

QIC Properties Pty Ltd

ABN 18 075 744 151

**Annual financial statements and directors' report
for the year ended 30 June 2015**

Directors' Report

The directors present their report together with the financial report of QIC Properties Pty Ltd (the 'company'), for the year ended 30 June 2015.

Directors

The following persons were directors of QIC Properties Pty Ltd during the whole of the financial year and up to the date of this report:

Mr D J Frawley
Mrs C M Blake
Mr S J Leigh
Mr M P Griffin

Principal activities

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

Dividends

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

	2015 \$'000	2014 \$'000
Dividends provided for and declared	<u>4,065</u>	<u>6,487</u>

Review of operations

The profit for the company, after related income tax expense, amounts to \$4.1 million (2014: \$6.5 million).

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 2015 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 which are likely to materially affect the financial statements for the year ended 30 June 2015.

Company secretary

On 31 July 2015, Mr W T Burton was appointed as company secretary. Mr Burton is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

Ms C G Fitzsimon was the company secretary until 31 July 2015. She is a Chartered Secretary, a member of Governance Institute of Australia (GIA), past Chairman of the Queensland Council of GIA, member of the Australian Institute of Company Directors and member of The Governance Institute.

Insurance of officers

During the financial year, QIC Limited, the parent entity, paid insurance premiums on behalf of QIC Properties Pty Ltd 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 Class Order 98/100, issued by the Australian Securities and Investments Commission. In accordance with that Class Order, 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
26 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of QIC Properties 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 Properties Pty Ltd for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been -

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



M J KEANE CA
Director
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

QIC Properties Pty Ltd ABN 18 075 744 151
Annual report - 30 June 2015

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These financial statements are the financial statements of QIC Properties Pty Ltd as an individual entity. The financial statements are presented in the Australian currency.

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

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

The financial statements were authorised for issue by the directors on 26 August 2015. The directors have the power to amend and reissue the financial statements.

QIC Properties Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Revenue	3	65,330	63,681
Employee benefits expense		(35,229)	(31,055)
Service fees		(19,983)	(20,436)
Travel		(1,713)	(1,265)
Staff development and recruitment		(906)	(288)
Professional services		(352)	(183)
Motor vehicle costs		(122)	(209)
Communication expenses		(104)	(104)
Computer operating costs		(92)	(71)
Auditors' remuneration	12	(44)	(44)
Tenancy expenses		-	(25)
Information and research services		(8)	(11)
Other expenses		(901)	(704)
Expenses		(59,454)	(54,395)
Profit before income tax		5,876	9,286
Income tax expense	4	(1,811)	(2,799)
Profit for the period		4,065	6,487
Other comprehensive income		-	-
Total comprehensive income for the year		4,065	6,487
Total comprehensive income for the year is attributable to:			
Owners of QIC Properties Pty Ltd		4,065	6,487

All revenue is from continuing operations. There are no discontinued operations.

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

QIC Properties Pty Ltd
Statement of financial position
As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	1	1
Receivables	6	22,940	24,204
Income tax receivable		472	-
Total current assets		<u>23,413</u>	<u>24,205</u>
Non-current assets			
Deferred tax assets	4(d)	5,166	4,294
Total non-current assets		<u>5,166</u>	<u>4,294</u>
Total assets		<u>28,579</u>	<u>28,499</u>
LIABILITIES			
Current liabilities			
Payables	7	7,346	16,220
Provisions	8	11,732	2,260
Income tax payable		-	965
Total current liabilities		<u>19,078</u>	<u>19,445</u>
Non-current liabilities			
Deferred tax liabilities	4(e)	1	1
Provisions	8	4,022	3,575
Total non-current liabilities		<u>4,023</u>	<u>3,576</u>
Total liabilities		<u>23,101</u>	<u>23,021</u>
Net assets		<u>5,478</u>	<u>5,478</u>
EQUITY			
Retained earnings		5,478	5,478
Equity attributable to owners of QIC Properties Pty Ltd		<u>5,478</u>	<u>5,478</u>
Total equity		<u>5,478</u>	<u>5,478</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

QIC Properties Pty Ltd
Statement of changes in equity
For the year ended 30 June 2015

	Notes	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2013		5,478	5,478
Profit for the period		6,487	6,487
Other comprehensive income		-	-
Total comprehensive income for the year		6,487	6,487
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	9	(6,487)	(6,487)
Balance at 30 June 2014		5,478	5,478
 Balance at 1 July 2014		 5,478	 5,478
Profit for the period		4,065	4,065
Other comprehensive income		-	-
Total comprehensive income for the year		4,065	4,065
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	9	(4,065)	(4,065)
Balance at 30 June 2015		5,478	5,478

The above statement of changes in equity should be read in conjunction with the accompanying notes.

