand. For more than 120 years, QV has been providing expertise in property for business and everyday New Zealanders. Today we are a modern and commercial organisation that understands the importance of our customers and has invested in technology to position ourselves for the digital world.

Our core strength is our people, networked to every corner of New Zealand to provide property intelligence to help business, central and local government and the public make better property decisions. Our brand is well known and trusted by New Zealand. Our people's expertise is used in all facets of New Zealand property and has been enhanced with the recent amalgamation of the Darroch business into the QV Group. This provides added strength in the commercial/industrial valuation and property management sectors and increased synergy opportunities for our business.

This year we have an exciting opportunity when we regain control of our website QV.co.nz from long time custodians CoreLogic. This will enable QV to enhance the promotion of our professional services, as well as provide customers with a digital channel to support their needs – a formidable combination of our people, new technology and trusted data.

As for every business in New Zealand, the COVID-19 recovery period for QV will present challenges as well as opportunities. Our core revenues are forecast to drop in FY2021 but QV is at the forefront of the property industry and in an ideal position to assist with the economy rebuild and in particular for our Crown owners focusing on our largest asset class.

Our recent investment in cloud-based technology and a virtual desktop has enabled QV to be ahead of the curve for greater flexibility in working arrangements. This allowed our people to be 100% productive from day one of the COVID-19 Alert Level 4 Lockdown period.

Our customers are still very much at the heart of our business decisions, in particular our specialist knowledge of providing large property portfolio valuations including rating valuation services for over 87% of Councils in New Zealand. We have leveraged our core competency in rating valuation to be a leader in the New South Wales (NSW), Australia market, including the prestigious Sydney CBD contract.

We are dedicated to delivering greater value from our existing operations, in particular building off our core, doing more for our current customers and partnering for new revenue streams. We have a history of continuous improvement for our systems and processes with our innovation providing world leading tools for our people.

We are proud to be owned by New Zealand. We take our heritage very seriously, contributing to the property ecosystem in a sustainable manner and supporting New Zealand for future generations.

This Statement of Corporate Intent is submitted by the Board of Directors of QV and has been prepared in accordance with section 14 of the State-Owned Enterprises Act 1986 (the SOE Act). It sets out QV's objectives and priorities for the financial year commencing 1 July 2020 and the succeeding two financial years.

Our scope of activities

Market valuations & property consultancy	Rating valuations	Asset valuations	Property management
Specialist property valuations and property consultancy for the residential, commercial and rural sectors	Rating solutions provided for 87% of the New Zealand Councils and 17% in NSW, Australia	Independent, specialist asset valuations for financial reporting purposes	Property portfolio management for private and public sector organisations

Property intelligence and tools

Providing market intelligence, data analytics, tools and customised solutions

QV Costbuilder

SalesDirect

Database Management

Our core customers

While most New Zealanders benefit from our property data and intelligence, our core customers are:

Central government, including departments and other SOEs and Crown entities

Local government, including city, district and regional Councils across New Zealand and NSW, Australia

Business, including banking/ insurance, property, construction and education

Our approach



Partnering

We are trusted by our customers and the wider sector to facilitate accessible and comprehensive property data and intelligence



Pushing boundaries

We are continually improving to deliver more across our existing operations and to solve customer challenges



Operating responsibly

We are committed to being commercially successful, enabling ongoing investment in our technology and people, while delivering sustainable returns to our shareholder and New Zealand

Our core strengths

We are New Zealand's property experts

We employ and develop **250** property specialists, including more valuers than anyone in New Zealand

We are nationwide with local expertise

We are located across regional New Zealand, with **17** local offices in every corner of New Zealand

We are trusted and have a strong brand recognition

70% New Zealand brand awareness, and trusted by **65%** of customers and ratepayers



We partner and make connections to get the most out of property data

We work with central government, **87%** of New Zealand Councils and all the major residential banks

We are owned by New Zealand and are invested in New Zealand's wellbeing

We have **120** years of expertise, give advice to support New Zealand's wealth and provide dividends to help New Zealanders

We have world class technology

We provide flexible, real-time, transparent information

We are rating and taxation specialists in NSW, Australia

20 years of providing rating and taxation valuations including the CBD area of Sydney

Our people

Quotable Value (QV) and its predecessors have been trusted property experts for more than 120 years.

Who we are

Our most important resource is our people. We have 250 property experts working across New Zealand from Cape Reinga to Stewart Island, including the Chatham Islands. We also have a team of specialists in NSW, Australia.

We are committed to developing our people. QV employs the most graduate valuers of any valuation company in the country. We have a programme and the mentoring support that enable our graduates to develop into registered valuers and multi-disciplined property experts. We have also recently committed to a company-wide use of 'LinkedIn Learning', ensuring all of our people have access to online training and development material.

Our people enjoy the varied and flexible work environment at QV and range in years of service to QV from newly joined to those with over 50 years' experience. Across the whole QV business the average service tenure of our people is nine years.

We are very proud of our outstanding employee Net Promoter Score of +42. The scale of the score ranges from -100 and +100. Our SCI target range was 0-2. This year's achievement is therefore exceptional and shows the strength of the QV family culture.

Our engaged and inclusive culture provides a gender mix of 43% female and 57% male.

Our strong corporate values guide us to keep creating world class property data solutions and delivering market-leading customer service. We offer a wide variety of career paths from valuation services and business support, to corporate functions such as human resources, marketing, and data analytics.

Our customers

Our focus is on providing expert valuation and property information services to the residential, rural, government and commercial sectors.

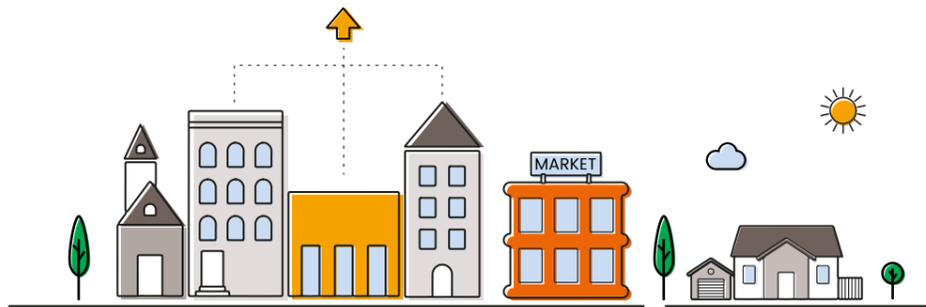
Customers	Core services	Brands
<ul style="list-style-type: none"> Residential home owners, financial service providers, corporates and government Local government Rural sector Consumers Professionals Building and property professionals 	<ul style="list-style-type: none"> Residential and rural market valuations Insurance (rebuild) valuations Rating valuation assessments Asset valuations for financial reporting purposes Rural market valuations Building costs data and information Online submission of property sale notices 	  
<ul style="list-style-type: none"> State and local government 	<ul style="list-style-type: none"> Rating and land tax valuations Asset valuations for financial reporting purposes Compensation valuations 	
<ul style="list-style-type: none"> Government, financial service providers and corporates Private property owners 	<ul style="list-style-type: none"> Commercial property and asset valuations Property management services including lease management and negotiation, tenant liaison and communication, property maintenance and financial management and reporting 	

Delivering trusted property intelligence

to help government, business and the public make better decisions

OBJECTIVE 1

We grow the value we deliver



OBJECTIVE 2

We are the most trusted property experts



FOCUS 1

Creating greater value for customers

FOCUS 2

Increasing our efficiency

FOCUS 3

Connecting people to the information they need

FOCUS 4

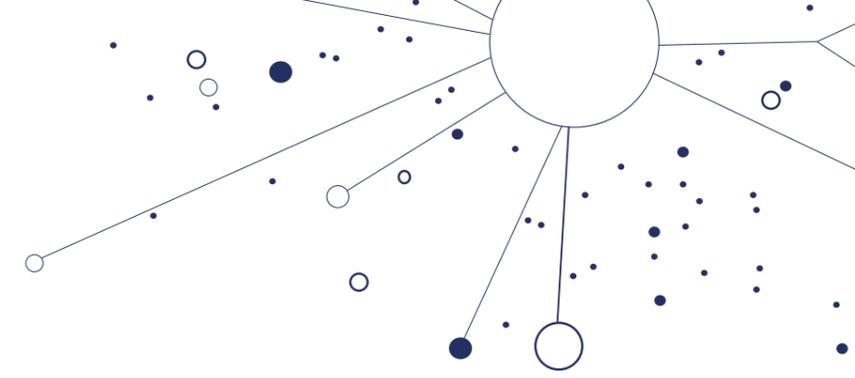
Being recognised for property expertise

FOCUS 5

Partnering with key stakeholders

Our market and strategy

Our purpose: delivering property intelligence to help government, business and the public make better decisions



Our market environment

A market affected by COVID-19

We are operating in a rapidly changing market: The COVID-19 recovery period for most businesses in New Zealand will be challenging. QV will not be immune from the expected economic downturn in the overall economy. Some of our rating revenue is likely to be deferred to FY2022 and our consultancy revenue anticipated to be down on previous years' levels. Overall, revenues are forecast to be lower in FY2021 than provided in our previous Statement of Corporate Intent with a recovery predicted in FY2022 and returning to our pre-COVID-19 levels in FY2023.

The impact of factors such as the ending of government subsidies and mortgage holidays, unemployment rate, net migration, property sales and any negative effects should the country be required to move back to higher COVID-19 Alert Levels is yet to be determined. There are many uncertainties around the future economic impacts of COVID-19 on New Zealand.

Customers expect more

Customers are expecting more for less: Our customers are looking for new and unique experiences and solutions, but do not want to pay more. They are open to looking at alternative approaches and ways of finding the information they need. Collaboration creates new possibilities: existing property information is fragmented and held by multiple agencies making it inefficient and frustrating for users. In the new sharing economy, our customers and partners are more open to secure data collaboration with trusted partners.

Technology provides new opportunities

Enabling real-time property intelligence: COVID-19 has demonstrated the importance of technology and ongoing investment of resources and capital. Rapid technological advancement and widespread technology adoption create opportunities to develop new and improved products and services. Today, data in itself is not enough; our customers want predictive modelling, data analytics and deep insights – and they want it in real-time.

The current rebuild of our website will enhance our property intelligence channels enabling QV to provide customers with a digital channel to support their needs – creating a formidable combination of our people, new technology and trusted data.

Meeting shareholder and societal expectations

Drive for commercial success: Our market is changing, requiring new technology and capability investments which will take time to deliver a return. We therefore need to be even more efficient to deliver greater value from our existing operations to ensure ongoing shareholder returns.

Delivering greater societal value: As an SOE we understand the importance of the Government's Living Standards Framework. Property is New Zealand's biggest asset class. There is an opportunity to provide greater property intelligence, helping to drive our economy and contributing to areas of taxation, construction and infrastructure planning, as well as disaster planning and environmental protection.

Our strategy



Partnering

Using our trusted position with customers and the wider sector to co-create new solutions and facilitate accessible, comprehensive property data and intelligence.



Pushing boundaries

We are continually improving to deliver more across our existing operations and to develop new solutions to solve customer challenges.



Operating responsibly

We are committed to being commercially successful, enabling ongoing investment in our technology and people, while delivering sustainable returns to our shareholder and New Zealand.

Our strategic priorities

Being recognised for property expertise

Creating greater value for our customers

Ongoing investment in technology and people capabilities to support existing and new business opportunities

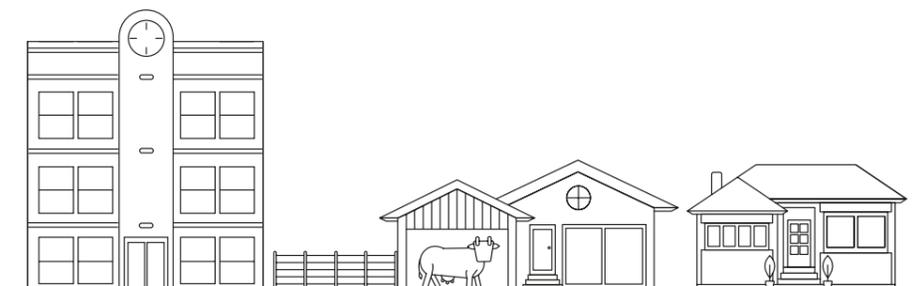
Increase customer loyalty and satisfaction by connecting people to the information they need

Improving efficiency across existing operations

Improved financial systems and governance framework

Engagement and wellbeing

Being a force for good



Summary of strategic priorities

Strategic initiatives for 2021	How we will measure progress	Alignment to strategic pillars
Being recognised for property expertise <ul style="list-style-type: none"> Lift our profile & presence in media & digital channels Create relevant data insights & intelligence Leverage our expertise across the Group 	<ul style="list-style-type: none"> Brand recognition Brand independence and trust scores 	 
Creating greater value for our customers <ul style="list-style-type: none"> Understand customer points of pain Provide cost effective solutions together 	<ul style="list-style-type: none"> Continue to improve customer experience Customer Net Promoter Score 	 
Ongoing investment in technology and people capabilities to support existing and new business opportunities <ul style="list-style-type: none"> Continue investment in technology platforms and analytics Continue investment in our people Automation of high-volume repeatable tasks 	<ul style="list-style-type: none"> Gross margin Internal productivity metrics 	 
Increase customer loyalty and satisfaction by connecting people to the information they need <ul style="list-style-type: none"> Enhance qv.co.nz website Collaborate with partners to connect people to the information they need Leverage our unique assets 	<ul style="list-style-type: none"> Customer Net Promoter Score Strategic partnership established 	 
Improving efficiencies across existing operations <ul style="list-style-type: none"> Operational excellence focus with continuous process improvement Build on our technology foundation Ensure corporate overhead costs are appropriate, agile & fit for purpose 	<ul style="list-style-type: none"> Gross margin Indirect cost per FTE 	 
Improved financial systems and governance framework <ul style="list-style-type: none"> Embed our FMIS improvements Grow in-house finance team capability 	<ul style="list-style-type: none"> Audit report Increased business intelligence 	
Engagement and wellbeing <ul style="list-style-type: none"> Continue communication on changes implemented from our people's feedback A focus on our people's development and career planning Health and Safety and Wellbeing Programme 	<ul style="list-style-type: none"> Employee engagement score Prequal rating 	 
Being a force for good <ul style="list-style-type: none"> Free digital sale portal Property education 	<ul style="list-style-type: none"> Access to free digital sales portal for solicitors and Councils Access to property data and insights 	

Refer to Performance Targets pages 12 and 13 for detailed measures

Our targets, policies and responsibilities

Ratio of Consolidated Shareholder Funds to Total Assets

The table below shows the ratio of Consolidated Shareholder Funds to Total Assets for the planning period (the Group's Annual Financial Year End is 30 June):

	FY21 SCI \$'000	FY22 SCI \$'000	FY23 SCI \$'000
Consolidated Shareholder Funds	9,795	11,013	11,371
Total Assets	18,849	19,674	19,598
Ratio	51.97%	55.98%	58.02%

Consolidated Shareholder Funds means the fully paid ordinary shares together with retained earnings and reserves.

Total Assets means the sum of all current assets, goodwill, investments and fixed assets as set out in the financial statements.

Accounting policies

The consolidated financial statements presented are for the Quotable Value Limited Group as at, and for the year ending, 30 June 2021 and onwards. The Group comprises Quotable Value Limited and its subsidiary, Quotable Value Australia Pty Limited.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as appropriate for Tier 1 for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013, and the State-Owned Enterprises Act 1986 and generally accepted accounting practice in New Zealand ("NZ GAAP") as appropriate to Tier 1 for-profit entities.

The detailed accounting policies applied in the preparation of the consolidated financial statements are consistent with the accounting policies disclosed in the June 2019 Annual Report, which can be found on our external website, apart from the changes related to the application of NZ IFRS 16 Leases which will be included in the June 2020 Annual Report. The impact from adoption of NZ IFRS 16 has been taken into account in the above consolidated financial targets for the periods ending 30 June 2021 and onwards.

The significant change resulting from adoption of NZ IFRS 16 is the recognition of the right of use asset and lease liability. The standard removes the distinction between operating and finance leases for lessees and requires the lessee to recognise all leases on the Consolidated Statement of Financial Position through an asset representing its right to use the leased asset for the lease term and a liability for its obligation to pay the lease instalments.

Financial performance targets

Financial targets for the next three financial years having accounted for changes in NZ IFRS can be summarised as follows:

	FY21 SCI \$'000	FY22 SCI \$'000	FY23 SCI \$'000
General			
Revenue	30,870	34,462	35,137
EBITDA	1,891	4,401	4,570
Profit after Taxation and Impairment and before Capital Gains and Dividends	(520)	1,218	1,356
Profit after Taxation and Impairment/Revenue	-1.68%	3.54%	3.86%
EBIT/Tangible Assets (excl. Abnormal Items/Capital Gains)	-2.80%	9.91%	11.00%
Shareholder Returns			
Normalised Total Shareholder Return (Normalised End Equity - Start Equity + Ordinary Dividends - Equity Injected/Ave Commercial Value)	-4.85%	12.44%	12.31%
Normalised Dividend Yield (Ordinary Dividend Paid/Ave Commercial Value excl. special dividend)	0.00%	0.00%	9.59%
Ordinary Dividend Payout (Ordinary Dividend Paid/Estimated Prior Operating Cash Flow) (Note – Refer to Dividend Policy on page 15)	0.00%	0.00%	25.66%
Return on Equity (NPAT/Ave Equity) (excl. Abnormal Items and Capital Gains)	-5.18%	11.71%	12.11%
Profitability and Efficiency			
Return on Capital Employed (EBIT/Ave Debt + Equity)	-5.08%	18.11%	18.62%
Gross Margin (Gross Margin/Revenue)	44.57%	47.40%	47.32%
Operating Margin (EBITDA/Revenue)	6.12%	12.77%	13.01%
Leverage/Solvency			
Gearing Ratio (Net Debt/Net Debt + Equity)	11.65%	-8.85%	-27.79%
Interest Cover (EBIT/Net Interest)	(3.2)	12.9	13.4
Solvency (Current Assets/Current Liabilities)	146.82%	176.39%	194.26%

Under NZ IFRS, goodwill and intangibles with an infinite useful life are tested for impairment on an annual basis. Intangible assets with a finite useful life are amortised over the estimated useful life of the asset.

Definitions for the financial performance targets above can be found at:
<https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/implementation-management-monitoring-guidance/guidance-entities>

Non-financial performance targets

The non-financial performance targets aim to measure factors that are critical to the successful delivery of QV's services in addition to meeting the financial performance measures.

- Customer Net Promoter Score (NPS) is a recognised customer satisfaction tool used by QV management to gauge loyalty and engagement of our customers. NPS is measured by asking customers to rank from 0 to 10 whether they would recommend QV to others. The NPS is the difference between the percentage that rank QV a 9 or 10 (promoters) less the percentage that rank QV a 0 to 6 (detractors).
- Employee Net Promoter Score (eNPS) is a way to gauge how loyal and engaged our people are. eNPS is measured by asking employees to rank from 0 to 10 whether they would recommend QV as a good place to work. The eNPS is the difference between those that rank a 9 or 10 (promoters) less the percentage that rank a 0-6 (detractors), providing a score between -100 and +100.
- Provide property information to the New Zealand open source data set. This includes media releases and information via digital platform(s).
- Provide Rating Valuation Education to Council rate payers to improve their understanding of the rating base.
- Enhance the credibility of our brand by maintaining the results that QV achieves in being recognised for providing independent information and improve the trust in QV's information. This is calculated by the percentage of respondents to an independent third party survey, that either strongly agree or agree that QV provides trusted and independent information.
- Maintain the Health & Safety Prequal rating which ensures our systems and processes are robust while allowing us to tender for certain contracts.
- Improvement in our environment systems and controls (ESCO) financial audit grades measured independently each year. This measure indicates the level of compliance with laws, regulations and policies.

Focus	2021	2022	2023
Customer Net Promoter Score	48–52	51–56	54–57
Employee Net Promoter Score	+20	+25	+30
Data and insights available on a quarterly basis	4	4	4
Valuation education available during revaluation period	Yes	Yes	Yes
QV provides independent information	74%	74%	75%
Trust QV's information	70%	70%	72%
Health & Safety Prequal	5 star	5 star	5 star
Audit ESCO grade	Good	Good	Very Good

Corporate social responsibility

QV's data and values have a critical role in the New Zealand property market. Property is New Zealand's biggest asset class, and we recognise the role QV can play in helping the country to manage this valuable asset. Almost the entire property market in New Zealand makes reference, at some stage, to the values we calculate. Property information drives our economy and contributes to areas of taxation, construction and infrastructure planning, through to disaster planning and environmental protection. We have a central role in giving New Zealand the confidence to make property decisions. We ensure much of this information is available through digital platforms and provide transparency on the property data we hold through tools such as Update My Property. We do not take this responsibility lightly.

QV believes it is important to act professionally, ethically and responsibly in all matters. This can be seen in our view about our relationships with our employees, our customers and our environment. QV's health and safety programme ensures our people have a safe working environment, and our wellness programme gives our people the opportunity to achieve a good work-life balance. We also have programmes in place to reduce electricity and fossil fuel use.

Personnel policies

QV values its people and works hard to ensure our people are supported and fairly rewarded for the work they do. QV is committed to:

- Implementing effective and equitable policies and systems of remuneration, reward and recognition that encourage participation, innovation, commercial decision-making, personal development and contribution to profitability
- Identifying and implementing training and personal development activities that meet the present and evolving needs of QV and its employees and providing:
 - Open and effective two-way communication with employees
 - Operation guided by social responsibility, values and ethics
 - A safe and secure workplace for our people
 - Equality of opportunity irrespective of race, gender or age.

Compensation of key management personnel

QV Group's Remuneration and Reward approach is to pay fair and competitive market rates to attract and retain the best people and to align individual rewards with the objectives of the business. Executive remuneration is reviewed annually to ensure people are fairly rewarded for their contribution to the business. In setting remuneration QV reviews market information including from similar sectors and similar sized businesses.

QV has a formally constituted People and Culture Committee made up of at least two members of the Board. The Committee assists the Board to ensure a working environment and culture where QV can fulfil its overarching responsibilities. The People and Culture Committee is responsible for recommending terms of employment of the Executive, as well as reviewing and recommending the remuneration, incentive targets and performance of the CEO. The People and Culture Committee is also responsible for reviewing the Company's remuneration position against market movement and trends, and to recommend the total overall remuneration adjustment for QV people.

The Board is committed to ensure the remuneration practices of the Executive are appropriate, fair and transparent.

The Executive team remuneration has two components: fixed remuneration and an annual short-term incentive designed to reward performance within the current financial year. Each year the Board reviews and approves the key performance indicators for each Executive. The Board is also responsible for assessing the performance of the Executive and signing off the annual performance incentive of the QV Executive at the end of the financial year.

Capital investment and intellectual property

QV will continue to invest in intellectual property, technology, core business and new products over the next three years. This is fundamental to meeting strategic goals and business plan objectives and positioning QV to meet customer needs in the future.

	FY21 SCI \$'000	FY22 SCI \$'000	FY23 SCI \$'000
Foundational, risk and best practice tools & systems	548	620	620
Revenue & product development initiatives	100	350	470
Cost optimisation & productivity initiatives	350	270	120
Total Capital Investment	998	1,240	1,210

Dividend policy (and Estimated Normal Dividend to the Crown)

QV's policy is to distribute to its shareholder between 50% and 60% of net operating cash flows after interest costs based on audited year end results. The dividend is ordinarily paid each October immediately succeeding the year on which it is calculated, providing this can be done without impairing QV's ability to meet its financial obligations (including debt repayment, investment and capital expenditure plans) as they fall due.

The Board manages dividend flows and total shareholder returns through a combination of operating performance, value-accretive investments and the use of gearing commensurate with the scale. Internal gearing targets of 10% (allowing for peaks of 20%) are a key planning parameter for management and the Board. Gearing is measured on a net debt basis with the bank covenant being 30%.

Net debt is defined in the covenant terms as all of the Borrower's term debt less any cash balances held with a registered bank.

Term debt is not deemed to include the financial liabilities that have been recognised as a result of adoption of the amendments to NZ IFRS 16 Leases, effective for periods beginning on or after 1 January 2020, as the lease liability is recognised due to a right-of-use asset being capitalised and not as a result of debt incurred with a financial institution.

Having considered the uncertainty of COVID-19 environment and budgeted net loss in FY2021, the Board considers it prudent to retain all earnings from FY2020. The following dividends have been assumed in the financial plan of assessment annually.

	FY21 SCI \$'000	FY22 SCI \$'000	FY23 SCI \$'000
Estimated Normal Dividend to the Crown (alongside estimated capital expenditure plans)	-	-	998

Value of the Crown's investment in the Company

In accordance with section 14 of the SOE Act, the Board's estimates of the value of the Crown's investment in QV are:

Book Value of Crown Investment in QV	FY21 SCI \$'000	FY22 SCI \$'000	FY23 SCI \$'000
Forecast Net Asset Value as at 30 June	9,795	11,013	11,371

The Board considers that the net asset values understate the value of QV, which as a professional services company retains significant value in its people and systems. A Valuation Disclosure Statement is attached in Appendix 2; in summary it gives an estimate of the current commercial value of the QV business as at 30 June 2020 in the range of \$16.5m to \$20.2m. After adjusting for the net cash of \$2.7m, the value of the shares is in the range of \$19.2m to \$22.9m, with a midpoint of \$20.9m.

Information to be provided to the shareholder

To enable the shareholder to assess the value of their investment in QV, any information that would normally be supplied to a controlling private sector shareholder will be made available.

Annual Reports will be submitted in accordance with section 15 of the SOE Act 1986.

Half-yearly reports will also be provided in accordance with section 16 of the SOE Act and will include an unaudited statement of financial performance, a statement of financial position, a statement of cash flows and other details necessary to permit an informed assessment of QV's performance during the period.

Quarterly reports will be provided as per the Owners Expectations (April 2020) document. Reports will indicate actual performance against key financial and operating performance targets during the period and reasons for any significant departure from forecasts.

QV intends to comply fully with section 18 of the SOE Act by providing to the shareholder such additional information as may from time to time be requested.

A business plan will be made available to shareholding Ministers for discussion prior to the commencement of each financial year.

Procedure for acquisition of shares and disposals

QV will only invest in the shares of another entity when the securities acquired are likely to bring added value to QV. In any instance where QV intends to subscribe for or otherwise acquire (whether at the same time or over a period of time) 20% or more of the issued capital of any company, or make an investment representing more than 20% of the net assets of QV, it will give prior written notice to the shareholder of its intention. In the case of subsidiaries, QV will comply with the rules set out in Appendix 1. QV will not lease, sell, convey, transfer or otherwise dispose of any material part of its assets or undertaking without prior consultation with the shareholder.

Activities for which compensation is sought

Where the Government wishes QV to undertake activities or assume obligations that will, or may, result in a reduction in the surplus or net worth of QV, the Board will seek compensation to allow QV's financial position to be preserved.

Appendix 1: Subsidiaries and Associated Companies

QV will ensure at all times that:

- Control of the affairs of every subsidiary is exercised by a majority of the directors of that subsidiary.
- A majority of the directors of every subsidiary are persons who are also directors or employees of QV, or have been approved by the shareholding Ministers for appointments as directors of the subsidiary.

Without prior consultation with the shareholding Ministers, neither QV nor any subsidiary will sell or otherwise dispose of, whether by a single transaction or any series of transactions, and whether by a sale of assets or shares, the whole or any substantial part of the business or undertaking of QV and its subsidiaries (taken as a whole).

Where QV or its subsidiaries hold 20% or more of the shares in any company or other body corporate (not being a subsidiary of QV), it will not sell or otherwise dispose of any shares in that company without first giving written notice to the shareholding Ministers of the intended disposition.

Appendix 2: Commercial Valuation Model Disclosure Statement

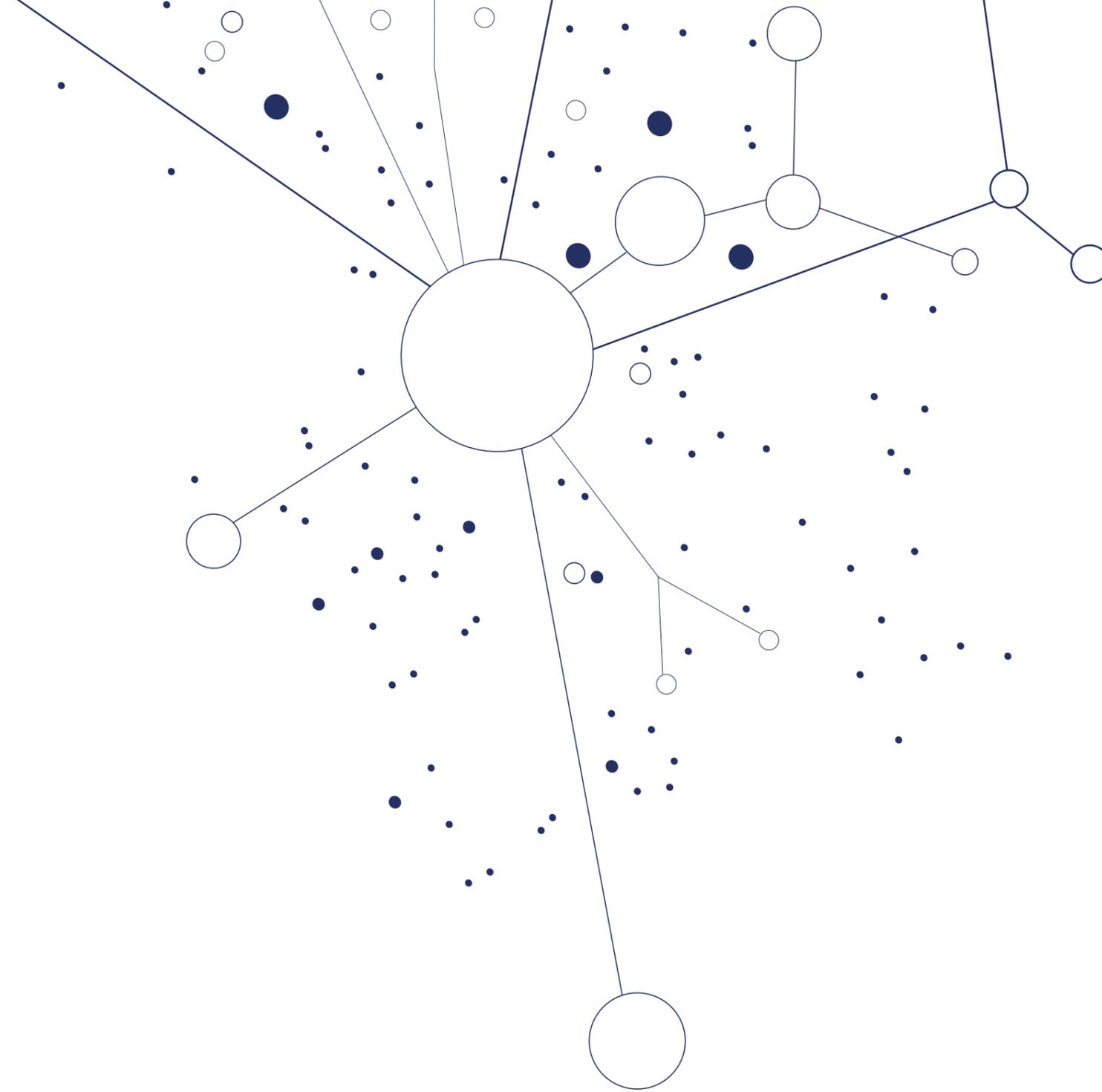
The Board's estimate of the current commercial value of the Crown's equity in QV is in the range of \$19.2 million to \$22.9 million. If a single value is required, a value in the middle of the range is appropriate, being \$20.9 million.

Key points about the manner in which this value was assessed are:

- QV and QVA were valued separately. Each business was valued using both the discounted cash flow (DCF) and capitalisation of earnings approaches.
- A mid-point discount rate of 11.5% p.a. was used in the QV DCF valuation, a mid-point rate of 13.5% was used for the QVA DCF valuation.
- An EBITDA multiple range of 4.5 to 5.5 times was used for both the QV and QVA capitalisation of earnings valuations.
- The current commercial value of the Crown's investment of \$20.9 million (i.e. the value of 100% of the equity) was calculated by taking the total of the mid-point enterprise values for QV and QVA (\$18.3 million) and adding cash (net of debt) of \$2.7 million.
- This valuation compares with a mid-point valuation as at 30 June 2019 of \$18.3 million. The \$2.7m upward movement in QVL's enterprise value reflects an increase in FY20 results driven by higher sales and a lower underlying expenses base. QVL's net financial position has improved by \$4.1m (repayment of FY19's debt of \$2.7m and an increase in cash from \$1.3m in FY19 to \$2.7m in FY20).

The mid-point discount rate used in the DCF approach reduced by 0.1% for QV and for QVA by 0.2%. The multiple range used for QV and QVA in the earnings capitalisation approach are unchanged from last year.

This independent valuation was prepared by Deloitte Limited Corporate Finance under instruction by QV.



www.qv.co.nz