

QIC Private Capital Pty Ltd

ABN 83 076 279 528

**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 Private Capital Pty Ltd ('the company'), for the year ended 30 June 2015.

Directors

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

Mr D R Luke
Mr B C Bowton
Mr P Forbes
Mr A E King

Principal activities

During the year the principal continuing activities of the company consisted of providing investment management services. The company also acts as trustee of private capital trusts.

Dividends - QIC Private Capital Pty Ltd

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>57,742</u>	<u>45,294</u>

Operating result

The profit for the company, after related income tax expense, amounts to \$57.7 million (2014: \$45.3 million).

Significant changes in the state of affairs

Significant changes in the state of affairs of the company during the financial year were as follows.

On 29 May 2015 the company issued 15,000,000 ordinary shares at \$1 per share to QIC Limited.

Matters subsequent to the end of the financial year

The Australian Securities and Investment Commission approved QIC Limited to withdraw and replace the eligible undertaking dated 25 June 2014 with QIC Private Capital Pty Ltd. On 27 July 2015 QIC Limited irrevocably agreed to pay QIC Private Capital Pty Ltd an amount up to \$3.0 million (2014: \$14.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

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

No other matters or circumstances has arisen since 30 June 2015 that has 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

Further information on likely developments in the operations of the company are included in the annual report under the review of operations.

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 Private Capital 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.



Mr D R Luke
Director

Brisbane
25 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of QIC Private Capital Pty Ltd

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

Independence Declaration

As lead auditor for the audit of QIC Private Capital Pty Ltd for the year ended 30 June 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 Private Capital Pty Ltd ABN 83 076 279 528
Annual report - 30 June 2015

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

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

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

The financial statements were authorised for issue by the directors on 25 August 2015. The directors have the power to amend and reissue the financial statements.

QIC Private Capital 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	161,669	138,394
Employee benefits expense		(43,590)	(41,151)
Service fees		(27,644)	(27,693)
Professional services		(4,693)	(2,063)
Travel		(1,607)	(1,274)
Staff development and recruitment		(268)	(326)
Communication expenses		(137)	(159)
Computer operating costs		(128)	(121)
Information and research services		(123)	(130)
Fair value loss on financial assets at fair value through profit and loss		(94)	-
Auditors' remuneration	15	(54)	(54)
Motor vehicle expenses		(27)	(41)
Product and mandate services		(315)	(260)
Insurance		(4)	(1)
Other expenses		(460)	(409)
Expenses		(79,144)	(73,682)
Profit before income tax		82,525	64,712
Income tax expense	4	(24,783)	(19,418)
Profit for the period		57,742	45,294
Other comprehensive income		-	-
Total comprehensive income for the year		57,742	45,294
Total comprehensive income for the year is attributable to: Owners of QIC Private Capital Pty Ltd		57,742	45,294

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 Private Capital Pty Ltd
Statement of financial position
As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Receivables	5	122,061	110,026
Financial assets at fair value through profit or loss	6	15,032	-
Total current assets		<u>137,093</u>	<u>110,026</u>
Non-current assets			
Other financial assets	7	5,000	-
Deferred tax assets	4(d)	8,376	8,644
Total non-current assets		<u>13,376</u>	<u>8,644</u>
Total assets		<u>150,469</u>	<u>118,670</u>
LIABILITIES			
Current liabilities			
Payables	8	77,620	84,215
Provisions	9	15,622	1,850
Income tax payable		14,507	15,970
Deferred revenue		4,877	-
Total current liabilities		<u>112,626</u>	<u>102,035</u>
Non-current liabilities			
Deferred tax liabilities	4(e)	7,908	2,654
Provisions	9	8,873	7,919
Total non-current liabilities		<u>16,781</u>	<u>10,573</u>
Total liabilities		<u>129,407</u>	<u>112,608</u>
Net assets		<u>21,062</u>	<u>6,062</u>
EQUITY			
Contributed equity	10	15,000	-
Retained earnings	11	6,062	6,062
Equity attributable to owners of QIC Private Capital Pty Ltd		<u>21,062</u>	<u>6,062</u>
Total equity		<u>21,062</u>	<u>6,062</u>

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

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

	Notes	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2013		-	6,062	6,062
Profit for the period		-	45,294	45,294
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	45,294	45,294
Transactions with owners in their capacity as owners:				
Issue of ordinary shares		-	-	-
Dividends provided for or paid	12	-	(45,294)	(45,294)
Balance at 30 June 2014		-	6,062	6,062
Balance at 1 July 2014		-	6,062	6,062
Profit for the period		-	57,742	57,742
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	57,742	57,742
Transactions with owners in their capacity as owners:				
Issue of ordinary shares		15,000	-	15,000
Dividends provided for or paid	12	-	(57,742)	(57,742)
		15,000	(57,742)	(42,742)
Balance at 30 June 2015		15,000	6,062	21,062

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

QIC Private Capital 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	162,207	137,854
Payments to suppliers and employees	(91,188)	(94,447)
Compensation paid to tax consolidated parent entity	(20,725)	(12,832)
Net cash inflow from operating activities	19 <u>50,294</u>	<u>30,575</u>
Cash flows from investing activities		
Payments for financial assets at fair value through profit or loss	(15,000)	-
Payments for other financial assets	(5,000)	-
Net cash (outflow) inflow from investing activities	<u>(20,000)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issues of shares	15,000	-
Dividends paid to shareholders	12 <u>(45,294)</u>	<u>(30,575)</u>
Net cash from financing activities	<u>(30,294)</u>	<u>(30,575)</u>
Net increase in cash and cash equivalents	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>-</u>	<u>-</u>

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

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

(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 Private Capital Pty Ltd is a for profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of the QIC Private Capital Pty Ltd 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.

(d) 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.

Revenue for other business activities is recognised on the following basis:

(i) Investment management fees

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

(ii) Performance fees

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

1 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

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

(iii) 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.

(iv) 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 principally acts as agent.

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

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.

In compliance with *AASB 112 Income Taxes* the company 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.

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

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.

No tax assets and tax liabilities have been offset.

(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 stand alone 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.

(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) 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 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 2015 (2014: \$nil).

(f) Investments and other financial assets

The company classifies its investments as financial assets at fair value through profit or loss and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. There are no assets currently classified as held-to-maturity.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated on acquisition. A financial asset is designated if there exists the possibility it will be sold in the short term or the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either cash assets or are expected to be realised within 12 months of the balance date, otherwise they are classified as non-current.

Investment funds were held in the QIC Cash Enhanced Fund during the financial year. The QIC Cash Enhanced Fund invests in short term cash and fixed interest securities, which it records on a fair value basis. The annualised rate of return on the investment in the QIC Cash Enhanced Fund was 2.94% (2014: N/A).

1 Summary of significant accounting policies (continued)

(f) Investments and other financial assets (continued)

Investment funds were also held in an escrow account to fund capital calls to the Golden Reef Infrastructure Trust. The Golden Reef Infrastructure Trust invests in infrastructure. The annualised rate of return on the investment in the Golden Reef Infrastructure Trust was 0.0% (2014: N/A). No investments have been purchased by the Golden Reef Infrastructure Trust as at 30 June 2015 and the investments are recorded at amortised cost.

(ii) 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.

(g) 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.

(h) 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.

(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 has 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.

1 Summary of significant accounting policies (continued)

(h) Employee benefit provisions (continued)

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 termination 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.

(i) Contributed equity

Ordinary shares are classified as equity.

(j) 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.

(k) 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.

(l) 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 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. 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.

1 Summary of significant accounting policies (continued)

(I) New accounting standards and interpretations (continued)

(ii) AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 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

- Income taxes
- Revenue
- Provisions

(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) Revenue

Private Equity Funds

A contingent asset has been identified in respect of performance fees receivable at 31 December 2015 (see note 20 Contingencies).

Performance fees are potentially receivable by the company in relation to the Private Equity Funds where certain performance criteria are achieved over a 12 month period ending in December 2015. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 12 month period. Achievement of these targets is influenced by a number of factors over which the company has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors.

The amount of the performance fees cannot be reliably measured. Accordingly no performance fees have been accrued for the period 1 January 2015 to 30 June 2015 by the company.

Performance fee - Other

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

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

2 Critical accounting estimates and judgements (continued)

(a) Significant estimates and judgements (continued)

Unearned revenue - Performance fee clawback

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

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

At 30 June 2014, the company assessed the likelihood of exposure to potential liabilities in relation to performance fee agreements as less probable as no negative performance has been recorded to date under the contracts and a contingent liability identified. A change in accounting estimate has occurred during the current year as the company has developed a methodology to reassess the likelihood of clawback and calculate a reliable measurement. The performance fees subject to clawback are material to net profit and the numbers of contracts containing clawbacks have increased in the current year.

At 30 June 2015, a liability of \$4.9 million is recognised and this change in accounting estimates effects the current period and is expected to have an effect in future periods. At reporting date, based on variables assessed, the estimated performance fee clawback liability may range from \$0.0 million to \$33.0 million.

(iii) Provisions

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

- 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 'policy for '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, performance and other fees	119,197	111,913
Service fees from associated entities	41,433	25,637
Investment Income	127	-
Product administration fees - Investment Trusts	-	79
Other	912	765
	<u>161,669</u>	<u>138,394</u>

4 Income tax

(a) Income tax expense

	2015 \$'000	2014 \$'000
Current tax	19,261	19,311
Deferred Tax	5,522	107
	<u>24,783</u>	<u>19,418</u>

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

	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax expense	82,525	64,712
Tax expense at the Australian tax rate of 30.0% (2014 - 30.0%)	24,758	19,414
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible sundry items	21	-
Non-deductible entertainment	4	4
Income tax expense	<u>24,783</u>	<u>19,418</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 (see note 17(d)).

(d) Non-current assets - Deferred tax assets

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits provided for or payable	8,249	8,462
Sundry items	75	158
Investments	28	-
Accrued expenses	16	16
Depreciation	8	8
	<u>8,376</u>	<u>8,644</u>

(e) Non-current liabilities - Deferred tax liabilities

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Performance fees	7,907	2,653
Prepayments	1	1
	<u>7,908</u>	<u>2,654</u>

5 Current assets - Receivables

	2015 \$'000	2014 \$'000
Trade receivables		
Management, performance and other fees receivable	60,757	41,200
Related party receivables		
Receivable from parent and associated entities	61,101	68,505
Prepayments		
Prepayments	203	321
	<u>122,061</u>	<u>110,026</u>

These are non-interest bearing.

6 Current assets - Financial assets at fair value through profit or loss

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

	2015 \$'000	2014 \$'000
At beginning of year	-	-
Additions (subscriptions)	15,000	-
Revaluation (realised and unrealised)	(94)	-
Distributions reinvested	126	-
At end of year	<u>15,032</u>	<u>-</u>
	2015 \$'000	2014 \$'000
Current assets		
Investment in QIC Cash Enhanced Fund	15,032	-
	<u>15,032</u>	<u>-</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded in the statement of profit or loss and other comprehensive income.

7 Non-current assets - Other financial assets

	2015 \$'000	2014 \$'000
Non-current assets		
Monies held in escrow	5,000	-
	<u>5,000</u>	<u>-</u>

A deposit has been lodged into an escrow bank account for future capital calls in relation to a unit trust investment. This money is restricted for use under the terms of the agreement. No interest was earned on these monies. The company's exposure to liquidity risk is discussed in Note 13

8 Current liabilities - Payables

	2015 \$'000	2014 \$'000
Current liabilities		
Dividends	57,742	45,294
Employee benefits payable	12,300	26,948
Accounts payables	6,319	11,529
Accrued expenses	1,259	444
	<u>77,620</u>	<u>84,215</u>

These are non-interest bearing.

9 Provisions

	2015 \$'000	2014 \$'000
Current liabilities - Provisions		
Employee benefits	<u>15,622</u>	1,850
Non-current liabilities - Provisions		
Employee benefits	<u>8,873</u>	7,919

9 Provisions (continued)

(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 company 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
Amounts not expected to be settled within 12 Months	87	125
	<u>87</u>	<u>125</u>

10 Contributed equity

Share capital	Notes	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares Fully paid		15,000,001	1	15,000	-

11 Retained earnings

Movements in retained earnings were as follows:

	2015 \$'000	2014 \$'000
Balance 1 July	6,062	6,062
Net profit for the year	57,742	45,294
Dividends	(57,742)	(45,294)
Balance 30 June	<u>6,062</u>	<u>6,062</u>

12 Dividends

Ordinary shares	2015 \$'000	2014 \$'000
Final dividend for the year ended 30 June 2015 of 100% (2014: 100%) of operating profit after tax recognised as a payable (note 8)	<u>57,742</u>	<u>45,294</u>

13 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 different types of risk to which it is exposed. For the purposes of financial statements disclosures, these methods include ageing analysis for credit and liquidity risks and sensitivity analysis for price risk.

The responsibility for operational management resides with the company's directors and management and is supported by a central compliance and risk management policy for the company, 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	Assets at FVTPL \$'000	Financial assets at amortised cost \$'000	Total \$'000
Financial assets				
2015				
Trade and other receivables *	5	-	60,757	60,757
Related party receivables	5	-	61,101	61,101
Financial assets at fair value through profit or loss	6	15,032	-	15,032
Other financial assets	7	-	5,000	5,000
		<u>15,032</u>	<u>126,858</u>	<u>141,890</u>
2014				
Trade and other receivables *	5	-	41,200	41,200
Related party receivables	5	-	68,505	68,505
Financial assets at fair value through profit or loss	6	-	-	-
		<u>-</u>	<u>109,705</u>	<u>109,705</u>

* excluding prepayments

	Notes	Liabilities at amortised cost \$'000	Total \$'000
Financial liabilities			
2015			
Payables	8	77,620	77,620
		<u>77,620</u>	<u>77,620</u>
2014			
Payables	8	84,215	84,215
		<u>84,215</u>	<u>84,215</u>

13 Financial risk management (continued)

(a) Market risk

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

(i) Price risk

Exposure

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

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

Sensitivity

A sensitivity analysis was conducted on the impacts of the movements in the unit price of the company's current assets held at fair value profit or loss held at 30 June 2015 with all other variables held constant which indicated that the price risk is not material.

Sensitivity analysis was not conducted for the company's investments in Golden Reef Infrastructure Trust as the investment funds are currently held in an escrow account to fund capital calls. No investments have been purchased by the Golden Reef Infrastructure Trust as at 30 June 2015.

There is no significant price risk in respect of any other financial assets.

(b) Credit risk

(i) Risk management

Credit risk is managed on a company basis. Credit risk arises from deposits with banks, financial assets held at fair value and credit exposures to wholesale investment clients, including outstanding receivables.

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

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 \$141.9 million (2014: \$109.7 million).

(ii) Past due but not impaired

As at 30 June 2015, trade receivables of \$60,757,522 (2014: \$41,200,173) are within trading terms.

13 Financial risk management (continued)

(c) Liquidity risk

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

To ensure that the company has sufficient funds available 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 8 Payables).

(d) Fair value measurements

(i) Fair value hierarchy

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

Fair value measurement as at 30 June 2015	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at fair value through profit or loss					
Unlisted unit trusts	6	-	15,032	-	15,032
Monies held in escrow	7	5,000	-	-	5,000
Total financial assets		<u>5,000</u>	<u>15,032</u>	<u>-</u>	<u>20,032</u>

At 30 June 2014	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at fair value through profit or loss					
Unlisted unit trusts	6	-	-	-	-
Total financial assets		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13 Financial risk management (continued)

(d) Fair value measurements (continued)

There were no transfers between any levels for recurring fair value measurements during the year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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

The company's holding in financial assets held at fair value through profit and loss is limited to units in unit trusts. The fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on observable market data for underlying investments held by the trust. Accordingly, the company classifies financial assets at fair value through profit or loss as level 1 and level 2.

All other financial assets and financial liabilities held by the company are measured at cost, which equates to fair value.

14 Key management personnel disclosures

(a) Directors

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

Director	Position	Term	Expiry date
D R Luke ⁽¹⁾	Chairman (appointed 29 May 2014)	2 years	30 September 2016
B C Bowton ⁽¹⁾	Director (appointed 29 May 2014)	2 years	30 September 2016
A E King ⁽¹⁾	Director (appointed 29 May 2014)	2 years	30 September 2016
P Forbes	Director	Open term	-
P F Young ⁽²⁾	Chairman (resigned 21 November 2013)	4 years	21 November 2013
K D MacDonald ⁽³⁾	Director (resigned 30 September 2013)	2 years	30 September 2013

Notes:

(1) Term of appointment: from 29 May 2014 to 30 September 2016, 2 years, 4 months and 3 days. (2) Term of appointment: from 16 November 2009 to 21 November 2013, 4 years and 6 days. (3) Term of appointment: from 20 January 2012 to 30 September 2013, 1 year, 8 months and 11 days.

14 Key management personnel disclosures (continued)

(b) Remuneration of directors

Directors		Board and Board Committees			Total Directors' fees	Post employment	
Name	Position	QIC Board	Board Committees	Subsidiary Boards		Super	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reporting Period	1 July 2014 - 30 June 2015						
D R Luke ⁽¹⁾	Chairman	-	-	-	-	-	-
B C Bowton ⁽¹⁾	Director	-	-	-	-	-	-
A E King ⁽¹⁾	Director	-	-	-	-	-	-
P Forbes	Director	68	-	-	68	6	74
Total remuneration	1 July 2014 - 30 June 2015	68	-	-	68	6	74
Previous Period	1 July 2013 - 30 June 2014						
D R Luke ⁽¹⁾	Chairman	-	-	-	-	-	-
B C Bowton ⁽¹⁾	Director	-	-	-	-	-	-
A E King ⁽¹⁾	Director	-	-	-	-	-	-
P Forbes	Director	67	-	-	67	6	73
P F Young AM ⁽¹⁾	Chairman	-	-	-	-	-	-
K D MacDonald ⁽¹⁾	Director	-	-	-	-	-	-
Total remuneration	1 July 2013 - 30 June 2014	67	-	-	67	6	73

Notes:

(1) Director fees for P F Young AM, D R Luke, B C Bowton and A E King are paid by the parent entity.

15 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	50,000	50,000
Audit of regulatory returns	4,200	4,000
Total remuneration for audit services	54,200	54,000

16 Contingencies

(a) Trustee obligations

As at 30 June 2015, QIC Private Capital Pty Ltd or its controlled entities were trustee of:

QIC Infrastructure Mandate No. 1 Trust	QIC Infrastructure Mandate No. 1B Trust	QIC Infrastructure Mandate No. 2 Trust
QIC Infrastructure Mandate No. 2B Trust	QIC International Property Fund	QIC PPP Trust
QIC Private Equity Fund No. 1	QIC Private Equity Fund No. 2	QIC Private Equity Fund No.3
QIC Property Fund	QIC Shops at Tanforan Trust	QIC Treasury Infrastructure Fund
QIC US Power Trust No. 1	QIC US Regional Mall Fund No. 1	QS 3 63G Trust
QS Property Trust No.1		

In its capacity as trustee, the company is potentially liable for liabilities of the Trusts. However, under the Trust Deeds, the company is entitled to be indemnified out of the assets of the Trusts against any losses or outgoings sustained in their role as trustee, provided the trustee has acted within the terms of the Trust Deeds. As at 30 June 2015, total assets exceed total liabilities in the trusts.

(b) Financial undertakings

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

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Private Capital Pty Ltd an amount up to \$14.0 million (2014: \$14.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence. Subsequent to end of financial year, the Australian Securities and Investment Commission approved QIC Limited to withdraw and replace the eligible undertaking dated 25 June 2014 with QIC Private Capital Pty Ltd. On 27 July 2015 QIC Limited irrevocably agreed to pay QIC Private Capital Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

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

(c) Contingent assets

Private Equity Funds

A contingent asset has been identified in respect of performance fees receivable at 31 December 2015.

Performance fees are potentially receivable by the company in relation to the Private Equity Funds where certain performance criteria are achieved over a 12 month period ending in December 2015. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 12 month period. Achievement of these targets is influenced by a number of factors over which the company has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors.

The amount of the performance fees cannot be reliably measured. Accordingly no performance fees have been accrued for the period 1 January 2015 to 30 June 2015 by the company.

17 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.

17 Related party transactions (continued)

(b) Other transactions with key management personnel

(i) Directors of QIC Private Capital Pty Ltd

The directors, Mr D R Luke, Mr A E King and Mr P W Forbes are directors of QIC Investments No.1 Pty Ltd. During the year, QIC Private Capital Pty Ltd provided investment management services to QIC Investments No.1 Pty Ltd. These transactions occur at agreed amounts.

The Chairman, Mr D R Luke and directors Mr P W Forbes, Mr A E King and Mr B C Bowton are directors of QIC Retail Pty Ltd. During the year, QIC Private Capital Pty Ltd provided investment management services to QIC Retail Pty Ltd. These transactions occur at agreed rates.

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.

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

(c) Transactions with other related parties

The following transactions occurred with related parties:

	2015 \$'000	2014 \$'000
Sales of goods and services		
Service and administration fees from associated entities	41,433	25,637
Performance fees - Queensland Treasury Corporation	33,225	23,874
Performance fee rebate - Queensland Treasury Corporation	(5,462)	(4,884)
Investment management and performance fees - Queensland Motorways Limited	-	6,207

The company provides investment and administrative services to the parent and subsidiaries (associates) in the group and to entities controlled by the Queensland Government. Including the fees above to Queensland Treasury Corporation, the investment management, performance and administration services provided to State of Queensland entities are collectively significant and amount to \$52.4 million (2014: \$50.7 million) of total revenue (refer note 3).

Purchases of goods and services

Service fees to parent entity and associated entities	27,644	27,693
State of Queensland	1,494	1,349

Tax consolidation legislation

Amounts paid to parent entity under the tax sharing and funding agreement	20,725	12,832
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17 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
<i>Current receivables (sales of goods and services)</i>		
Parent entity and associated entities	61,101	68,505
Queensland Treasury Corporation	34,693	13,235
<i>Current payables (purchases of goods and services)</i>		
Parent entity	14,507	15,970
Queensland Treasury Corporation	5,193	4,884
<i>Current payables (payment of dividends)</i>		
Parent entity	57,742	45,294

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) Investments in QIC

The company holds investments in unit trusts which are managed by the parent. These investments are disclosed in note 6 and associated investment income is disclosed in note 3.

(f) Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, except transactions with parent and associated entities. Loan arrangements between corporate group entities are disclosed in note 16(b). There are no fixed terms for the repayment of loans between entities in the group. The loans are interest free and outstanding balances are unsecured.

18 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 significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

19 Cash flow information

	2015 \$'000	2014 \$'000
Profit for the period	57,742	45,294
Distributions re-invested	(126)	-
Realised and unrealised gain	94	-
Change in operating assets and liabilities:		
Net change in receivables	(12,035)	(25,663)
Net change in deferred income	4,877	-
Net change in deferred tax assets	268	(2,547)
Net change in payables	(19,043)	8,541
Net change in current tax liabilities	(1,463)	6,478
Net change in deferred tax liabilities	5,254	2,654
Net change in provisions	14,726	(4,182)
Net cash inflow from operating activities	<u>50,294</u>	<u>30,575</u>

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 31 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.



Mr D R Luke
Chairman

Brisbane
25 August 2015

INDEPENDENT AUDITOR'S REPORT

To the members of QIC Private Capital Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of QIC Private Capital Pty Ltd, 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 and 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 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 entity'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 entity'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 only be removed 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 Private Capital 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 Private Capital 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 *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