QIC Properties Pty Ltd
Statement of cash flows
For the year ended 30 June 2015

Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities		
Receipts from customers	69,635	63,912
Payments to suppliers and employees	(59,028)	(55,420)
Compensation paid to tax consolidated parent entity	(4,120)	(2,831)
Net cash inflow from operating activities	16 <u>6,487</u>	<u>5,661</u>
Cash flows from investing activities		
Net cash inflow (outflow) from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Dividends paid to shareholders	9 <u>(6,487)</u>	<u>(5,661)</u>
Net cash (outflow) from financing activities	<u>(6,487)</u>	<u>(5,661)</u>
Net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	1	1
Cash and cash equivalents at end of year	5 <u>1</u>	<u>1</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity QIC Properties Pty Ltd (the 'company'). The company is a wholly-owned subsidiary of QIC Limited.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. QIC Properties Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of the company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iii) New and amended standards adopted by the company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Critical accounting estimates

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 note 2.

Accounting estimates in relation to employee entitlements and other liabilities have changed in the current year. Full details of the change and the impacts to the financial statements are also disclosed in note 2.

(b) Revenue recognition

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

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Management fees

Management fees are recognised on an accruals basis as set out in the relevant service level agreements, net of the amounts of goods and services tax payable.

(ii) Service and administration fees

Service and administration fees are recognised on an accrual basis at agreed amounts, net of 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 associated entities and clients with revenues receivable on behalf of associated entities and clients, in relation to product and client related costs where the company acts as agent.

1 Summary of significant accounting policies (continued)

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Income tax

(i) Income tax equivalents

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.

The income tax equivalent expense (referred to as income tax expense) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

AASB 112 Income Taxes uses a 'Balance Sheet approach' for calculating income tax balances. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The differences are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Tax consolidation legislation

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

The parent entity, QIC Limited, and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 4.

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

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 funding arrangement.

(iii) Taxation of Financial Arrangements (TOFA)

Compliance with the TOFA legislation is mandatory for the tax consolidated group for tax years beginning on or after 1 July 2010. 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.

(e) Cash and cash equivalents

For the purpose of 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.

(f) Receivables

Receivables are recognised at fair value and less provision for impairment. Trade receivables are due for settlement in no more than 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance account (provision for impairment of trade 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 2015 (2014: \$nil).

(g) Investments and other financial assets

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial asset was acquired. The company holds no investments.

(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.

(h) Payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefit provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

1 Summary of significant accounting policies (continued)

(i) Employee benefit provisions (continued)

(i) Short-term obligations

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in payables in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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.

The liability is measured at the amount expected to be paid when settled. The liability is classified as short-term or long-term depending on when it is expected to be settled.

No provision for sick leave benefits have been made as benefits do not vest with employees.

(ii) Long-term obligations

Annual leave, long service leave and other employee benefits have been measured at the present value of the estimated future cash outflows resulting from services rendered by employees at balance date. Provisions for employee benefits that are not expected to be settled within 12 months are discounted using the rates attaching to high quality Australian corporate bonds at balance date, which most closely match the terms of maturity of the related liability. In determining the provision, consideration has been given to future increases in salary rates and prior experience with staff departures. Related on-costs have also been included.

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.

(iii) Retirement benefit obligations

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*.

(iv) Termination benefits

Termination benefits are payable when employment is terminated 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.

(j) Contributed equity

Ordinary shares are classified as equity.

1 Summary of significant accounting policies (continued)

(k) Dividends

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.

(l) Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar. When necessary, comparative amounts for the previous period have been adjusted to facilitate valid comparison.

(m) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The company has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the company's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the company enters into, it is not expected that any of the company's financial assets will meet the criteria in AASB 9 to be measured at amortised cost.

There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities.

(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 which covers contracts for goods and services and AASB 11 which covers construction contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, 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.

The company is currently assessing the impact on revenue recognition and measurement, at this stage the company is unable to quantify the impact of this new standard. The company is unlikely to early adopt the standard in the year preceding its mandatory status.

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.

2 Critical accounting estimates and judgements

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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Income taxes
- Provisions - Employee benefits

(i) Income taxes

The company is subject to the National Tax Equivalents Regime in Australia and income taxes in other jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. 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) Provisions - Employee benefits

Provisions are held in respect of employee entitlements. The provisions involve significant judgement about the likely outcome of various events.

- Employee benefits obligations - Change in discount rate

During the period the company changed the discount rate used in its employee benefits obligations calculation from the Commonwealth Government bond rate to the high quality Australian corporate bond rate and applied this change as a change in accounting estimate. Australian corporate bond market has demonstrated sufficient depth and liquidity over recent years to support this change.

- Employee benefits obligations - Change in liability classification

During the period changes were made to the company's 'at risk' performance, attraction and retention payments, including calculation methods and timing of payment. 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

In the prior year, some of these amounts were recognised as payables, as the payments were approved prior to the finalisation of the company's financial statements.

As approval will now occur after finalisation of the company's financial statements, the amounts are not known with certainty and have been recognised as a provision, based on the best estimate available.

3 Revenue

	2015 \$'000	2014 \$'000
From continuing operations		
Management and other fee - property trusts	60,450	56,525
Administration fees- property trusts	4,880	4,939
Service fees from associated entities	-	2,217
	<u>65,330</u>	<u>63,681</u>

4 Income tax

(a) Income tax expense

	2015 \$'000	2014 \$'000
Current tax	2,683	3,089
Deferred tax	(872)	(290)
	<u>1,811</u>	<u>2,799</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2015 \$'000	2014 \$'000
Profit from continuing activities before income tax expense	5,876	9,286
Tax expense at the Australian tax rate of 30% (2014 - 30%)	1,763	2,786
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	50	13
Non-assessable sundry items	(2)	-
Income tax expense	<u>1,811</u>	<u>2,799</u>

4 Income tax (continued)

(c) Tax consolidation legislation

QIC Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(d).

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 funding arrangement.

(d) Non current assets - Deferred tax assets

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits provided for or payable	5,131	4,266
Depreciation and amortisation	21	14
Accrued expenses	13	13
Sundry items	1	1
	<u>5,166</u>	<u>4,294</u>

(e) Non-current liabilities - Deferred tax liabilities

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Prepayments	1	1
	<u>1</u>	<u>1</u>

5 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Current assets		
Cash at bank and in hand	1	1

(a) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	1	1
Balances per statement of cash flows	1	1

(b) Fair value

The carrying amount for cash assets equals the fair value. These are non interest bearing.

6 Current assets - Receivables

	2015 \$'000	2014 \$'000
Related party receivables		
Receivable from parent entity	7,970	14,773
Receivable from property trusts	14,927	9,375
	<u>22,897</u>	<u>24,148</u>
 Other receivables	 6	 2
Prepayments		
Prepayments	37	54
	<u>22,940</u>	<u>24,204</u>

These are non-interest bearing.

7 Current liabilities - Payables

	2015 \$'000	2014 \$'000
Dividends payable	4,065	6,487
Employee benefits payable	1,651	8,473
Accounts payable	1,284	785
Accrued expenses	346	475
	<u>7,346</u>	<u>16,220</u>

These are non-interest bearing.

8 Provisions

	2015 \$'000	2014 \$'000
Current liabilities - Provisions		
Employee benefits	<u>11,732</u>	<u>2,260</u>
Non-current liabilities - Provisions		
Employee benefits	<u>4,022</u>	<u>3,575</u>

(a) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. For annual leave, the entire amount of the provision is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months.

	2015 \$'000	2014 \$'000
Annual leave obligations expected to be settled after 12 months	<u>71</u>	<u>70</u>

9 Dividends

	2015 \$'000	2014 \$'000
Ordinary shares		
Final dividend for the year ended 30 June 2015 being 100% (2014: 100%) of operating profit after tax recognised as a payable (note 7)	<u>4,065</u>	<u>6,487</u>

10 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 QIC Limited Board of Directors.

The company holds the following financial instruments:

	Notes	Financial assets at amortised cost \$'000	Total \$'000
Financial assets			
2015			
Trade receivables*	6	6	6
Related party receivables		22,897	22,897
		<u>22,903</u>	<u>22,903</u>
2014			
Trade receivables*	6	2	2
Related party receivables		24,148	24,148
		<u>24,150</u>	<u>24,150</u>

* excluding prepayments

	Notes	Liabilities at amortised cost \$'000	Total \$'000
Financial liabilities			
2015			
Payables	7	7,346	7,346
		<u>7,346</u>	<u>7,346</u>
2014			
Payables	7	16,220	16,220
		<u>16,220</u>	<u>16,220</u>

(a) Credit risk

(i) Risk management

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents and credit exposures to managed centres and trusts in relation to property services, including outstanding receivables.

10 Financial risk management (continued)

(a) Credit risk (continued)

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 management and service fees on a monthly basis within an agreed timeframe.

The carrying amount of net receivables represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date for the company is \$22,903 (2014: \$24,150).

(ii) Past due but not impaired

As at 30 June 2015, receivables of 22,903 (2014:\$24,150) are within trading terms.

(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 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 (see note 7 Payables).

(iii) Fair value measurements

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

The carrying value of cash, accounts receivable, other receivables and accounts payable are assumed to approximate their fair values due to their short term nature.

11 Key management personnel disclosures

Key management personnel include both directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the company.

(a) Directors

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

Director	Position	Term	Expiry date
D J Frawley	Non-executive director	Open term	-
C M Blake	Non-executive director	Open term	-
S J Leigh	Chairman - non-executive	Open term	-
M P Griffin	Non-executive director	Open term	-

(b) Remuneration of directors

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

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

12 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the external auditor:

	2015 \$	2014 \$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	43,500	43,500
Total remuneration for audit services	<u>43,500</u>	<u>43,500</u>

13 Contingencies

The company had no contingent liabilities at 30 June 2015 (2014: nil).

14 Related party transactions

(a) 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.

(b) Other transactions with key management personnel

Amounts are presented below for transactions with key management personnel of QIC Properties Pty Ltd.

(i) Directors of QIC Properties Pty Ltd

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

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2015 \$'000	30 June 2014 \$'000
Sales of goods and services		
Service fees from associated entities	-	2,217
Management fees and administration fees - property trusts	65,330	61,464
Purchases of goods and services		
Service fees paid to parent entity	15,544	16,274
Service fees paid to associated entity	4,439	4,162
Tax consolidation legislation		
Amounts paid to parent under the tax sharing and funding agreement	4,120	2,831

14 Related party transactions (continued)

(d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2015 \$'000	2014 \$'000
Current receivables		
Parent entity	7,970	14,773
Property trusts	14,927	9,375
	-	-
Current receivables (tax funding agreement)		
Parent entity	472	-
Current payables (tax funding agreement)		
Parent entity	-	965
Current payables (payment of dividends)		
Parent entity	4,065	6,487

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(e) Terms and conditions

The company provides property services to trusts within the group in the normal course of business and on normal commercial terms and conditions. The fee structure is based on fee for services and is included in note 3.

All other transactions were made on normal commercial terms and conditions and at agreed amounts.

Outstanding balances are unsecured and are repayable in cash.

15 Events occurring after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, to affect significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

16 Cash flow information

	2015 \$'000	2014 \$'000
Profit for the period	4,065	6,487
Change in operating assets and liabilities:		
Net change in receivables	1,264	(2,236)
Net change in deferred tax assets	(872)	(290)
Net change in payables	(6,452)	1,410
Net change in provisions	9,919	33
Net change in current tax liabilities	(1,437)	257
Net cash inflow from operating activities	6,487	5,661

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 23 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 2015 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 1(a) 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
26 August 2015

INDEPENDENT AUDITOR'S REPORT

To the members of QIC Properties Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of QIC Properties Pty Ltd, being a general purpose financial report, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International *Financial Reporting Standards*.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of QIC Properties Pty Ltd, would be in the same terms if given to the directors as at the time of the auditor's report.

Independent auditor's report

QIC Properties Pty Ltd (continued)

Opinion

In my opinion -

- (a) the financial report of QIC Properties Pty Ltd is in accordance with the *Corporations Act 2001*, including -
 - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



M J KEANE CA
Director
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane