

# **QIC Properties Pty Ltd**

ABN 18 075 744 151

## **Annual financial statements and directors' report for the year ended 30 June 2016**

The directors present their report together with the audited financial statements of QIC Properties Pty Ltd (the 'company'), for the year ended 30 June 2016.

#### Directors

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

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

#### Principal activities

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

#### Dividends - QIC Properties Pty Ltd

Dividends paid or declared by the company during the financial year were:

	2016 \$'000	2015 \$'000
Dividends provided for and declared	<u>5,445</u>	<u>4,065</u>

#### Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$5.4 million (2015: \$4.1 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 matter or circumstance has arisen since 30 June 2016 that has significantly affected the company's operations, results or state of affairs, or may do so in future 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 of the year ended 30 June 2016.

#### Company secretary

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

Ms C G Fitzsimon was previously the company secretary.

#### Insurance of officers

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

#### Environmental regulation

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

**Auditor's independence declaration**

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

**Rounding of amounts**

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

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



Mrs C M Blake  
Director

Brisbane  
24 August 2016

## 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 2016, 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.



P CHRISTENSEN FCPA  
Director  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

**QIC Properties Pty Ltd** ABN 18 075 744 151  
**Annual financial statements - 30 June 2016**

**Contents**

	Page
Financial statements	
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
A BASIS OF PREPARATION	9
A1 Reporting entity	9
A2 Basis of accounting and measurement	9
A3 Functional and presentation currency	9
A4 Foreign currency translation	9
A5 Accounting estimates and judgements	9
B PERFORMANCE FOR THE YEAR	10
B1 Revenue	10
B2 Taxation	11
C ASSETS AND LIABILITIES	13
C1 Cash and cash equivalents	13
C2 Reconciliation of cash flow from operating activities	14
C3 Receivables	14
C4 Payables	15
C5 Contingencies	15
C6 Financial risk management	15
D EMPLOYEE BENEFITS AND RELATED PARTIES	16
D1 Employee benefits	16
D2 Key management personnel	18
D3 Related party information	18
E CAPITAL STRUCTURE	19
E1 Issued capital	19
E2 Dividends	20
E3 Retained earnings	20
F OTHER	20
F1 Subsequent events	20
F2 Remuneration of auditors	21
F3 New accounting standards	21
F4 Standards and interpretations issued but not yet effective	21
Directors' declaration	23
Independent auditor's report	24

QIC Properties Pty Ltd  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2016

**Statement of profit or loss and other comprehensive income**

	Notes	2016 \$'000	2015 \$'000
Revenue from continuing operations	B1	85,714	65,330
<b>Total revenue and other income</b>		<b>85,714</b>	<b>65,330</b>
Employee benefits expense		47,112	35,229
Service fees		24,640	19,983
Travel		3,034	1,703
Staff development and recruitment		1,031	906
Professional services		648	352
Communication expenses		157	104
Computer operating costs		114	92
Other lease costs		106	122
Auditors' remuneration	F2	44	44
Other expenses		1,018	919
<b>Total expenses</b>		<b>77,904</b>	<b>59,454</b>
<b>Profit before income tax</b>		<b>7,810</b>	<b>5,876</b>
Income tax expense	B2	2,365	1,811
<b>Profit after income tax</b>		<b>5,445</b>	<b>4,065</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year attributable to owners</b>		<b>5,445</b>	<b>4,065</b>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 9 to 22.*

