QIC Properties Pty Ltd

ABN 18 075 744 151

Annual financial statements and directors' report for the year ended 30 June 2013

Directors' report

The directors present their report together with the financial report of QIC Properties Pty Ltd (the 'company'), for the year ended 30 June 2013.

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

C M Blake
M P Griffin

D J Frawley was appointed as a director on 2 July 2012 and continues in office at the date of this report.

S J Leigh was appointed as a director on 1 August 2012 and continues in office at the date of this report.

D W E Harvey was a director from the beginning of the financial year until his resignation on 31 July 2012.

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

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

	2013 $'000	2012 $'000
Dividends provided for and declared	**5,661**	5,423

Review of operations
The profit for the company, after related income tax expense, amounts to $5.6 million (2012: $5.4 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:

Effective 2 July 2012 D J Frawley was appointed as Chief Executive of the parent, QIC Limited.

Matters subsequent to the end of the financial year
On 1 July 2013 a number of the company's finance and legal employees transferred to the parent entity. The financial effects of this transaction have not been brought to account at 30 June 2013. The operating results, assets and liabilities of the company will reflect the change from 1 July 2013.

Other than the above no matters or circumstances have arisen since 30 June 2013 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
There are no likely developments or expected results of operations of the company which are likely to materially affect the financial statements for the year ended 30 June 2013.

Company secretary
C G Fitzsimon is the company secretary. She is a Chartered Secretary with over twenty years experience. She is a member of Chartered Secretaries Australia, past Chairman of the Queensland Council of Chartered Secretaries Australia and Member of the Australian Institute of Company Directors.

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

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

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

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission. In accordance with that Class Order, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars.

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

CMBlake

C M Blake
Director

Brisbane
30 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of QIC Properties Pty Ltd

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

Independence Declaration

As lead auditor for the audit of QIC Properties Pty Ltd for the year ended 30 June 2013, 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.

Karen Johnson

QUEENSLAND
2 6 AUG 2013
AUDIT OFFICE

K JOHNSON FCA
Assistant Auditor-General
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

QIC Properties Pty Ltd ABN 18 075 744 151
Annual report - 30 June 2013

Contents

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

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

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

The financial statements were authorised for issue by the directors on 30 August 2013. The directors have the power to amend and reissue the financial statements.

	Notes	**2013 $'000**	2012 $'000
Revenue	3	**56,461**	50,237
Employee benefits expense		**(34,246)**	(29,968)
Service fees		**(10,428)**	(9,437)
Travel		**(1,237)**	(801)
Staff development and recruitment		**(644)**	(678)
Professional services		**(412)**	(315)
Insurance		**(235)**	(222)
Motor vehicle costs		**(178)**	(244)
Communication expenses		**(144)**	(130)
Computer operating costs		**(101)**	(84)
Auditors' remuneration	18	**(44)**	(78)
Tenancy expenses		**(25)**	(25)
Information and research services		**(22)**	(20)
Other expenses		**(644)**	(482)
Expenses		**(48,360)**	(42,484)
Profit before income tax		**8,101**	7,753
Income tax expense	4	**(2,440)**	(2,330)
Total profit for the year		**5,661**	5,423
Other comprehensive income		**-**	-
Total comprehensive income for the year	14(a)	**5,661**	5,423
Total comprehensive income for the year is attributable to:			
Owners of QIC Properties Pty Ltd	14(a)	**5,661**	5,423

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

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

	Notes	**2013 $'000**	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**1**	1
Receivables	6	**21,968**	20,018
Total current assets		**21,969**	20,019
Non-current assets			
Deferred tax assets	7	**4,004**	3,396
Total non-current assets		**4,004**	3,396
Total assets		**25,973**	23,415
LIABILITIES			
Current liabilities			
Payables	8	**13,984**	12,124
Provisions	9	**2,752**	2,834
Current tax liabilities	10	**708**	599
Total current liabilities		**17,444**	15,557
Non-current liabilities			
Deferred tax liabilities	11	**1**	1
Provisions	12	**3,050**	2,379
Total non-current liabilities		**3,051**	2,380
Total liabilities		**20,495**	17,937
Net assets		**5,478**	5,478
EQUITY			
Contributed equity	13	**-**	-
Retained earnings	14(a)	**5,478**	5,478
Equity attributable to owners of QIC Properties Pty Ltd		**5,478**	5,478
Total equity		**5,478**	5,478

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

	Notes	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2011		5,478	5,478
Profit for the year		5,423	5,423
Other comprehensive income		-	-
Total comprehensive income for the year		**5,423**	**5,423**
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	15	(5,423)	(5,423)
Balance at 30 June 2012		**5,478**	**5,478**
Balance at 1 July 2012		5,478	5,478
Profit for the year		5,661	5,661
Other comprehensive income		-	-
Total comprehensive income for the year		**5,661**	**5,661**
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	15	(5,661)	(5,661)
Balance at 30 June 2013		**5,478**	**5,478**

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

	Notes	**2013 $'000**	2012 $'000
Cash flows from operating activities			
Receipts from customers		**53,876**	50,315
Payments to suppliers and employees		**(45,514)**	(40,083)
Compensation paid to tax consolidated parent entity		**(2,939)**	(3,032)
Net cash inflow (outflow) from operating activities	22	**5,423**	7,200
Cash flows from investing activities			
Net cash inflow (outflow) from investing activities		**-**	-
Cash flows from financing activities			
Dividends paid to shareholders	15	**(5,423)**	(7,200)
Net cash (outflow) from financing activities		**(5,423)**	(7,200)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the financial year		**1**	1
Cash and cash equivalents at end of year	5	**1**	1

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the provisions of the *Government Owned Corporations Act 1993* and the *Corporations Act 2001*. QIC Properties Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

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

(ii) Change in accounting policy
The company has elected to apply AASB 1053 *Application of Tiers of Australian Accounting Standards* following directors approval to change the accounting framework from special purpose financial statements to tier one general purpose financial statements.

This resulting change in accounting policy has resulted in the following additional disclosures and accounting standards being applied retrospectively.

• AASB 7 Financial Instruments: Disclosures
• AASB 117 Leases Disclosures
• AASB 124 Related Party Disclosures
• AASB 137 Provisions, Contingent Liabilities and Contingent Assets

All recognition and measurement principles of the Australian Accounting Standards had been previously applied in the preparation of the prior year special purpose financial report and therefore there has been no change required to prior year comparative balances.

(iii) New and amended standards adopted by the company
As stated above the company has elected to apply AASB 1053 *Application of Tiers of Australian Accounting Standards* , the adoption of these Standards has resulted in additional disclosure in respect of provisions, contingencies, related parties and financial instruments.

In addition, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has no material impact on the company.

(iv) Historical cost convention
These financial statements have been prepared under the historical cost convention.

(v) 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.

1 Summary of significant accounting policies (continued)

(b) Revenue recognition

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

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

(i) Investment management fees
Management fees are recognised on an accruals basis as set out in relevant client agreements, net of the amounts of goods and services tax payable.

(c) Goods and Services Tax (GST)

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

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

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

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

(d) Income tax

(i) Income tax equivalents
As a State trading body under the *Income Tax Assessment Act 1997*, the company is exempt from the Commonwealth income tax. However, pursuant to the *Government Owned Corporations Act 1993* and the National Tax Equivalents Regime, the company is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

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

In compliance with *AASB112 Income Taxes* uses a 'Balance Sheet approach' for calculating income tax balances. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The differences are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

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

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

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

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

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

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

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

(e) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of the reporting period.

(f) 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.

(g) 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 2013 (2012: $nil).

(h) Investments and other financial assets

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

(i) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non current assets. Loans and receivables are included in receivables in the statement of financial position.

(i) 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.

1 Summary of significant accounting policies (continued)

(j) 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.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation at the balance date. The discount rates used to determine the present value are the rates attaching to Commonwealth Government securities at balance date.

(k) Employee benefits

(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, annual leave and redundancies is measured at the amount expected to be paid when settled and, is included in employee benefits payable. The liability is classified as either short-term or long-term obligations depending on when it is expected to be settled.

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

(ii) Long-term obligations
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. Provisions for employee benefits which are not expected to be settled within 12 months are discounted using the rates attaching to Commonwealth Government securities 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.

(iii) Retirement benefit obligations
The company contributes to superannuation funds for the purpose of providing benefits for employees and their dependents on retirement, disability or death. Contributions are charged as expenses when incurred.

In relation to contributions to the QSuper defined benefit plan, employer contributions for superannuation are as determined by the Treasurer on the advice of the State Actuary. No liability is shown for superannuation benefits in the statement of financial position, as the liability is held on a Whole of Government basis and reported in the Whole of Government financial statements prepared in accordance with *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

(l) Contributed equity

Ordinary shares are classified as equity.

(m) 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.

1 Summary of significant accounting policies (continued)

(n) 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.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 addresses the classification and measurement of financial assets and is unlikely to affect the company's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The company does not expect that any adjustments will be necessary as a result of apply the revised rules.

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.

(i) Income taxes
The company is subject to the National Tax Equivalents Regime in Australia and income taxes in other jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company estimates its tax liabilities based on management's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(ii) Provisions
Provisions are held in respect of a range of obligations, including employee entitlements. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows.

3 Revenue

	2013 $'000	2012 $'000
From continuing operations		
Management and other fee	**46,491**	40,661
Service fees from associated entities	**5,662**	5,662
Administration fees	**4,308**	3,808
Other	**-**	106
	56,461	50,237

4 Income tax expense

(a) Income tax expense

	2013 $'000	2012 $'000
Current tax	**3,048**	2,816
Deferred tax	**(608)**	(486)
	2,440	2,330
Income tax expense is attributable to:		
Profit from continuing operations	**2,440**	2,330

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

	2013 $'000	2012 $'000
Profit from continuing activities before income tax expense	**8,101**	7,753
Tax expense at the Australian tax rate of 30% (2012 - 30%)	**2,430**	2,326
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	**11**	7
Non-assessable sundry items	**(1)**	(3)
Income tax expense	**2,440**	2,330

4 Income tax expense (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.

5 Current assets - Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank and in hand	**1**	1

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

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

	2013 $'000	2012 $'000
Cash and cash equivalents	**1**	1
Balances per statement of cash flows	**1**	1

(b) Fair value

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

6 Current assets - Receivables

	2013 $'000	2012 $'000
Trade receivables		
Management, performance and other fees receivable	**430**	910
Other	**56**	5
	486	915
Net related party receivables		
Receivable from parent entity	**21,427**	19,094
Prepayments		
Prepayments	**55**	9
	21,968	20,018

These are non-interest bearing.

7 Non-current assets - Deferred tax assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Employee benefits provided for or payable	**3,975**	3,313
Accrued expenses	**13**	66
Depreciation and amortisation	**15**	16
Sundry items	**1**	1
	4,004	3,396

8 Current liabilities - Payables

	2013 $'000	2012 $'000
Employee benefits payable	**7,557**	5,841
Dividends payable	**5,661**	5,423
Accounts payables	**567**	464
Accrued expenses	**199**	396
	13,984	12,124

These are non-interest bearing.

9 Current liabilities - Provisions

	2013 **$'000**	2012 $'000
Employee benefits	**2,752**	2,834

(a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

2013	**Total** **$'000**
Carrying amount at the start of the year	2,834
Additional provisions recognised	1,911
Amounts used during the year	(2,323)
Amounts moved from non-current	386
Amounts transferred from/ (to) related parties	(56)
Carrying amount at end of year	2,752

2012	**Total** **$'000**
Carrying amount at the start of the year	2,587
Additional provisions recognised	1,678
Amounts used during the year	(1,903)
Amounts moved from non-current	482
Amounts transferred from/ (to) related parties	(10)
Carrying amount at end of year	2,834

(b) 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. 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 leave or require payment within the next 12 months. The current provision amount reflects leave that is expected to be taken or paid within the next 12 months.

	2013 **$'000**	2012 $'000
Leave obligations expected to be settled after 12 months	**161**	201

10 Current liabilities - Current tax liabilities

	2013 $'000	2012 $'000
Tax related amounts payable to parent entity	**708**	599

11 Non-current liabilities - Deferred tax liabilities

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Prepayments	**1**	1
	1	1

12 Non-current liabilities - Provisions

	2013 $'000	2012 $'000
Employee benefits	**3,050**	2,379

The non-current provision includes the net present value of long service leave conditional entitlements where employees have not yet completed the required service period.

(a) Movements in provisions

Movements in each class of provision during the financial year are set out below:

2013	**Total $'000**
Carrying amount at start of year	2,379
Additional provisions recognised	1,547
Amounts moved to current	(791)
Amounts transferred from/ (to) related parties	(85)
Carrying amount at end of year	3,050

2012	**Total $'000**
Carrying amount at start of year	1,610
Amounts used during the period	(79)
Additional provisions recognised	1,451
Amounts moved to current	(603)
Carrying amount at end of year	2,379

The non current provision for employee benefits reflects the net present value of long service leave conditional entitlements where employees have not yet completed the required service period.

13 Contributed equity

(a) Share capital

	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Ordinary shares				
Fully paid	**1**	1	**-**	-

Ordinary shares are fully paid to $1.00.

14 Retained earnings

(a) Retained earnings

Movements in retained earnings were as follows:

	2013 $'000	2012 $'000
Balance 1 July	**5,478**	5,478
Net profit for the year	**5,661**	5,423
Dividends	**(5,661)**	(5,423)
Balance 30 June	**5,478**	5,478

15 Dividends

(a) Ordinary shares

	2013 $'000	2012 $'000
Final dividend for the year ended 30 June 2013 being 100% (2012: 100%) of operating profit after tax recognised as a payable (note 8)	**5,661**	5,423

16 Financial risk management

The company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The company's financial risk management activities focus on minimising potential adverse effects of financial risks on the financial performance of the company.

The company uses different methods to measure the different types of financial risk to which it is exposed. For the purposes of financial statements disclosures, these methods include ageing analysis for credit and liquidity risks.

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

16 Financial risk management (continued)

The company holds the following financial instruments:

	2013 $'000	2012 $'000
Financial assets		
Net trade receivables	**486**	915
Net related party receivables	**21,427**	19,094
	21,913	20,009
Financial liabilities		
Payables	**13,984**	12,124

(a) Credit risk

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

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

		Days overdue		
	Within trading terms $'000	31 - 60 $'000	61 - 90 $'000	Over 90 $'000
2013	486	-	-	-
2012	915	-	-	-

No collateral is held over these balances. The company has not provided against overdue balances as there has not been a significant change in credit quality and these amounts are still considered recoverable. There is no credit risk for receivables from related parties.

(b) Liquidity risk

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

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

The following table details the company's and parent entity's remaining contractual maturity for its financial liabilities, on an undiscounted basis.

	2013			2012		
	Less than 1 year $'000	**> 1 year $'000**	**Total $'000**	Less than 1 year $'000	>1 year $'000	Total $'000
Payables	13,984	-	**13,984**	12,124	-	12,124

16 Financial risk management (continued)

(c) Fair value measurements

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

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

17 Key management personnel disclosures

(a) Directors

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

Director	Position	Term	Expiry date
S J Leigh	Chairman - non-executive (appointed 01 August 2012)	Open term	
C M Blake	Non-executive director	Open term	
M P Griffin	Non-executive director	Open term	
D J Fawley	Non-executive director (appointed 02 July 2012)	Open term	
D W E Harvey	Director (resigned 31 July 2012)	Open term	31 July 2012

(b) Remuneration of directors

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

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

18 Remuneration of auditors

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

	2013 **$**	2012 $
Queensland Audit Office		
Audit and review of financial reports	**43,500**	77,586
Total remuneration for audit services	**43,500**	77,586

Audit fees for 2012 included payments for primary trust and central marketing fund audits which were paid by the trusts in 2013.

19 Contingencies

(a) Financial undertakings

The eligible undertaking dated 27 February 2006 to QIC Limited was formally rescinded effective 28 November 2012. The eligible undertaking required the company to pay an amount up to $5.0 million (in aggregate) on written demand pursuant to an application for an Australian Financial Services Licence. The application did not proceed and there is no requirement for the company to have an eligible undertaking.

20 Related party transactions

(a) Parent entity

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

(b) Other transactions with key management personnel

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

(i) Directors of QIC Properties Pty Ltd
The Chairman, Mr S J Leigh is a director of the Shopping Centre Council of Australia. QIC Properties Pty Ltd has paid membership fees of $53,290 (2012: $53,200) to the Shopping Centre Council of Australia. These transactions occur on normal commercial terms and conditions.

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2013 $'000	30 June 2012 $'000
Sales of goods and services		
Service fees from associated entities - QIC Private Capital Pty Ltd	**5,662**	5,662
Purchases of goods		
Service fees paid to parent entity - QIC Limited	**10,428**	9,437
Tax consolidation legislation		
Amounts payable to parent under the tax sharing and funding agreement	**2,939**	3,032

(d) Outstanding balances

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

20 Related party transactions (continued)

(d) Outstanding balances (continued)

	2013 $'000	2012 $'000
Current receivables (loans)		
Parent entity	**21,427**	19,094
Current payables (tax funding agreement)		
Parent entity	**708**	599
Current payables (payment of dividends)		
Parent entity	**5,661**	5,423

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

(e) Terms and conditions

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

Outstanding balances are unsecured and are repayable in cash.

21 Events occurring after the reporting period

On 1 July 2013 a number of the company's finance and legal employees transferred to the parent entity. The financial effects of this transaction have not been brought to account at 30 June 2013. The operating results, assets and liabilities of the company will reflect the change from 1 July 2013, the financial effects are expected as follows:

	2013 $'000
Current Liabilities	
Employee benefits	**374**
Provisions - employee benefits	**369**
	743
Non current liabilities	
Provisions - employee benefits	**140**
	140

Other than the above 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.

22 Reconciliation of profit after income tax to net cash inflow from operating activities

	2013 $'000	2012 $'000
Profit for the year	**5,661**	5,423
Change in operating assets and liabilities:		
Decrease (increase) in receivables	**(1,950)**	890
Increase in deferred tax assets	**(608)**	(486)
Increase in payables	**1,622**	574
Increase in provisions	**589**	1,016
Increase (decrease) in current tax liabilities	**109**	(217)
Net cash inflow from operating activities	**5,423**	7,200

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 25 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 2013 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.

CMBlake

C M Blake
Director

Brisbane
30 August 2013

Independent auditor's report to the members of QIC Properties Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of QIC Properties Pty Ltd, being a general purpose financial report, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

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

Opinion

In my opinion –

(a) the financial report of QIC Properties Pty Ltd is in accordance with the *Corporations Act 2001*, including –

(i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Other Matters - Electronic Presentation of the Audited Financial Report

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

Karen Johnson

QUEENSLAND
30 AUG 2013
AUDIT OFFICE

K JOHNSON FCA
Assistant Auditor-General
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane