

QIC Private Capital Pty Ltd

ABN 83 076 279 528

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 Private Capital 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 unless stated otherwise:

Mr D R Luke
Mr B C Bowton
Mr A E King
Mr P Forbes
Mr J C Battams (appointed: 6 April 2016)
Mr S J P Dunne (appointed: 27 June 2016)

Principal activities

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

Dividends - QIC Private Capital Pty Ltd

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

	2016 \$'000	2015 \$'000
Dividends provided for and declared	<u>56,640</u>	<u>57,742</u>

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$56.6 million (2015: \$57.7 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.

QIC Private Capital Pty Ltd transferred custody and safekeeping services from NAB Asset Servicing (NAS) to Northern Trust (NT) on 1 July 2015.

On 28 July 2015 QIC Limited withdrew and replaced the eligible undertaking dated 25 June 2014 with the company. QIC Limited irrevocably agreed to pay the company an amount up to \$3.0 million (2015: \$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, the company agrees to pay or receive from QIC Retail Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

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

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.



Mr D R Luke
Chairman

Brisbane
25 August 2016

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 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 Private Capital Pty Ltd ABN 83 076 279 528
Annual financial statements - 30 June 2016

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QIC Private Capital 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	177,355	161,669
Total revenue and other income		177,355	161,669
Employee benefits expense		44,950	43,463
Service fees		43,873	27,644
Professional services		4,064	4,693
Travel		1,498	1,591
Staff development and recruitment		408	268
Fair value loss on financial assets at fair value through profit and loss		218	94
Product and mandate services		182	316
Information and research services		177	123
Communication expenses		156	137
Computer operating costs		140	128
Other lease costs		63	56
Auditors' remuneration	F2	57	54
Insurance		4	4
Other expenses		671	573
Total expenses		96,461	79,144
Profit before income tax		80,894	82,525
Income tax expense	B2	24,254	24,783
Profit after income tax		56,640	57,742
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		56,640	57,742

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 9 to 27.

QIC Private Capital Pty Ltd
Statement of financial position
As at 30 June 2016

Statement of financial position

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Receivables	C3	105,629	121,858
Financial assets at fair value through profit or loss	C4	26,444	15,032
Prepayments		224	203
Total current assets		132,297	137,093
Non-current assets			
Financial assets at fair value through profit and loss	C4	11,615	-
Deferred tax assets	B2	14,840	468
Other financial assets	C5	5,071	5,000
Total non-current assets		31,526	5,468
Total assets		163,823	142,561
LIABILITIES			
Current liabilities			
Payables	C6	10,023	7,586
Income tax payable	B2	30,296	14,507
Dividends	E2	56,640	57,742
Employee benefits	D1	30,392	27,914
Deferred revenue	B1	5,573	4,877
Total current liabilities		132,924	112,626
Non-current liabilities			
Employee benefits	D1	9,837	8,873
Total non-current liabilities		9,837	8,873
Total liabilities		142,761	121,499
Net assets		21,062	21,062
EQUITY			
Contributed equity	E1	15,000	15,000
Retained earnings	E3	6,062	6,062
Equity attributable to owners of QIC Private Capital Pty Ltd		21,062	21,062
Total equity		21,062	21,062

The above statement of financial position should be read in conjunction with the accompanying notes on pages 9 to 27.

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

Statement of changes in equity

	Notes	Attributable to owners of QIC Private Capital Pty Ltd		Total equity \$'000
		Contributed equity \$'000	Retained earnings \$'000	
Balance at 1 July 2014		-	6,062	6,062
Profit after income tax		-	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:				
Dividends provided for or paid	E2	-	(57,742)	(57,742)
Issue of ordinary shares	E1	15,000	-	15,000
Balance at 30 June 2015		15,000	6,062	21,062
Balance at 1 July 2015		15,000	6,062	21,062
Profit after income tax		-	56,640	56,640
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	56,640	56,640
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	E2	-	(56,640)	(56,640)
Balance at 30 June 2016		15,000	6,062	21,062

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 9 to 27.

QIC Private Capital Pty Ltd
Statement of cash flows
For the year ended 30 June 2016

Statement of cash flows

	2016 \$'000	2015 \$'000
Notes		
Cash flows from operating activities		
Receipts from customers	212,571	162,207
Payments to suppliers and employees	(109,127)	(91,189)
Compensation paid to tax consolidated parent entity	(22,836)	(20,725)
Distributions received	362	127
Fair value gains (losses) on cash and cash equivalents	(85)	(94)
Net cash provided by operating activities	C2 <u>80,885</u>	<u>50,326</u>
Cash flows from investing activities		
Payments for financial assets at fair value through profit or loss	(11,938)	-
Payments for other financial assets	(71)	(5,000)
Proceeds from sale of financial assets at fair value through profit or loss	191	-
Investment income received	87	-
Net cash used in investing activities	<u>(11,731)</u>	<u>(5,000)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	E1 -	15,000
Dividends paid to shareholders	E2 <u>(57,742)</u>	<u>(45,294)</u>
Net cash used in financing activities	<u>(57,742)</u>	<u>(30,294)</u>
Net increase in cash and cash equivalents	11,412	15,032
Cash and cash equivalents at the beginning of the financial year	15,032	-
Cash and cash equivalents at end of year	C1 <u>26,444</u>	<u>15,032</u>

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 9 to 27.

A BASIS OF PREPARATION

A1 Reporting entity

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

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

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

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

A2 Basis of accounting and measurement

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the provisions of the *Corporations Act 2001*. 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).

The financial statements have been prepared under the historical cost convention, except for financial assets valued at fair value through profit and loss.

The financial statements were authorised for issue by the directors on 25 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
Revenue recognition	B1	11
Income taxes	B2	14
Employee benefits	D1	21

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
From continuing operations		
Management, performance and other fees	123,822	119,197
Service fees from associated entities	51,999	41,433
Distribution income	362	127
Product administration fees - related parties	241	-
Interest income	93	-
Other revenue	838	912
Total revenue from continuing operations	177,355	161,669

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, performance and other fees

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

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

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

(ii) Product administration fees - Related parties

Product administration fees are recognised on an accruals basis at agreed amounts, net of the amounts of goods and services tax payable.

(iii) Distribution income

Distributions are recognised on an entitlements basis. Further details on the investments from which distribution income has been derived are disclosed in Note C4.

(iv) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue (continued)

Recognition and measurement (continued)

(v) Other revenue

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

(vi) 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 revenue and expenses in relation to product and client related costs where the company principally acts as agent.

Key estimates and judgements

(i) Performance fees – contingent asset

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

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved over the performance periods for some performance fee arrangements. Achievement of these targets is influenced by a number of factors over which the company has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors. Revenue is not recognised where the performance criteria is subject to uncertain future events outside the control of the company. Where the achievement of criteria is uncertain a contingent asset is recognised.

While the achievement of criteria is uncertain, management's judgement is that an inflow of economic benefits is probable, and a contingent asset exists. However, due to the significant degree of uncertainty, at 30 June 2016 it is not practicable to estimate the financial effect of the contingent asset.

(ii) Performance fees – deferred revenue

Performance fee clawbacks are potentially payable on a number of performance fee agreements. A clawback is payable where performance of a product falls below 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 has been assessed under a consistent methodology with inputs relative to the individual client contracts.

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

At 30 June 2016, a liability of \$5.6 million (2015: \$4.9 million) is recognised as unearned revenue. At reporting date, based on variables assessed, the potential performance fee clawback liability may range from nil to \$44.7 million.

B PERFORMANCE FOR THE YEAR (continued)

B2 Taxation

(i) Reconciliation of income tax expense

	2016 \$'000	2015 \$'000
Profit before income tax	80,894	82,525
Tax expense at the Australian tax rate of 30.0% (2015: 30.0%)	24,268	24,758
Non-assessable entertainment	5	4
Non-deductible sundry items	(10)	21
Tax offset for franked dividends and foreign income	(9)	-
Income tax expense	24,254	24,783
Current tax	38,328	19,261
Deferred tax	(14,471)	5,522
Adjustments for current tax of prior periods	397	-
	24,254	24,783

(ii) Movement in deferred tax balances

2016 \$'000	Net balance at 1 July	Charged to P&L	Inter-entity transfer	Net balance at 30 June	DTA	DTL
Employee benefits	8,249	3,693	-	11,942	11,942	-
Other	118	15	(99)	34	95	(61)
Property, plant and equipment	8	-	-	8	8	-
Performance fees	(7,907)	10,763	-	2,856	2,856	-
Tax assets / (liabilities) before set-off	468	14,471	(99)	14,840	14,901	(61)
Set-off DTL against DTA	-	-	-	-	(61)	61
Net tax assets	468	14,471	(99)	14,840	14,840	-
2015 \$'000	Net balance at 1 July	Charged to P&L	Inter-entity transfer	Net balance at 30 June	DTA	DTL
Employee benefits	8,462	(213)	-	8,249	8,249	-
Other	173	(55)	-	118	118	-
Property, plant and equipment	8	-	-	8	8	-
Performance fees	(2,653)	(5,254)	-	(7,907)	-	(7,907)
Tax assets / (liabilities) before set-off	5,990	(5,522)	-	468	8,375	(7,907)
Set-off DTL against DTA	-	-	-	-	(7,907)	7,907
Net tax assets	5,990	(5,522)	-	468	468	-

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*, 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

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

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.

B PERFORMANCE FOR THE YEAR (continued)

B2 Taxation (continued)

Recognition and measurement (continued)

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.

(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 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.

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

The amount of cash shown in the statement of cash flows at the end of the financial year is as follows:

	Notes	2016 \$'000	2015 \$'000
Investment in QIC Cash Enhanced Fund	C4	26,444	15,032
Balances per statement of cash flows		<u>26,444</u>	<u>15,032</u>

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. Cash and cash equivalents include balances in relation to investments in the QIC Cash Enhanced Fund. These investments are readily able to be converted to cash on call and are highly liquid.

C ASSETS AND LIABILITIES (continued)

C1 Cash and cash equivalents (continued)

Recognition and measurement (continued)

(ii) Fair value

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

C2 Reconciliation of cash flow from operating activities

	2016 \$'000	2015 \$'000
Profit after income tax	56,640	57,742
Investment income reinvested	(93)	-
Fair value loss on financial assets at fair value through profit or loss	133	-
Change in operating assets and liabilities:		
Net change in receivables	16,234	(12,035)
Net change in prepayments	(21)	-
Net change in deferred tax assets	(14,372)	5,522
Net change in payables	2,437	(4,398)
Net change in employee benefits	3,442	81
Net change in current tax liabilities	15,789	(1,463)
Net change in deferred income	696	4,877
Net cash provided by operating activities	<u>80,885</u>	<u>50,326</u>

C3 Receivables

	2016 \$'000	2015 \$'000
Receivable from parent and other related parties	58,661	61,101
Management, performance and other fees receivable	46,968	60,757
	<u>105,629</u>	<u>121,858</u>

(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).

As at 30 June 2016, trade receivables of \$47.0 million (2015: \$60.8 million) are within trading terms.

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

C ASSETS AND LIABILITIES (continued)

C4 Financial assets at fair value through profit or loss

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

2016 \$'000	QIC Cash Enhanced Fund	QIC Global Infrastructure Fund	QIC Direct Opportunities Fund	Other investments - QIC products	Total financial assets at FVTPL
Carrying amount	15,032	-	-	-	15,032
Revaluations	(86)	(107)	(19)	(6)	(218)
Distributions reinvested	362	-	-	-	362
Subscriptions	21,000	8,722	3,210	6	32,938
Redemptions	(9,864)	-	(191)	-	(10,055)
Carrying amount as at 30 June 2016	26,444	8,615	3,000	-	38,059
Current financial assets at FVTPL	26,444	-	-	-	26,444
Non-current financial assets at FVTPL	-	8,615	3,000	-	11,615

2015 \$'000	QIC Cash Enhanced Fund	QIC Global Infrastructure Fund	QIC Direct Opportunities Fund	Other investments - QIC products	Total financial assets at FVTPL
Carrying amount	-	-	-	-	-
Revaluations	(94)	-	-	-	(94)
Distributions reinvested	126	-	-	-	126
Subscriptions	15,000	-	-	-	15,000
Carrying amount as at 30 June 2015	15,032	-	-	-	15,032
Current financial assets at FVTPL	15,032	-	-	-	15,032
Non-current financial assets at FVTPL	-	-	-	-	-

(i) Revaluations both realised and unrealised

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

Recognition and measurement

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated on acquisition. A financial asset is designated if 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.

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

C ASSETS AND LIABILITIES (continued)

C5 Other financial assets

	2016 \$'000	2015 \$'000
Non-current assets		
Monies held in escrow	5,071	5,000

Investment funds were also held in an escrow account to fund capital calls to the Golden Reef Infrastructure Trust. This money is restricted for use under the terms of the agreement.

C6 Payables

	2016 \$'000	2015 \$'000
Trade and other payables		
Accounts payable	8,564	6,327
Accrued expenses	1,459	1,259
	<u>10,023</u>	<u>7,586</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.

C7 Contingencies

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

(i) Trustee obligations

As at 30 June 2016, QIC Private Capital Pty Ltd was trustee of 18 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trusts. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trusts against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deeds. As at 30 June 2016, total assets exceed total liabilities in the trusts.

(ii) Financial undertakings

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

In accordance with an eligible undertaking dated 28 July 2015, QIC Limited irrevocably agrees to pay the company an amount up to \$3.0 million (2015: \$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, the company agrees to pay or receive from QIC Retail Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand.

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

C ASSETS AND LIABILITIES (continued)

C8 Financial risk management

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

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

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

(a) Market risk

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

(i) Price risk

Exposure

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

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

Sensitivity

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

	Impact on post-tax profit	
	2016 \$'000	2015 \$'000
QIC Direct Opportunities Fund - increase 18% (2015: N/A)	555	-
QIC Direct Opportunities Fund - decrease 18% (2015: N/A)	(555)	-
QIC Global Infrastructure Fund - increase 10% (2015: N/A)	862	-
QIC Global Infrastructure Fund - decrease 10% (2015: N/A)	(862)	-

A sensitivity analysis was conducted on the impact of a movement in the unit price of the company's investments in current financial assets at FVTPL held at 30 June 2016 (and in the prior year), 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 2016.

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

C ASSETS AND LIABILITIES (continued)

C8 Financial risk management (continued)

(b) Credit risk

(i) Risk management

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, deposits with banks and credit exposures to 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 \$148.8 million (2015: \$141.9 million).

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.

(c) Liquidity risk

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

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

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

(d) Fair value measurements

(i) Fair value hierarchy

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

Fair value measurements At 30 June 2016	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C4	-	38,059	-	38,059
Monies held in escrow account	C5	5,071	-	-	5,071
Total financial assets		5,071	38,059	-	43,130

Fair value measurements At 30 June 2015	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C4	-	15,032	-	15,032
Monies held in escrow account	C5	5,000	-	-	5,000
Total financial assets		5,000	15,032	-	20,032

The company has nil financial liabilities measured at fair value both for the current and prior financial year.

C ASSETS AND LIABILITIES (continued)

C8 Financial risk management (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.

All other 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
Payables	14,349	12,100
Provisions	16,043	15,814
Total current employee benefits	30,392	27,914
Provisions	9,837	8,873
Total non-current employee benefits	9,837	8,873

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.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D1 Employee benefits (continued)

Recognition and measurement (continued)

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.

Key estimates and judgements

(i) Annual leave and long service leave

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

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

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

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D1 Employee benefits (continued)

Key estimates and judgements (continued)

(ii) At-risk performance, attraction and retention

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

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

D2 Key management personnel

(i) Directors

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

Director	Position	Term	Expiry date
D R Luke ⁽¹⁾	Chairman (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
J Battams ⁽²⁾	Director (appointed 6 April 2016)	2 years	30 September 2018
S J P Dunne ⁽³⁾	Director (appointed 27 June 2016)	2 years	30 September 2018
P Forbes	Director	Open term	-

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

(ii) Remuneration of directors

Directors		Board of Board Committees			Short-term employee benefits	Post-Employment	
		QPC	Board Committees	Subsidiary boards	Total	Super	Total
Name	Position	\$	\$	\$	\$	\$	\$
Reporting Period		1 July 2015 - 30 June 2016					
Mr D R Luke ⁽¹⁾	Chairman	-	-	-	-	-	-
B C Bowton ⁽¹⁾	Director	-	-	-	-	-	-
A E King ⁽¹⁾	Director	-	-	-	-	-	-
J C Battams ⁽¹⁾	Director	-	-	-	-	-	-
S J P Dunne ⁽¹⁾	Director	-	-	-	-	-	-
P Forbes ⁽¹⁾	Director	67,911	-	-	67,911	6,452	74,363
Total remuneration		67,911	-	-	67,911	6,452	74,363
Previous Period		1 July 2014 - 30 June 2015					
Mr D R Luke ⁽¹⁾	Chairman	-	-	-	-	-	-
B C Bowton ⁽¹⁾	Director	-	-	-	-	-	-
A E King ⁽¹⁾	Director	-	-	-	-	-	-
P Forbes ⁽¹⁾	Director	67,652	-	-	67,652	6,427	74,079
Total remuneration		67,652	-	-	67,652	6,427	74,079

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

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D3 Related party information

(i) Parent entity

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

(ii) Transactions with key management personnel

Directors of QIC Private Capital Pty Ltd

The Chairman, Mr D R Luke and directors 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 A E King, Mr P W Forbes 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 amounts.

The Chairman, Mr D R Luke and directors Mr P W Forbes and Mr B C Bowton are directors of QIC Infrastructure Management No. 2 Pty Ltd. During the year, QIC Private Capital Pty Ltd provided investment management services to QIC Infrastructure Management No. 2 Pty Ltd. These transactions occur at agreed amounts.

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

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

(iii) Transactions with other related parties

The following transactions occurred with related parties:

2016 \$	State of Queensland	QTC	Parent and other related parties
Investment management, performance and other fees	1,500,142	58,867	-
Service and administration fee income	-	-	51,998,953
Service and administration fee expense	-	-	43,872,537
Purchase of goods and services	1,466,416	219,495	-
Purchase of financial assets at FVTPL	-	-	1,927,943
Payment of income tax	-	-	22,836,366
Payment of dividends	-	-	57,741,813
Current receivables	-	35,190,342	58,661,469
Current payables	-	5,892,719	-
Income tax payable	-	-	30,296,330
Dividends payable	-	-	56,640,376

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D3 Related party information (continued)

2015 \$	State of Queensland	QTC	Parent and other related parties
Investment management, performance and other fees	1,567,661	50,870,947	-
Service and administration fee income	-	-	41,432,610
Service and administration fee expense	-	-	27,644,139
Purchase of goods and services	1,494,458	-	-
Payment of income tax	-	-	20,724,762
Payment of dividends	-	-	45,294,280
Current receivables	-	34,693,256	61,101,009
Current payables	-	5,193,191	-
Income tax payable	-	-	14,507
Dividends payable	-	-	57,742

(iv) Terms and conditions

There are no fixed terms for the repayment of loans between entities in 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	<u>15,000,001</u>	15,000,001	<u>15,000</u>	15,000

(i) Movements in ordinary share capital

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

(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.

E CAPITAL STRUCTURE (continued)

E2 Dividends

(i) Ordinary shares

	2016 \$'000	2015 \$'000
Final dividend for the year ended 30 June 2016 of 100% (2015:100%) of profit after income tax	<u>56,640</u>	<u>57,742</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	6,062	6,062
Profit after income tax	56,640	57,742
Dividends	(56,640)	(57,742)
Balance as at 30 June	<u>6,062</u>	<u>6,062</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 significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

F2 Remuneration of auditors

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

	2016 \$	2015 \$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	50,000	50,000
Audit of regulatory returns	6,500	4,200
Total remuneration for audit services	<u>56,500</u>	<u>54,200</u>

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.

F OTHER (continued)

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.

(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.

F OTHER (continued)

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

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 group 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 27 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.



Mr D R Luke
Chairman

Brisbane
25 August 2016

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 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes 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 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 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