

QIC Private Capital Pty Ltd

ABN 83 076 279 528

Annual financial statements and directors' report for the year ended 30 June 2018

The directors present their report together with the audited financial statements of QIC Private Capital Pty Ltd (the 'company'), for the year ended 30 June 2018.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report unless stated otherwise:

Mr D R Luke
 Mr J C Battams
 Professor P Derrington (appointed: 27 March 2018)
 Ms S A Desmarchelier
 Mr S J P Dunne
 Mr P Forbes
 Mr A E King

Principal activities

During the year the principal continuing activities of the company consisted of providing advisory and investment management services.

Dividends

Dividends paid or declared by the company since the end of the previous financial year were:

	2018	2017
	\$'000	\$'000
Dividends provided for and declared	34,642	64,364

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$69.3 million (2017: \$64.4 million).

Significant changes in the state of affairs

There has been no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

The company has performance fee arrangements in relation to the QIC Shopping Centre Fund and the QIC Property Fund ('the Funds'). On 2 August 2018, the company received a report on structural issues relating to the car park structure at Westpoint Shopping Centre ('the Centre') which is jointly owned by the Funds. The company is in the process of investigating and determining the impact to the Centre. While the investigation is ongoing, it is not possible to reliably estimate the potential impacts on the fair value of the Centre and therefore the impact, if any, on the performance fee recognised in relation to the outperformance of the Funds in the current year.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

There are no likely developments or expected results of operations of the company that are likely to materially affect the financial statements for the year ended 30 June 2018.

Company secretary

Mr W T Burton is the company secretary. He is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

Insurance of officers

During the financial year QIC Limited, the parent entity, paid insurance premiums to insure the directors and officers of the company. Further disclosure of the details of the policy, including the nature of the liability covered or the premium paid, is prohibited by the terms of the contract.

Environmental regulation

The company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

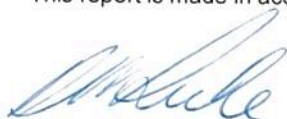
Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission. In accordance with that Instrument, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars.

This report is made in accordance with a resolution of directors.



Mr D R Luke
Chairman

Brisbane
 August 2018

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of QIC Private Capital Pty Ltd

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

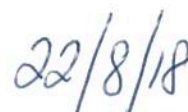
Independence Declaration

As lead auditor for the audit of QIC Private Capital Pty Ltd for the year ended 30 June 2018, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Paul Christensen
Director
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

QIC Private Capital Pty Ltd

ABN 83 076 279 528

Annual financial report - 30 June 2018

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QIC Private Capital Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

Statement of profit or loss and other comprehensive income

	Notes	2018 \$'000	2017 \$'000
Revenue from continuing operations	B1	207,565	174,184
Gain on financial assets at fair value through profit or loss		-	1,541
Foreign exchange gains		272	-
Total revenue and other income		207,837	175,725
Employee benefits expense		47,505	40,490
Service fees		45,759	30,501
Professional services		8,169	7,103
Travel expenses		3,554	2,458
Loss on financial assets at fair value through profit or loss		734	-
Information and research services		579	482
Staff development and recruitment		517	199
Communication expenses		191	119
Product and mandate services		115	201
Auditor's remuneration	F2	77	77
Other expenses		726	1,238
Total expenses		107,926	82,868
Profit before income tax		99,911	92,857
Income tax expense	B2	30,628	28,493
Total profit after income tax for the year attributable to owners		69,283	64,364
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Other comprehensive income for the year (net of tax)		-	-
Total comprehensive income for the year attributable to owners		69,283	64,364

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 9 to 28.

QIC Private Capital Pty Ltd
Statement of financial position
As at 30 June 2018

Statement of financial position

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Receivables	C3	96,050	94,756
Financial assets at fair value through profit or loss	C4	21,536	19,933
Prepayments		287	231
Total current assets		117,873	114,920
Non-current assets			
Financial assets at fair value through profit or loss	C4	27,951	27,307
Deferred tax assets	B2	14,977	16,130
Receivables	C3	835	835
Other financial assets	C5	4,069	2,195
Total non-current assets		47,832	46,467
Total assets		165,705	161,387
LIABILITIES			
Current liabilities			
Payables	C6	8,027	8,638
Income tax payable	B2	17,617	17,110
Dividends	E2	34,642	64,364
Employee benefits	D1	33,870	30,105
Deferred revenue	B1	12,611	13,572
Total current liabilities		106,767	133,789
Non-current liabilities			
Employee benefits	D1	3,235	6,536
Total non-current liabilities		3,235	6,536
Total liabilities		110,002	140,325
Net assets		55,703	21,062
EQUITY			
Contributed equity	E1	15,000	15,000
Retained earnings	E3	40,703	6,062
Equity attributable to owners of QIC Private Capital Pty Ltd		55,703	21,062
Total equity		55,703	21,062

The above statement of financial position should be read in conjunction with the accompanying notes on pages 9 to 28.

QIC Private Capital Pty Ltd
Statement of changes in equity
For the year ended 30 June 2018

Statement of changes in equity

	Notes	Attributable to owners of QIC Private Capital Pty Ltd		Total equity \$'000
		Contributed equity \$'000	Retained earnings \$'000	
Balance at 1 July 2016		15,000	6,062	21,062
Profit after income tax		-	64,364	64,364
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	64,364	64,364
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	E2	-	(64,364)	(64,364)
Balance at 30 June 2017		15,000	6,062	21,062
 Balance at 1 July 2017		 15,000	 6,062	 21,062
Restated total equity at the beginning of the financial year		15,000	6,062	21,062
Profit after income tax		-	69,283	69,283
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	69,283	69,283
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	E2	-	(34,642)	(34,642)
Balance at 30 June 2018		15,000	40,703	55,703

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 9 to 28.

QIC Private Capital Pty Ltd
Statement of cash flows
For the year ended 30 June 2018

Statement of cash flows

	2018	2017
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	217,321	206,417
Payments to suppliers and employees	(122,566)	(103,730)
Compensation paid to tax consolidated parent entity	(28,969)	(42,970)
Distributions received	404	514
Gain on cash and cash equivalents	39	51
Net cash provided by operating activities	C2 <u>66,229</u>	<u>60,282</u>
Cash flows from investing activities		
Investment income received	3,028	1,173
Payments for financial assets at fair value through profit or loss	(1,416)	(16,868)
Proceeds from sale of financial assets at fair value through profit or loss	-	2,666
Payments for other financial assets	(1,874)	-
Proceeds from other financial assets	-	2,876
Net cash used in investing activities	<u>(262)</u>	<u>(10,153)</u>
Cash flows from financing activities		
Dividends paid to shareholders	E2 <u>(64,364)</u>	<u>(56,640)</u>
Net cash used in financing activities	<u>(64,364)</u>	<u>(56,640)</u>
Net increase/(decrease) in cash and cash equivalents	1,603	(6,511)
Cash and cash equivalents at the beginning of the financial year	19,933	26,444
Cash and cash equivalents at the end of the financial year	C1 <u>21,536</u>	<u>19,933</u>

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 9 to 28.

A BASIS OF PREPARATION

A1 Reporting entity

The financial statements are for the entity QIC Private Capital Pty Ltd (the 'company'). The company is a wholly owned subsidiary of QIC Limited (the 'parent entity').

QIC Private Capital Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

QIC Private Capital Pty Ltd
Level 5 Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

QIC Private Capital Pty Ltd is a for-profit entity and is primarily involved in the provision of investment management services.

A2 Basis of accounting and measurement

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the provisions of the *Corporations Act 2001*. The financial statements of the company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except where otherwise stated.

The financial statements were authorised for issue by the directors on 28 August 2018. The directors have the power to amend and reissue the financial statements.

A3 Functional and presentation currency

These financial statements are presented in Australian dollars, which is the company's functional currency. All amounts have been rounded to the nearest thousand, unless indicated otherwise.

A4 Foreign currency translation

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

A5 Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

Accounting estimates and judgements	Note	Page
Revenue recognition	B1	11
Income taxes	B2	14
Employee benefits	D1	22

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

B PERFORMANCE FOR THE YEAR

This section provides the information that is most relevant to understanding the financial performance of the company during the financial year and, where relevant, the accounting policies and the critical judgements and estimates made.

B1 Revenue

	2018 \$'000	2017 \$'000
From continuing operations		
Management, performance and other fees	140,126	120,129
Service fees from associated entities	60,475	51,718
Distribution income	3,318	1,612
Interest income	117	86
Other revenue	3,529	639
Total revenue from continuing operations	207,565	174,184

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and rebates.

Revenue is recognised on the following basis:

(i) Management, performance and other fees

Management fees are recognised on an accruals basis in line with client agreements, net of the amounts of goods and services tax payable.

Performance fees and rebates are recognised on an accruals basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the company. Performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. Revenue may not be recognised where the performance criteria is subject to uncertain future events outside the control of the company. Where the achievement of criteria is probable but not virtually uncertain a contingent asset is disclosed.

Some performance fees are subject to clawback. Performance fee clawbacks are recognised on an accruals basis when there exists a present obligation, the clawback amount can be reliably measured and it is probable that there may be a future outflow of economic benefits from the company. A liability is recognised as deferred revenue and a reduction in revenue recorded.

(ii) Distribution income

Distributions are recognised on an entitlements basis on the date the distribution is declared.

(iii) Interest income

Interest income is recognised using the effective interest method.

(iv) Other revenue

Other revenue primarily includes consulting fee revenue and product related cost recoveries.

(v) Offsetting

Revenue and expenses are offset in the financial statements of the company where it accurately reflects the substance of the transaction. Similarly, certain revenue and expenses are not offset where it would detract from the ability of users to clearly understand the nature of the transaction and operations of the company. The company has offset revenue and expenses in relation to product and client related costs where the company acts as agent.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue (continued)

Recognition and measurement (continued)

Key estimates and judgements

(i) Performance fees – contingent asset

Some performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. If the performance criteria are not met over the performance period, no performance fee is receivable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved over the performance periods for some performance fee arrangements. Achievement of these targets is influenced by a number of factors over which the company has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors. Revenue is not recognised where the performance criteria is subject to uncertain future events outside the control of the company. While the achievement of criteria is not virtually certain, management's judgement is that an inflow of economic benefit is probable and a contingent asset exists. Due to the degree of uncertainty, at 30 June 2018 it is not possible to estimate the financial effect of the contingent asset.

(ii) Performance fees – deferred revenue

Performance fee clawbacks are potentially payable on a number of performance fee agreements. A clawback is payable where performance of a product falls below benchmark performance over the clawback period. A statistical analysis of the changes in performance fees over time for particular asset classes has been undertaken, resulting in a reasonable data set to estimate the likelihood of negative out-performance and amount of the potential clawback. Other considerations include accumulated excess returns over the benchmark that need to be reversed before a clawback is incurred. Each asset class subject to a clawback has been assessed under a consistent methodology with inputs relative to the individual client contracts.

There are a number of factors that could influence performance including changes in the competitive environment and client agreements, movements in interest rates and other risk factors.

At 30 June 2018, a liability of \$12.6 million (2017: \$13.6 million) is recognised as deferred revenue.

B PERFORMANCE FOR THE YEAR (continued)

B2 Taxation

(i) Reconciliation of income tax expense

	2018 \$'000	2017 \$'000
Profit before income tax	99,911	92,856
Tax expense at the Australian tax rate of 30.0% (2017: 30.0%)	29,973	27,857
Non-deductible sundry items	830	625
Non-deductible entertainment	6	2
Adjustments for current tax of prior periods	(181)	13
Tax offset for franked dividends and foreign income	-	(4)
Income tax expense	30,628	28,493
Current tax on profits for the year	29,713	29,758
Deferred tax	1,153	(1,290)
Adjustments for current tax of prior periods	(238)	25
	30,628	28,493

(ii) Movement in deferred tax balances

2018 \$'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	10,991	(35)	10,956	10,956	-
Performance fees	5,541	(1,365)	4,176	4,176	-
Property, plant and equipment ⁽¹⁾	8	1	9	9	-
Other	(410)	246	(164)	240	(404)
Tax assets / (liabilities) before set-off	16,130	(1,153)	14,977	15,381	(404)
Set-off DTL against DTA	-	-	-	(404)	404
Net tax assets	16,130	(1,153)	14,977	14,977	-
2017 \$'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	11,942	(951)	10,991	10,991	-
Property, plant and equipment ⁽¹⁾	8	-	8	8	-
Performance fees	2,856	2,685	5,541	5,541	-
Other	34	(444)	(410)	82	(492)
Tax assets / (liabilities) before set-off	14,840	1,290	16,130	16,622	(492)
Set-off DTL against DTA	-	-	-	(492)	492
Net tax assets	14,840	1,290	16,130	16,130	-

Notes: (1) Low value pool assets.

B PERFORMANCE FOR THE YEAR (continued)

B2 Taxation (continued)

Recognition and measurement

(i) *Income tax*

As a State trading body under the *Income Tax Assessment Act 1997*, QIC Limited and its wholly-owned Australian controlled entities are exempt from Commonwealth income tax. However, pursuant to the *Government Owned Corporations Act 1993* and the National Tax Equivalents Regime, the group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

(ii) *Offsetting deferred tax balances*

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

(iii) *Tax consolidation legislation*

QIC Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the parent entity, QIC Limited.

The company has entered into a tax funding agreement under which the wholly-owned entities fully compensate the parent entity for any current tax payable assumed and are compensated by the parent entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly-owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding agreement.

(iv) *Taxation of Financial Arrangements (TOFA)*

Compliance with the TOFA legislation is mandatory for the tax consolidated group. The group has, apart from the foreign exchange retranslation election in relation to qualifying foreign exchange accounts, accepted the default method of accruals or realisation and has not made the election regarding transitional financial arrangements or any other elective timing methods.

B PERFORMANCE FOR THE YEAR (continued)

B2 Taxation (continued)

Recognition and measurement (continued)

(v) Attribution Managed Investment Trust (AMIT)

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The AMIT regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. Some of the MITs that the company invests into have amended its' trust deed. Subsequently, the conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The company's income from MITs will now be taxed based on income that is attributed to the company as opposed to income that is distributed to the company. There are no other accounting impacts to the company due to this change.

Key estimates and judgements

(i) Income taxes

The company is subject to the National Tax Equivalents Regime in Australia. Significant judgement is required in determining the tax related balances. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company estimates its tax liabilities based on management's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(ii) Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences to the extent it is probable that sufficient future taxable profits will be available to utilise them. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profit.

C ASSETS AND LIABILITIES

This section provides information relating to the assets and liabilities of the company. It also provides information on the company's exposure to financial risks, how they affect the company's financial position and performance and how the risks are managed.

C1 Cash and cash equivalents

	Notes	2018 \$'000	2017 \$'000
Investment - QIC Cash Enhanced Fund	C4	21,536	19,933
Balances per statement of cash flows		<u>21,536</u>	<u>19,933</u>

Recognition and measurement

(i) Cash and cash equivalents

For the purposes of these financial statements, cash and cash equivalents includes cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents include balances in relation to investments in the QIC Cash Enhanced Fund. These investments are readily able to be converted to cash on call and are highly liquid.

(ii) Fair value

The carrying amount for cash and cash equivalents assets equals the fair value. The company's exposure to liquidity risk is discussed in Note C8(c).

C ASSETS AND LIABILITIES (continued)

C2 Reconciliation of cash flow from operating activities

	2018 \$'000	2017 \$'000
Profit after income tax	69,283	64,363
Investment income reinvested	(3,029)	(1,185)
(Gain)/ loss on financial assets at fair value through profit or loss	773	(1,490)
Change in operating assets and liabilities:		
Net change in receivables	(1,294)	10,051
Net change in prepayments	(56)	(7)
Net change in deferred tax assets	1,153	(1,290)
Net change in payables	(611)	(1,385)
Net change in employee benefits	464	(3,588)
Net change in current tax liabilities	507	(13,186)
Net change in deferred income	(961)	7,999
Net cash provided by operating activities	<u>66,229</u>	<u>60,282</u>

C3 Receivables

	2018 \$'000	2017 \$'000
Management, performance and other fees receivable	72,081	59,739
Receivables from parent and other associated entities	<u>23,969</u>	<u>35,017</u>
Total current receivables	<u>96,050</u>	<u>94,756</u>
 Loan receivables	 835	 835
Total non-current receivables	<u>835</u>	<u>835</u>

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Due to the short-term nature of these financial assets, their carrying amounts are estimated to represent their fair values.

(ii) Past due but not impaired

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance account (provision for impairment of receivables) is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. There were no impairment amounts at 30 June 2018 (2017: \$nil).

As at 30 June 2018, receivables of \$72.1 million (2017: \$59.7 million) are within trading terms.

Related party receivables are settled within trading terms. No collateral is held over these balances.

C ASSETS AND LIABILITIES (continued)

C4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) are all held for trading and include the following:

	2018 \$'000	2017 \$'000
Investment - QIC Cash Enhanced Fund	21,536	19,933
Total current financial assets at FVTPL	21,536	19,933
Investment - QIC Infrastructure Portfolio	11,142	10,701
Investment - QIC Global Infrastructure Fund	10,385	9,413
Investment - QIC Direct Opportunities Fund	4,158	5,156
Investment - Lonsdale Asset Hold Trust	1,744	1,568
Investment - Lonsdale Operations Hold Trust	522	469
Total non-current financial assets at FVTPL	27,951	27,307

Changes in fair values of financial assets at FVTPL are recorded in the statement of profit or loss.

The company has the following investment commitments that are still to be funded:

	Amount \$'000
Investment	10,667
QIC Global Infrastructure Fund	4,026
Golden Reef Infrastructure Trust	404
QIC Direct Opportunities Fund	15,097

Recognition and measurement

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated on acquisition. A financial asset is designated if it is managed on a fair value basis in accordance with the company's investment strategy, and reporting is provided on that basis to management. Assets in this category are classified as current assets if they are either cash assets or are expected to be realised within 12 months of the balance date, otherwise they are classified as non-current.

The company's holding in financial assets held at FVTPL is limited to units in unit trusts managed by the group. The fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on observable market data for underlying investments held by the trust. Accordingly, the company and parent entity classify financial assets at FVTPL as level 2 and level 3.

C5 Other financial assets

	2018 \$'000	2017 \$'000
Monies held in escrow	4,069	2,195

Funds are held in an escrow account to fund capital calls in relation to a joint venture with a client. QIC Private Capital Pty Ltd committed additional funds to the escrow account during the year, in line with the investment mandate. This money is restricted for use under the terms of the agreement.

C ASSETS AND LIABILITIES (continued)

C6 Payables

	2018 \$'000	2017 \$'000
Accounts payable	609	665
Accrued expenses	7,418	6,639
Amounts due to related entities	-	1,334
Total payables	8,027	8,638

Recognition and measurement

(i) Payables

Payables are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(ii) Fair value

Due to the short term nature of these financial liabilities, their carrying amounts are estimated to represent their fair values.

C7 Contingent liabilities

Contingent liabilities for which no provisions are included in these financial statements are as follows:

(i) Trustee obligations

As at 30 June 2018, QIC Private Capital Pty Ltd was trustee of 15 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trusts. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trusts against any losses or outgoing sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deeds. As at 30 June 2018, total assets exceed total liabilities in the majority of the Trusts.

(ii) Financial undertakings

In accordance with a loan facility agreement dated 16 July 2013, the company agrees to pay or receive from QIC Investments No.1 Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

In accordance with a loan facility agreement dated 5 August 2015, effective 30 June 2015, the company agrees to pay or receive from QIC Retail Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

In accordance with a loan facility agreement dated 7 June 2016, effective 29 October 2015, the company agrees to pay or receive from QIC Infrastructure Management No.2 Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

In accordance with a loan facility agreement dated 28 November 2016, effective 2 September 2016, the company agrees to pay or receive from QIC Investments No.2 Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

In accordance with a loan facility agreement dated 28 November 2016, effective 2 September 2016, the company agrees to pay or receive from QIC Infrastructure Management Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

In accordance with a loan facility agreement dated 7 August 2017, effective 1 April 2017, the company agrees to pay or receive from QIC Investments No. 3 Pty Ltd an amount up to \$0.1 million (in aggregate) on written demand.

C ASSETS AND LIABILITIES (continued)

C8 Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The company's financial risk management activities focus on minimising potential adverse effects of financial risks on the financial performance of the company.

The company uses different methods to measure the different types of financial risk to which it is exposed. For the purposes of financial statements disclosures, these methods include sensitivity analysis in the case of price risks.

The responsibility for operational risk management resides with each of the business units within the company and is supported by a central compliance and risk management group which ensures consistency and oversight in line with policies approved by the board of directors.

(a) Market risk

Market risk is the risk of loss arising from movements in market variables, including observable variables such as interest rates, exchange rates and equity markets, and indirectly observable variables such as volatilities and correlations. Market risk for the company primarily arises from foreign exchange risk in relation to foreign currency transactions and price risks in relation to investment in unit trusts held by the company.

(i) Price risk

Exposure

The company is exposed to price risk. This arises from investments in unit trusts held by the company and classified in the statement of financial position as financial assets at FVTPL. The company is not exposed to any other price risk. Price risk incorporates market risk, interest rate risk and foreign exchange risk in respect of investments in unit trusts. Investments in unlisted unit trusts are recorded at redemption value per unit as reported by the manager of the trust.

The market risk of an investment holding comprises the risk that the unit price of the trust will change during the next reporting period (price risk). The change in unit price is determined by dividing the hypothetical change in the net asset value ('NAV') of the trust by the number of units on issue at balance date. The hypothetical change in the NAV was determined by undertaking a sensitivity analysis for the key types of market risk that apply to the investments of that trust and aggregating the results of the analysis.

Sensitivity

The table below summarises the impact of increases/(decreases) of unit price on the company's profit for the year.

	Impact on post-tax profit	
	2018	2017
	\$'000	\$'000
QIC Infrastructure Portfolio - increase 10% (2017: N/A)	1,114	1,070
QIC Infrastructure Portfolio - decrease 10% (2017: N/A)	(1,114)	(1,070)
QIC Global Infrastructure Fund - increase 10% (2017: 10%)	1,038	941
QIC Global Infrastructure Fund - decrease 10% (2017: 10%)	(1,038)	(941)
QIC Direct Opportunities Fund - increase 18% (2017: 20%)	748	1,031
QIC Direct Opportunities Fund - decrease 16% (2017: 18%)	(665)	(928)
Lonsdale Asset Hold Trust - increase 10% (2017: N/A)	174	157
Lonsdale Asset Hold Trust - decrease 10% (2017: N/A)	(174)	(157)
Lonsdale Operations Hold Trust - increase 10% (2017: N/A)	52	47
Lonsdale Operations Hold Trust - decrease 10% (2017: N/A)	(52)	(47)

A sensitivity analysis was conducted on the impact of a movement in the unit price of the company's investments in current financial assets at FVTPL held at 30 June 2018 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

C ASSETS AND LIABILITIES (continued)

C8 Financial risk management (continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, deposits with banks and credit exposures to institutional investment clients, including outstanding receivables. Deposits with banks are held only with independently rated parties.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date for the company is \$150.4 million (2017: \$145.0 million).

The company seeks to limit its exposure to credit risk in terms of outstanding receivables, by dealing with reputable wholesale investment clients and by ensuring that a high percentage of clients pay their management fees via unit redemption on a monthly basis within an agreed timeframe. Where the company has a significant concentration of credit risk, this is only in relation to clients that are part of the Queensland Government.

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its cash outflows as they fall due because of lack of liquid assets.

To ensure that the company has sufficient funds available on a timely basis in the form of cash and liquid assets, to meet its liquidity requirements, the company maintains a loan account from the parent entity.

(d) Fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the company has classified its financial instruments into the levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Fair value measurements At 30 June 2018	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C4	-	21,536	27,951	49,487
Monies held in escrow account	C5	4,069	-	-	4,069
Total financial assets		4,069	21,536	27,951	53,556
 Fair value measurements At 30 June 2017	 Notes	 Level 1 \$'000	 Level 2 \$'000	 Level 3 \$'000	 Total \$'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C4	-	19,933	27,307	47,240
Monies held in escrow account	C5	2,195	-	-	2,195
Total financial assets		2,195	19,933	27,307	49,435

The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

C ASSETS AND LIABILITIES (continued)

C8 Financial risk management (continued)

(d) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument are included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments in unlisted debt & equity investments are recorded at the redemption value per unit as reported by the managers of such trusts.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 30 June 2018 and 30 June 2017:

	Unlisted unit trusts \$'000	Total \$'000
Opening balance 1 July 2016	11,615	11,615
Acquisitions	16,919	16,919
Disposals	(2,804)	(2,804)
Gains/(losses) recognised in other income *	1,577	1,577
Closing balance 30 June 2017	27,307	27,307
Acquisitions	754	754
Gains/(losses) recognised in other income *	(110)	(110)
Closing balance 30 June 2018	27,951	27,951

* includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period

2018	(110)	(110)
2017	1,577	1,577

(iii) Fair value disclosures for financial liabilities measured at amortised cost

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

All other financial assets and financial liabilities held by the company are measured at cost, which management have assessed to be not materially different to its fair value at reporting date.

D EMPLOYEE BENEFITS AND RELATED PARTIES

This section provides a breakdown of the various programs the company uses to reward and recognise employees and key executives, including Key Management Personnel (KMP).

D1 Employee benefits

	2018 \$'000	2017 \$'000
Payables	17,109	14,315
Provisions	16,761	15,790
Total current employee benefits	33,870	30,105
Provisions	3,235	6,536
Total non-current employee benefits	3,235	6,536

Recognition and measurement

Employee benefits are classified as payables when the timing and amount of the future payment is certain. Employee benefits are classified as provisions when the timing or amount of the future payment is uncertain. Employee benefit provisions are further classified as current if they are expected to be settled within 12 months after the end of the period in which the employees render the related service or as non-current if they are not expected to be settled within 12 months after the end of the period in which the employees render the related service.

(i) Employee benefits

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers' compensation insurance, superannuation and payroll tax.

Remuneration includes a mix of fixed remuneration and payments for performance, attraction and retention. The majority of these payments are dependent on the satisfaction of performance conditions and are defined as 'at risk'.

The maximum 'at risk' amount payable varies with individual roles to the extent that each role impacts on investment and corporate performance.

A liability for payments for performance, attraction and retention is recognised when the company has a present obligation to pay resulting from employee services provided.

(ii) Short-term employee benefits

Short-term employee benefits include salaries, annual leave, paid sick leave, at risk performance and retention compensation and any non-monetary benefits provided such as cars or car parking.

(iii) Long-term employee benefits

Long-term employee benefits includes long service leave accrued and at risk long term performance and retention compensation.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iv) Post-employment benefits

Post-employment benefits include superannuation contributions.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D1 Employee benefits (continued)

Recognition and measurement (continued)

(iv) Post-employment benefits (continued)

The company contributes to superannuation funds for the purpose of providing benefits for employees and their dependents on retirement, disability or death. Contributions are charged as expenses when incurred.

In relation to contributions to the QSuper defined benefit plan, employer contributions for superannuation are as determined by the Treasurer on the advice of the State Actuary. No liability is shown for superannuation benefits in the statement of financial position, as the liability is held on a Whole of Government basis and reported in the Whole of Government financial statements prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

When the company recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits, these are provided for under the restructuring provision.

Key estimates and judgements

(i) Annual leave and long service leave

Annual leave and long service leave benefits have been measured at the present value of the estimated future cash outflows resulting from services rendered by employees at balance date. This calculation requires judgement in determining the following key assumptions:

- Future increase in wages and salary rates;
- Future on-cost rates; and
- Expected settlement dates based on staff turnover history.

Employee benefits that are not wholly expected to be settled within 12 months are discounted using the rates attached to high quality Australian corporate bonds at balance date, which most closely match the terms of maturity of the related liability.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D1 Employee benefits (continued)

Key estimates and judgements (continued)

(ii) At-risk performance, attraction and retention

A number of factors could impact the amounts eventually paid, including:

- Finalisation of corporate performance
- Finalisation of employees' performance reviews
- Final approval by the board
- Employee remaining in service to the date of payment

Change in accounting estimate

(i) Long service leave

During the period, the corporate leave policy was amended and will take effect on 1 July 2018. As a result, the probability weightings applied to the long service leave liability calculation at 30 June 2018 have been revised. The long service leave liability balance at 30 June 2018 has been amended to reflect the change in accounting estimate.

The impact of this change in accounting estimate on the statement of profit and loss is a decrease in expense of \$0.6 million and a corresponding decrease in liability of \$0.6 million on the statement of financial position.

D2 Key management personnel

(i) Directors

The following persons were directors of QIC Private Capital Pty Ltd for the whole of the current and prior financial year, except where indicated otherwise below:

Director	Position	Term	Expiry date
D R Luke ⁽¹⁾	Chairman (reappointed 1 October 2016)	3 years	30 September 2019
J Battams ⁽²⁾	Director (appointed 6 April 2016)	2 years	30 September 2018
P Derrington ⁽³⁾	Director (appointed 27 March 2018)	3 years	30 September 2020
S A Desmarchelier ⁽⁴⁾	Director (appointed 7 March 2017)	3 years	30 September 2019
S J P Dunne ⁽⁵⁾	Director (appointed 27 June 2016)	2 years	30 September 2018
P Forbes	Director	Open term	-
A E King ⁽¹⁾	Director (reappointed 1 October 2016)	3 years	30 September 2019

Notes:

(1) Previous term ended on 30 September 2016. Term of appointment: from 1 October 2016 to 30 September 2019, 3 years.

(2) Term of appointment: from 6 April 2016 to 30 September 2018, 2 years, 5 months and 24 days. (3) Term of appointment: from 27 March 2018 to 30 September 2020, 2 years 6 months 3 days. (4) Term of appointment: from 7 March 2017 to 30 September 2019, 2 years 6 months 23 days. (5) Term of appointment: from 27 June 2016 to 30 September 2018, 2 years, 3 months and 3 days.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D2 Key management personnel (continued)

(ii) Remuneration of directors

Directors		Board of Board Committees			Short-term employee benefits	Post-Employment	
		QPC	Board Committees	Subsidiary boards	Total	Super	Total
Name	Position	\$	\$	\$	\$	\$	\$
Reporting Period	1 July 2017 - 30 June 2018						
D R Luke ⁽¹⁾	Chairman	-	-	-	-	-	-
J C Battams ⁽¹⁾	Director	-	-	-	-	-	-
P Derrington ⁽¹⁾	Director	-	-	-	-	-	-
S A Desmarchelier ⁽¹⁾	Director	-	-	-	-	-	-
S J P Dunne ⁽¹⁾	Director	-	-	-	-	-	-
P Forbes	Director	67,911	-	-	67,911	6,452	74,363
A E King ⁽¹⁾	Director	-	-	-	-	-	-
Total remuneration		67,911	-	-	67,911	6,452	74,363
Previous Period	1 July 2016 - 30 June 2017						
D R Luke ⁽¹⁾	Chairman	-	-	-	-	-	-
J C Battams ⁽¹⁾	Director	-	-	-	-	-	-
S A Desmarchelier ⁽¹⁾	Director	-	-	-	-	-	-
S J P Dunne ⁽¹⁾	Director	-	-	-	-	-	-
P Forbes	Director	67,911	-	-	67,911	6,452	74,363
A E King ⁽¹⁾	Director	-	-	-	-	-	-
B C Bowton ⁽¹⁾	Director	-	-	-	-	-	-
Total remuneration		67,911	-	-	67,911	6,452	74,363

Notes: (1) Directors fees for D R Luke, J Battams, B C Bowton, P Derrington, S A Desmarchelier, S J P Dunne and A E King are paid by the parent entity.

D3 Related party information

(i) Parent entity

The ultimate parent entity within the group is QIC Limited, a Queensland Government Owned Corporation, with all shares held by shareholding Ministers on behalf of the State of Queensland.

(ii) Transactions with key management personnel

Directors of QIC Private Capital Pty Ltd

The directors of QIC Private Capital Pty Ltd are also directors of other companies within the consolidated group. During the year, QIC Private Capital Pty Ltd provided investment management services to these companies. All of these transactions occur at agreed amounts.

From time to time, the company may purchase or provide goods and services to/from entities related to key management personnel related entities. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D3 Related party information (continued)

(ii) Transactions with key management personnel (continued)

Directors of QIC Private Capital Pty Ltd (continued)

No director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests in existence at year end.

(iii) Transactions with other related parties

The following transactions occurred with related parties:

2018 \$	State of Queensland	QTC	Parent and other related parties
Investment management, performance and other fees	1,189,847	49,125,426	-
Service and administration fee income	-	-	60,475,417
Service and administration fee expense	-	-	45,758,635
Purchase of goods and services	8,104,614	-	-
Purchase of financial assets at FVTPL	-	-	1,416,559
Payment of income tax	-	-	28,963,417
Payment of dividends	-	-	64,363,732
Current receivables	-	29,794,075	23,969,237
Current payables	6,202,146	-	-
Income tax payable	-	-	17,616,822
Dividends payable	-	-	34,641,609
 2017 \$	 State of Queensland	 QTC	 Parent and other related parties
Investment management, performance and other fees	1,415,532	44,738,437	1,886,749
Service and administration fee income	-	-	51,718,078
Service and administration fee expense	-	-	30,500,703
Purchase of goods and services	7,618,178	-	-
Purchase of financial assets at FVTPL	-	-	12,085,612
Payment of income tax	-	-	42,969,587
Payment of dividends	-	-	56,640,376
Current receivables	-	23,739,207	35,016,802
Current payables	6,117,145	-	1,334,423
Income tax payable	-	-	17,110,230
Dividends payable	-	-	64,363,732

(iv) Terms and conditions

Loans between entities in the group are interest free and repayable on demand. Outstanding balances are unsecured and are repayable in cash.

All other transactions were made on normal commercial terms and conditions and at market rates.

E CAPITAL STRUCTURE

This section provides information relating to the company capital structure.

The capital structure of the company consists of equity. The directors review the company's capital structure and dividend policy regularly and do so in the context of the company's ability to continue as a going concern, to invest in opportunities that grow the business and enhance shareholder value.

E1 Issued capital

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares	15,000,001	15,000,001	15,000	15,000

(i) Movements in ordinary share capital

There were no movements in the share capital of the company in the current and prior year.

(ii) Risk management

The company's capital management objectives are to:

- ensure sufficient capital resources to support business and operating requirements and manage risks, and
- continue to provide a return to the State of Queensland and benefits for other stakeholders.

Capital levels are monitored and assessed on a regular basis to ensure that these objectives are met.

The company is not currently subject to any legal or other regulatory requirement to have a capital base of any specific size.

E2 Dividends

(i) Ordinary shares

	2018 \$'000	2017 \$'000
Final dividend for the year ended 30 June 2018 being 100% (2017: 100%) of adjusted profit after income tax	34,642	64,364

Recognition and measurement

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

E3 Retained earnings

Movements in retained earnings were as follows:

	2018 \$'000	2017 \$'000
Balance as at 1 July	6,062	6,062
Profit after income tax	69,283	64,363
Dividends	(34,642)	(64,363)
Balance as at 30 June	40,703	6,062

F OTHER

This section provides details on other required disclosures relating to the company to comply with accounting standards and other pronouncements.

F1 Subsequent events

The company has performance fee arrangements in relation to the QIC Shopping Centre Fund and the QIC Property Fund ('the Funds'). On 2 August 2018, the company received a report on structural issues relating to the car park structure at Westpoint Shopping Centre ('the Centre') which is jointly owned by the Funds. The company is in the process of investigating and determining the impact to the Centre. While the investigation is ongoing, it is not possible to reliably estimate the potential impacts on the fair value of the Centre and therefore the impact, if any, on the performance fee recognised in relation to the outperformance of the Funds in the current year.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in future financial years.

F2 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2018 \$	2017 \$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	67,000	67,000
Audit of regulatory returns	10,000	10,000
Total remuneration for audit services	77,000	77,000

F3 New accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

F4 Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below. Other than as set out in this note, there are no other standards that are not yet effective and that are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

(i) AASB 9 Financial Instruments

AASB 9 makes changes to the classification and measurement of financial instruments, introduces a new expected loss model when recognising expected credit losses on financial assets (including trade receivables), and also introduces new general hedge accounting requirements. AASB 9 is effective for periods beginning on 1 January 2018 with early adoption permitted.

Based on the impact assessment undertaken by the company to-date, no material impacts are expected to the group upon adoption of AASB 9 on 1 July 2018.

F OTHER (continued)

F4 Standards and interpretations issued but not yet effective (continued)

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. It contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.

In particular, the new standard introduces a higher threshold in recognising variable consideration, such as performance fees and as a result, an adjustment will be made to retained earnings on 1 July 2018 to reflect revenue previously recorded in the statement of profit or loss and other comprehensive income that has yet to meet the new recognition criteria under AASB 15.

The adjustment to retained earnings on 1 July 2018 is \$34.6 million and an increase in deferred revenue liability of the same amount. This amount will subsequently be released back into the statement of profit or loss and other comprehensive income as the new recognition criteria is met.

(iii) AASB 16 Leases

AASB 16 will become effective for reporting periods beginning on or after 1 January 2019. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases - Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the commencement date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the statement of comprehensive income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

Management had conducted reviews of the impact on the statement of comprehensive income and the statement of financial position in applying the new AASB 16 standard to its current operating lease. At this stage, and assuming no change in the types of leases the company enters into, it is not expected that this new leasing standard will impact the financial statements of the company.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (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.

Note A2 confirms that the financial statements also comply with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

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



Mr D R Luke
Director

Brisbane
28 August 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of QIC Private Capital Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of QIC Private Capital Pty Ltd.

In my opinion, the financial report:

- a) gives a true and fair view of the company's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the entity in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The directors are responsible for the other information. The information comprises the information included in the entity's directors' report for the year ended 30 June 2018 but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

The company's directors are also responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

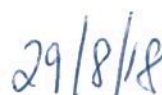
As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.
- Conclude on the appropriateness of the company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



P. CHRISTENSEN
as delegate of the Auditor-General



Queensland Audit Office
Brisbane