**QIC Properties Pty Ltd**  
**Statement of financial position**  
**As at 30 June 2016**

**Statement of financial position**

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1	1	1
Receivables	C3	23,379	22,903
Income tax receivable	B2	3,597	472
Prepayments		202	37
<b>Total current assets</b>		<b>27,179</b>	<b>23,413</b>
<b>Non-current assets</b>			
Deferred tax assets	B2	5,916	5,165
<b>Total non-current assets</b>		<b>5,916</b>	<b>5,165</b>
<b>Total assets</b>		<b>33,095</b>	<b>28,578</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C4	1,978	1,630
Dividends	E2	5,445	4,065
Employee benefits	D1	15,297	13,383
<b>Total current liabilities</b>		<b>22,720</b>	<b>19,078</b>
<b>Non-current liabilities</b>			
Employee benefits	D1	4,897	4,022
<b>Total non-current liabilities</b>		<b>4,897</b>	<b>4,022</b>
<b>Total liabilities</b>		<b>27,617</b>	<b>23,100</b>
<b>Net assets</b>		<b>5,478</b>	<b>5,478</b>
<b>EQUITY</b>			
Retained earnings	E3	5,478	5,478
Equity attributable to owners of QIC Properties Pty Ltd		<b>5,478</b>	<b>5,478</b>
<b>Total equity</b>		<b>5,478</b>	<b>5,478</b>

The above statement of financial position should be read in conjunction with the accompanying notes on pages 9 to 22.

QIC Properties Pty Ltd  
Statement of changes in equity  
For the year ended 30 June 2016

Statement of changes in equity

	Attributable to owners of QIC Properties Pty Ltd	
	Retained earnings \$'000	Total equity \$'000
Notes		
<b>Balance at 1 July 2014</b>	5,478	5,478
Profit after income tax	4,065	4,065
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>4,065</b>	<b>4,065</b>
<b>Transactions with owners in their capacity as owners:</b>		
Dividends provided for or paid	(4,065)	(4,065)
<b>Balance at 30 June 2015</b>	<b>5,478</b>	<b>5,478</b>
 <b>Balance at 1 July 2015</b>	 5,478	 5,478
Profit after income tax	5,445	5,445
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>5,445</b>	<b>5,445</b>
<b>Transactions with owners in their capacity as owners:</b>		
Dividends provided for or paid	(5,445)	(5,445)
<b>Balance at 30 June 2016</b>	<b>5,478</b>	<b>5,478</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 9 to 22.



**QIC Properties Pty Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2016**

**Statement of cash flows**

	2016 \$'000	2015 \$'000
Notes		
<b>Cash flows from operating activities</b>		
Receipts from customers	88,288	69,635
Payments to suppliers and employees	(77,982)	(59,028)
Compensation paid to tax consolidated parent entity	(6,241)	(4,120)
<b>Net cash provided by operating activities</b>	<u>4,065</u>	<u>6,487</u>
C2		
<b>Cash flows from investing activities</b>		
<b>Net cash used in investing activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(4,065)	(6,487)
<b>Net cash used in financing activities</b>	<u>(4,065)</u>	<u>(6,487)</u>
E2		
<b>Net increase decrease in cash and cash equivalents</b>	<u>-</u>	<u>-</u>
Cash and cash equivalents at the beginning of the financial year	1	1
<b>Cash and cash equivalents at end of year</b>	<u>1</u>	<u>1</u>
C1		

*The above statement of cash flows should be read in conjunction with the accompanying notes on pages 9 to 22.*

## A BASIS OF PREPARATION

### A1 Reporting entity

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

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

QIC Properties 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 and the provisions of the *Corporations Act 2001*. The financial statements of the QIC Properties 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.

The financial statements were authorised for issue by the directors on 24 August 2016. The directors have the power to amend and reissue the financial statements.

### A3 Functional and presentation currency

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

### A4 Foreign currency translation

#### (i) Transactions and balances

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

### 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	13
Employee benefits	D1	18

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

## B PERFORMANCE FOR THE YEAR

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

### B1 Revenue

The company derives the following types of revenue:

	2016 \$'000	2015 \$'000
<b>From continuing operations</b>		
Property management and other fees	79,089	60,450
Administration fees	5,721	4,880
Other revenue	904	-
<b>Total revenue from continuing operations</b>	<b>85,714</b>	<b>65,330</b>

### 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) Management and other 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) Administration fees*

Administration fees are recognised on an accruals basis at agreed amounts, 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

	2016 \$'000	2015 \$'000
Profit before income tax	7,810	5,876
Tax expense at the Australian tax rate of 30.0% (2015: 30.0%)	2,343	1,763
Non-deductible entertainment	19	50
Non-deductible sundry items	3	(2)
Income tax	2,365	1,811
Current tax	3,116	2,683
Deferred tax	(751)	(872)
	2,365	1,811

#### (ii) Movement in deferred tax balances

2016 \$'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	5,131	745	5,876	5,876	-
Property, plant and equipment	21	6	27	27	-
Payables	14	-	14	14	-
Prepayments	(1)	-	(1)	-	(1)
<b>Tax assets / (liabilities) before set-off</b>	<b>5,165</b>	<b>751</b>	<b>5,916</b>	<b>5,917</b>	<b>(1)</b>
Set-off DTL against DTA	-	-	-	(1)	1
<b>Net tax assets</b>	<b>5,165</b>	<b>751</b>	<b>5,916</b>	<b>5,916</b>	<b>-</b>
2015 \$'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	4,266	865	5,131	5,131	-
Property, plant and equipment	14	7	21	21	-
Payables	14	-	14	14	-
Prepayments	(1)	-	(1)	-	(1)
<b>Tax assets / (liabilities) before set-off</b>	<b>4,293</b>	<b>872</b>	<b>5,165</b>	<b>5,166</b>	<b>(1)</b>
Set-off DTL against DTA	-	-	-	(1)	1
<b>Net tax assets</b>	<b>4,293</b>	<b>872</b>	<b>5,165</b>	<b>5,165</b>	<b>-</b>

## B PERFORMANCE FOR THE YEAR (continued)

### B2 Taxation (continued)

#### Recognition and measurement

##### (i) Current tax – 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.

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.

##### (ii) Offsetting deferred tax balances

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.

However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences related to 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 measured at the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

##### (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 funding arrangement.

## B PERFORMANCE FOR THE YEAR (continued)

### B2 Taxation (continued)

#### Recognition and measurement (continued)

##### (iv) 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 company 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.

#### 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 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) Recovery of deferred tax assets

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

## C ASSETS AND LIABILITIES

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

### C1 Cash and cash equivalents

	2016 \$'000	2015 \$'000
<b>Current assets</b>		
Cash at bank and in hand	1	1

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:

	2016 \$'000	2015 \$'000
Cash and cash equivalents	1	1
Balances per statement of cash flows	1	1

## C ASSETS AND LIABILITIES (continued)

### C1 Cash and cash equivalents (continued)

#### Recognition and measurement

##### (i) 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.

##### (ii) Fair value

The carrying amount for cash assets equals the fair value.

### C2 Reconciliation of cash flow from operating activities

	2016 \$'000	2015 \$'000
Profit after income tax	5,445	4,065
Change in operating assets and liabilities:		
Net change in receivables	(476)	1,264
Net change in current tax assets	(3,125)	(1,437)
Net change in prepayments	(165)	-
Net change in deferred tax assets	(751)	(872)
Net change in employee benefits	2,789	3,097
Net change in payables	348	370
Net cash provided by operating activities	<u>4,065</u>	<u>6,487</u>

### C3 Receivables

	2016 \$'000	2015 \$'000
Receivable from property trusts	18,181	14,927
Receivable from parent entity	5,189	7,970
Other receivables	9	6
	<u>23,379</u>	<u>22,903</u>

#### Recognition and measurement

##### (i) Trade and other receivables

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

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

##### (ii) Past due but not impaired

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 2016 (2015: \$nil).



## C ASSETS AND LIABILITIES (continued)

### C3 Receivables (continued)

As at 30 June 2016, receivables of \$23.4 million (2015: \$22.9 million) are within trading terms.

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

### C4 Payables

	2016 \$'000	2015 \$'000
<b>Trade and other payables</b>		
Accounts payable	1,418	1,284
Accrued expenses	560	346
	<u>1,978</u>	<u>1,630</u>

### Recognition and measurement

#### (i) Trade and other payables

Trade and other 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.

### C5 Contingencies

The company had no contingent liabilities at 30 June 2016 (2015: nil).

### 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.



## C ASSETS AND LIABILITIES (continued)

### C6 Financial risk management (continued)

#### (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 wholesale 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 \$23.4 million (2015: \$22.9 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 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 cost, which equates to fair value.

## 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

	2016 \$'000	2015 \$'000
Payable	1,896	1,635
Provision	13,401	11,748
<b>Total current employee benefits</b>	<b>15,297</b>	<b>13,383</b>
Provision	4,897	4,022
<b>Total non-current employee benefits</b>	<b>4,897</b>	<b>4,022</b>

## D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

### D1 Employee benefits (continued)

#### Recognition and measurement

##### (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.

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

##### (ii) Short-term employee benefits

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

##### (iii) Long-term employee benefits

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

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

##### (iv) Post-employment benefits

Post-employment benefits include superannuation contributions.

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.

## D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

### D1 Employee benefits (continued)

#### 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

### D2 Key management personnel

#### (i) Directors

The following persons were directors of QIC Properties Pty Ltd for the whole of the current and prior financial year, 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	-

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 QIC Properties 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.

## D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

### D3 Related party information (continued)

#### (iii) Transactions with other related parties

The following transactions occurred with related parties:

2016 \$	State of Queensland	Parent entity	Other related parties
Property management and other fees	-	-	85,713,391
Service and administration fee expense	-	19,575,643	5,064,100
Purchase of goods and services	1,015,008	-	-
Payment of income tax	-	6,240,879	-
Payment of dividends	-	4,065,905	-
Current receivables	-	5,188,637	18,180,848
Income tax receivable	-	3,597,055	-
Dividends payable	-	5,445,204	-
2015 \$	State of Queensland	Parent entity	Other related parties
Property management and other fees	-	-	65,329,994
Service and administration fee expense	-	15,544,316	4,338,725
Purchase of goods and services	845,958	-	-
Payment of income tax	-	4,120,196	-
Payment of dividends	-	6,487,431	-
Current receivables	-	7,970,436	14,926,634
Income tax receivable	-	471,932	-
Dividends payable	-	4,065,905	-

#### (iv) Terms and conditions

There are no fixed terms for the repayment of loans between related entities and the company 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

	2016 Shares	2015 Shares	2016 \$'000	2015 \$'000
Ordinary Shares	1	1	-	-

#### (i) Movements in ordinary share capital

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

## E CAPITAL STRUCTURE (continued)

### E1 Issued capital (continued)

#### (ii) Risk management

The company's capital management objectives are to:

- ensure sufficient capital resources to support business and operating requirements and 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

	2016 \$'000	2015 \$'000
Final dividend for the year ended 30 June 2016 being 100% (2015:100%) of profit after income tax	<u>5,445</u>	<u>4,065</u>

#### Recognition and measurement

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

### E3 Retained earnings

Movements in retained earnings were as follows:

	2016 \$'000	2015 \$'000
Balance as at 1 July	5,478	5,478
Profit after income tax	5,445	4,065
Dividends	(5,445)	(4,065)
Balance as at 30 June	<u>5,478</u>	<u>5,478</u>

## 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

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.



## F OTHER (continued)

### F2 Remuneration of auditors

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

	2016 \$	2015 \$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	43,500	43,500
<b>Total remuneration for audit services</b>	<b>43,500</b>	<b>43,500</b>

### F3 New accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

### F4 Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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.

#### (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. This standard is effective for annual reporting period beginning on or after 1 January 2018 with early adoption permitted.

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 this standard will impact the financial statements of the company.

#### (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 111 which covers construction contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

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.

## F OTHER (continued)

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

#### (iii) AASB 16 Leases

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

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

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

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

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The company has not yet quantified the impact on the statement of comprehensive income or the statement of financial position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 22 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 2016 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  
24 August 2016



## 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, which comprises the statement of financial position as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes to the financial statements including 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 A2, 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 this auditor's report.

*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 entity's financial position as at 30 June 2016 and of their 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 A2.

*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.



P CHRISTENSEN FCPA  
Director  
(as Delegate for the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane