

QICP Pty Ltd

ABN 18 075 744 151

**Annual financial statements and directors' report
for the year ended 30 June 2019**

QICP Pty Ltd
Directors' report
For the year ended 30 June 2019

The directors present their report together with the audited financial statements of QICP Pty Ltd (the 'company'), for the year ended 30 June 2019.

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 J Frawley
Mrs C M Blake
Mr D E Clarke
Mr D J Asplin (appointed: 12 September 2018)
Mr M P Griffin (resigned: 12 September 2018)
Mr S J Leigh (resigned: 04 April 2019)

Principal activities

During the year the principal continuing activities of the company consisted of providing property management services.

Dividends

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

| | 2019 | 2018 |
|-------------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Dividends provided for and declared | - | 903 |

Review of operations

The profit/(loss) from ordinary activities, after related income tax expense, amounts to (\$0.8 million) (2018: \$0.9 million profit).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 30 June 2019 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 of the year ended 30 June 2019.

Company secretary

Mr W T Burton is the company secretary. He is 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 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.



Mrs C M Blake
Director

Brisbane
22 August 2019

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of QICP 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 QICP Pty Ltd for the year ended 30 June 2019, 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

QICP Pty Ltd

ABN 18 075 744 151

Annual financial report - 30 June 2019

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Statement of profit or loss and other comprehensive income

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|------------------------------|----------------|
| Revenue from contracts with customers | B1 | 97,005 | 94,807 |
| Total revenue and other income | | 97,005 | 94,807 |
| Employee benefits expense | | 62,635 | 58,773 |
| Service fees | | 29,118 | 28,899 |
| Travel expenses | | 3,029 | 3,492 |
| Operating lease costs | | 698 | 379 |
| Staff development and recruitment | | 626 | 458 |
| Professional services | | 620 | 296 |
| Communication expenses | | 297 | 309 |
| Computer operating costs | | 140 | 117 |
| Auditor's remuneration | F2 | 44 | 45 |
| Other expenses | | 846 | 702 |
| Total expenses | | 98,053 | 93,470 |
| Profit/(loss) before income tax | | (1,048) | 1,337 |
| Income tax expense/(benefit) | B2 | (298) | 434 |
| Total profit/(loss) after income tax for the year attributable to owners | | (750) | 903 |
| 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/(loss) for the year attributable to owners | | (750) | 903 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 9 to 24.

Statement of financial position

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Financial assets at amortised cost | C2 | 25,445 | 16,734 |
| Income tax receivable | B2 | 7,807 | 7,183 |
| Prepayments | | 60 | 77 |
| Total current assets | | 33,312 | 23,994 |
| Non-current assets | | | |
| Deferred tax assets | B2 | 6,386 | 6,737 |
| Total non-current assets | | 6,386 | 6,737 |
| Total assets | | 39,698 | 30,731 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3 | 13,571 | 1,421 |
| Dividends payable | E2 | - | 903 |
| Employee benefits | D1 | 18,581 | 19,810 |
| Provisions | | 166 | 394 |
| Total current liabilities | | 32,318 | 22,528 |
| Non-current liabilities | | | |
| Employee benefits | D1 | 2,652 | 2,559 |
| Provisions | | - | 166 |
| Total non-current liabilities | | 2,652 | 2,725 |
| Total liabilities | | 34,970 | 25,253 |
| Net assets | | 4,728 | 5,478 |
| EQUITY | | | |
| Retained earnings | | 4,728 | 5,478 |
| Equity attributable to owners of QICP Pty Ltd | | 4,728 | 5,478 |
| Total equity | | 4,728 | 5,478 |

The above statement of financial position should be read in conjunction with the accompanying notes on pages 9 to 24.

Statement of changes in equity

| | Attributable to owners of QICP Pty Ltd | |
|--|---|-----------------|
| | Retained earnings | Total equity |
| Notes | \$'000 | \$'000 |
| Balance at 1 July 2017 | 5,478 | 5,478 |
| Profit after income tax | 903 | 903 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 903 | 903 |
| Transactions with owners in their capacity as owners: | | |
| Dividends provided for or paid | (903) | (903) |
| Balance at 30 June 2018 | 5,478 | 5,478 |
| Balance at 1 July 2018 | 5,478 | 5,478 |
| Loss after income tax | (750) | (750) |
| Total comprehensive/(loss) income for the year | (750) | (750) |
| Transactions with owners in their capacity as owners: | | |
| Dividends provided for or paid | - | - |
| Balance at 30 June 2019 | 4,728 | 4,728 |

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 9 to 24.

QICP Pty Ltd
For the year ended 30 June 2019

Statement of cash flows

| | 2019 | 2018 |
|---|--------------|--------------|
| Notes | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 95,859 | 102,538 |
| Payments to suppliers and employees | (94,980) | (101,205) |
| Compensation paid to/(received from) tax consolidated parent entity | 24 | (932) |
| Net cash provided by operating activities | 903 | 401 |
| | C1 | |
| Cash flows from financing activities | | |
| Dividends paid to shareholders | (903) | (401) |
| Net cash used in financing activities | (903) | (401) |
| | E2 | |
| Net increase/(decrease) in cash and cash equivalents | - | - |
| Cash and cash equivalents at the end of the financial year | - | - |

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 9 to 24.

A BASIS OF PREPARATION

A1 Reporting entity

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

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

QICP Pty Ltd
Level 5
66 Eagle Street
Brisbane QLD 4000

QICP Pty Ltd is a for-profit entity and is primarily involved in the provision of property 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 QICP Pty Ltd 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 22 August 2019. 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

On reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. These foreign currency differences are recognised in the statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency remain translated at the exchange rate at the date of the transaction.

A5 Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its 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 |
|-------------------------------------|------|------|
| Income taxes | B2 | 14 |
| Employee benefits | D1 | 19 |

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.

A BASIS OF PREPARATION (continued)

A6 Accounting Standards and Interpretations effective in the current reporting period

(i) AASB 15 Revenue from Contracts with Customers (AASB 15)

On 1 July 2018 the company adopted AASB 15, the new accounting standard for recognising revenue from contracts with customers, using the modified retrospective method. AASB 15 replaces AASB 118 *Revenue* (AASB 118).

The new standard introduces a higher threshold in recognising variable consideration. The company has determined the standard has no material impact on the financial statements of the company.

In addition, guidance on interest and dividend/distribution income has been moved from AASB 118 to AASB 9 *Financial Instruments* without significant changes to the recognition requirements. This has not resulted in any changes to presentation of income in the company's statement of profit or loss and other comprehensive income.

(ii) AASB 9 Financial Instruments (AASB 9)

On 1 July 2018 the company adopted AASB 9, the new accounting standard for classification, measurement and impairment of financial assets and financial liabilities, using the fully retrospective method. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139).

Classification and measurement

There was no transition impact to the company from the classification and measurement requirements under AASB 9 on transition. Below is a summary of the measurement basis of all financial assets held by the company at 1 July 2018 under AASB 9.

| Financial asset | Classification under AASB 139 | Measurement basis under AASB 139 | Classification under AASB 9 | Measurement basis |
|---|-------------------------------|----------------------------------|------------------------------------|-------------------|
| Property management and other fees receivable | Loans and receivable | Amortised cost | Financial assets at amortised cost | Amortised cost |
| Receivable from parent entity | Loans and receivable | Amortised cost | Financial assets at amortised cost | Amortised cost |
| Receivable from property trusts | Loans and receivable | Amortised cost | Financial assets at amortised cost | Amortised cost |
| Other receivables | Loans and receivable | Amortised cost | Financial assets at amortised cost | Amortised cost |

AASB 9 retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant impact on the company's accounting policies related to financial liabilities.

Impairment

AASB 9 also introduces a new impairment model for financial assets that are held at amortised cost, such as trade receivables. Due to the short term nature of the trade receivables and the history of payment by the debtors, there was no transition impact to the company from the new impairment requirements under AASB 9.

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 from contracts with customers

The fees below are presented on a disaggregated basis by categories that depict the nature, timing and uncertainty of revenue affected by economic factors.

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Revenue from contracts with customers over time | | |
| Property management and other fees receivable | 89,519 | 87,754 |
| Administration fees | 7,417 | 6,728 |
| Other revenue | 61 | 244 |
| Service fees from associated entities | 8 | 81 |
| Total revenue from contracts with customers recognised over time | 97,005 | 94,807 |

Recognition and measurement

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

Revenue is recognised on the following basis:

(i) Property management and other fees receivable

Property management fees are recognised over time as the service is performed as set out in the relevant service level agreements, net of the amounts of goods and services tax payable.

(ii) Administration fees

Administration fees are recognised over time at agreed amounts as the service is performed, net of the amounts of goods and services tax payable.

(iii) Offsetting

Revenue and expenses are offset in the financial statements of the company where offsetting the transactions accurately reflects the substance of the transaction and where not offsetting would detract from the ability of users to clearly understand the nature of the transaction and operations of the company. The company has offset expenses paid on behalf of related parties and clients with revenues receivable on behalf of related parties and clients, in relation to product and client related costs where the company acts as agent.

B PERFORMANCE FOR THE YEAR (continued)

B2 Taxation

(i) Reconciliation of income tax

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Profit/(loss) before income tax | (1,048) | 1,337 |
| Tax expense/(benefit) at the Australian tax rate of 30.0% (2018: 30.0%) | (315) | 401 |
| Non-deductible entertainment | 18 | 18 |
| Non-deductible sundry items | (1) | 15 |
| Income tax expense/(benefit) | (298) | 434 |
| Current tax on profits for the year | (649) | 1,123 |
| Deferred tax | 351 | (689) |
| | (298) | 434 |

(ii) Movement in deferred tax balances

| 2019 \$'000 | Net balance at 1 July | Charged to P&L | Net balance at 30 June | DTA | DTL |
|--|-----------------------------|-------------------|------------------------------|--------------|----------|
| Employee benefits | 6,656 | (346) | 6,310 | 6,310 | - |
| Property, plant and equipment ⁽¹⁾ | 16 | (5) | 11 | 11 | - |
| Other | 65 | - | 65 | 65 | - |
| Tax assets / (liabilities) before set-off | 6,737 | (351) | 6,386 | 6,386 | - |
| Net tax assets | 6,737 | (351) | 6,386 | 6,386 | - |

| 2018 \$'000 | Net balance at 1 July | Charged to P&L | Net balance at 30 June | DTA | DTL |
|--|-----------------------------|-------------------|------------------------------|--------------|----------|
| Employee benefits | 6,012 | 644 | 6,656 | 6,656 | - |
| Property, plant and equipment ⁽¹⁾ | 23 | (7) | 16 | 16 | - |
| Other | 14 | 51 | 65 | 65 | - |
| Prepayments | (1) | 1 | - | - | - |
| Tax assets / (liabilities) before set-off | 6,048 | 689 | 6,737 | 6,737 | - |
| Net tax assets | 6,048 | 689 | 6,737 | 6,737 | - |

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*, the company is exempt from the Commonwealth income tax. However, pursuant to the *Government Owned Corporations Act 1993* and the National Tax Equivalents Regime, the company 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 company 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 also entered into a tax funding agreement under which the wholly-owned entities fully compensate QIC Limited for any current tax payable assumed and are compensated by QIC Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to QIC Limited 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 tax 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)

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 Reconciliation of cash flow from operating activities

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Profit/(loss) after income tax | (750) | 903 |
| Change in operating assets and liabilities: | | |
| Net change in financial assets at amortised cost | (8,711) | 6,514 |
| Net change in income tax receivable | (624) | 190 |
| Net change in prepayments | 17 | (41) |
| Net change in deferred tax assets | 351 | (689) |
| Net change in employee benefits | (1,136) | 2,135 |
| Net change in payables | 12,150 | (9,172) |
| Net change in provisions | (394) | 561 |
| Net cash provided by operating activities | <u>903</u> | <u>401</u> |

C2 Financial assets at amortised cost

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Receivable from parent entity | - | 1,651 |
| Receivable from property trusts | 25,396 | 14,866 |
| Other receivables | 9 | 217 |
| Property management and other fees receivable | 40 | - |
| Total financial assets at amortised cost | <u>25,445</u> | <u>16,734</u> |

Recognition and measurement

(i) *Property management and other fees receivable*

Receivables arise when the company provides money, goods or services directly to a debtor in exchange for cash consideration. These receivables are held to collect and have been assessed to contain solely payments of principal and interest under AASB 9. 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) *Impairment of trade receivables*

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. Provision for impairment of receivables is established using the simplified approach under AASB 9 when there is historical evidence or supportable forward looking information 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 2019 (2018: \$nil).

C ASSETS AND LIABILITIES (continued)

C2 Financial assets at amortised cost (continued)

(iii) Impairment of trade receivables (continued)

As at 30 June 2019, receivables of \$7.0 million were past due but not impaired. These relate to a number of related party property trusts for whom there is no history of credit default. Therefore, it is assessed that the credit risk of these receivables are not significantly increased.

C3 Payables

| | 2019 \$'000 | 2018 \$'000 |
|-------------------------------|----------------|----------------|
| Accounts payable | 877 | 784 |
| Amounts due to parent entity | 12,236 | - |
| Accrued expenses | 458 | 637 |
| Total current payables | 13,571 | 1,421 |

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.

C4 Contingent liabilities

The company had no contingent liabilities at 30 June 2019 (2018: nil).

C5 Commitments

(i) Non-cancellable operating leases

The company leases various offices and motor vehicles under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | 835 | 383 |
| Later than one year but not later than five years | 371 | 539 |
| | 1,206 | 922 |

Recognition and measurement

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

C ASSETS AND LIABILITIES (continued)

C6 Financial risk management

The company's activities expose it to a variety of financial risks: 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 ageing analysis for credit and liquidity 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) 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 \$25.4 million (2018: \$16.7 million).

The company seeks to limit its exposure to credit risk in terms of outstanding trade receivables, by dealing with QIC managed centres and QIC managed investment entities and by ensuring that a high percentage of these clients pay their property management and service fees on a monthly basis within an agreed timeframe.

(b) 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.

All of the company's financial liabilities have contractual maturity of less than a year. The amounts due are the contractual undiscounted cash flows.

(c) Fair value measurements

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

All financial assets and financial liabilities held by the company are measured at amortised 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

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Payables | 3,020 | 3,655 |
| Provisions | 15,561 | 16,155 |
| Total current employee benefits | 18,581 | 19,810 |
| Provisions | 2,652 | 2,559 |
| Total non-current employee benefits | 2,652 | 2,559 |

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 presented 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 which is expected to be settled within 12 months after the reporting year.

(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.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D1 Employee benefits (continued)

Recognition and measurement (continued)

(iv) Post-employment benefits

Post-employment benefits include superannuation contributions.

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 using a corporate bond rate that closely matches the terms of the benefit

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 termination 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.

(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

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D2 Key management personnel

(i) Directors

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

| Director | Position | Term |
|-------------|--|-----------|
| C M Blake | Non-executive Director | Open term |
| D E Clarke | Non-executive Director | Open term |
| D J Frawley | Non-executive Director | Open term |
| D J Asplin | Non-executive Director (appointed 12 September 2018) | Open term |
| M P Griffin | Non-executive Director (resigned 12 September 2018) | Open term |
| S J Leigh | Non-executive Director (resigned 4 April 2019) | Open term |

There was no income received, or due and receivable, by any director from the company during the current or previous financial year. No director of the company has received or become entitled to receive any benefit by reason of a contract made by the company.

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 QICP Pty Ltd

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.

(iii) Transactions with other related parties

The following transactions occurred with related parties:

| 2019 \$ | State of Queensland | Parent entity | Other related parties |
|--|------------------------|---------------|--------------------------|
| Property management and other fees | - | - | 96,944,417 |
| Purchase of goods and services | 1,418,666 | - | - |
| Service and administration fee expense | - | 22,415,815 | 6,702,568 |
| Payment of income tax | - | (23,976) | - |
| Payment of dividends | - | 902,838 | - |
| Current payables | - | 12,235,960 | - |
| Current receivables | - | - | 25,396,456 |
| Income tax receivable | - | 7,807 | - |

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D3 Related party information (continued)

(iii) Transactions with other related parties (continued)

| 2018 \$ | State of Queensland | Parent entity | Other related parties |
|--|------------------------|---------------|--------------------------|
| Property management and other fees | - | - | 94,602,094 |
| Purchase of goods and services | 1,292,682 | - | - |
| Service and administration fee expense | - | 22,915,019 | 5,983,692 |
| Payment of income tax | - | 932,131 | - |
| Payment of dividends | - | 401,232 | - |
| Current receivables | - | 1,650,842 | 14,865,624 |
| Income tax receivable | - | 7,183,013 | - |
| Dividends payable | - | 902,838 | - |

(iv) *Terms and conditions*

Loans between related entities are repayable on demand and are interest free. 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

| | 2019 Shares | 2018 Shares | 2019 \$ | 2018 \$ |
|-----------------|------------------------|----------------|--------------------|------------|
| Ordinary Shares | <u>1</u> | 1 | <u>1</u> | 1 |

(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.

With the exception of payables, provisions and income tax liabilities incurred in the normal course of business, the company does not undertake borrowings or hold debt.

E2 Dividends

(i) Ordinary shares

| | 2019 \$'000 | 2018 \$'000 |
|---|------------------------|----------------|
| Final dividend for the year ended 30 June 2019 being 100% (2018:100%) of adjusted profit after income tax | <u>-</u> | 903 |

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.

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

No matters or circumstances have arisen since 30 June 2019 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 and controlled entities, its related practices and non-related audit firms:

| | 2019 \$ | 2018 \$ |
|--|---------------|---------------|
| <i>Queensland Audit Office</i> | | |
| Audit and review of financial reports | 43,800 | 45,000 |
| Total remuneration for audit services | 43,800 | 45,000 |

F3 Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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 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.

F OTHER (continued)

F3 Standards and interpretations issued but not yet effective (continued)

(i) AASB 16 Leases (continued)

Based on the current operating lease commitments totalling \$0.5 million (refer Note C5(i)), the company estimates a right of use asset of \$0.4 million and corresponding lease liability of \$0.5 million would be recognised in the statement of financial position on transition. The difference between the right of use assets and lease liability on transition relates to the lease incentive provision, which is netted off against the right of use asset on transition.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2019 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.



Mrs C M Blake
Director

Brisbane
22 August 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of QICP Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of QICP 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 2019, 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 2019, 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 company's directors' report for the year ended 30 June 2019 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 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 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 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 directors' 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.



29 August 2019