

Annual Report **2015**



Public availability note

This volume, the Annual Report and the Annual Financial Statements (Volume 1) are available from the Office of Marketing and Communications (see inside back cover) or online at www.uq.edu.au/about/annualreport

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Interpreter Service Statement



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Front cover image: The UQ Oral Health Centre is Australia's largest and most advanced tertiary oral health facility, bringing together renowned academics and researchers, leading practitioners and top-tier students who are united by their passion to improve the lives of everyday Australians through better dental care.

ANNUAL FINANCIAL STATEMENTS SUBSIDIARIES

UQ Holdings Pty Ltd	A-1 to A-40
UQH Finance Pty Ltd	B-1 to B-11

UQ Holdings PTY
LTD

ABN 25 056 673 164

UQ HOLDINGS
PTY LTD AND ITS
SUBSIDIARIES

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Directors' Report

The Directors present their report, together with the financial statements of the Group, being UQ Holdings Pty Ltd (the company or parent entity) and its controlled entities for the financial year ended 31 December 2015.

1. General information

Principal activities

The principal activities of the Group during the financial year were:

- (a) investment in companies established to commercialise the intellectual property and facilities of The University of Queensland (UQ);
- (b) management of, adding value to and marketing of intellectual resources and services of UQ on a commercial basis;
- (c) management of sporting and recreational facilities;
- (d) provision of post school educational programs as a pathway to higher education;
- (e) operation of medical centres and related health care services;
- (f) provision of consulting services and the installation and maintenance of products in the resources industry; and
- (g) trusteeship of a charitable foundation, for the benefit of UQ and the community.

No significant change in the nature of these activities occurred during the year.

2. Operating results and review of operations for the year

Operating results

The consolidated result of the Group for the financial year after providing for income tax amounted to a profit of \$22,301 thousand (2014: \$9,258 thousand).

Review of operations

The Group's increase in profit was largely the result of one significant transaction. UniQuest Pty Limited (UniQuest) recognised a gain of \$15,521 thousand on sale of its shares in Spinifex Pharmaceuticals Inc. (Spinifex).

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the year.

Dividends paid or recommended

JK Tech Pty Ltd paid a dividend to The University of Queensland Investment Trust of \$108,813 (2014: nil). No other dividends have been paid or declared since the start of the financial year to members.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental matters

The minerals industry consulting services operation of controlled entity, JKTech Pty Ltd, are regulated by the environmental regulations of the Commonwealth, State and local government. The Directors of that company have advised that, to the best of their knowledge, there have been no significant breaches of environmental regulations related to the operations.

The other operations of the Group are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial period.

Indemnification and insurance of officers and auditors

The Company's Articles of Association provide that the Directors, secretaries and the Auditor General of Queensland shall be indemnified out of the assets of the Group against all costs, losses, expenses or liabilities which arise out of the performance of their normal duties as an officer or auditor of the Group, excluding any liability arising out of conduct involving a lack of good faith or any liability to the Group or any related body corporate.

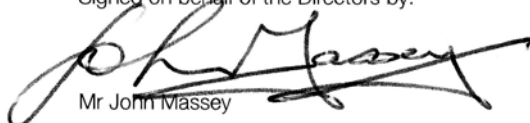
Insurance premiums have been paid, during or since the end of the financial year, for any person who is or has been an officer or auditors of the Group. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* for the year ended 31 December 2015 has been received and can be found on page A-4 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Signed on behalf of the Directors by:



Mr John Massey

19 February 2016

Auditor's Independence Declaration

To the Directors of UQ Holdings Pty Ltd

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the Directors of UQ Holdings Pty Ltd.

Independence Declaration

As the lead auditor for the audit of UQ Holdings Pty Ltd and its subsidiaries for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.



J WELSH FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Consolidated	
	2015	2014
Notes	\$'000	\$'000
Revenue from continuing operations		
Research, consultancy and contracts fees	31,601	37,064
Licence fees and royalties	29,060	22,723
Sport service and retail	8,390	7,839
Medical services	2,393	3,314
Tuition fees	3,623	2,587
Other revenue from continuing operations	6,484	3,330
Forgiveness of debt	240	6,281
Gain on sale of financial assets	15,522	-
Gain on acquisition of investments	-	1,918
Gain on deemed disposal of equity-accounted associates and joint ventures	830	1,269
Other income	655	1,274
Total revenue from continuing operations	98,798	87,599
Commercialisation supplies and services	(37,060)	(38,053)
Employee benefits expense	(24,777)	(26,514)
Patent expenses	(2,018)	(2,041)
Other expenses	(9,909)	(9,603)
Depreciation and amortisation expense	(573)	(897)
Impairment of receivables	(62)	(151)
Impairment of assets	(189)	(232)
Other impairment losses	(85)	(447)
Loss on sale of financial assets	-	(431)
Net fair value loss on financial assets	(23)	(465)
Finance costs	(56)	(85)
Share of net losses of equity-accounted associates and joint ventures	(1,207)	(824)
Total expenses from continuing operations	(75,959)	(79,743)
Profit/(loss) before income tax	22,839	7,856
Income tax expense	2	-
Profit/(loss) from continuing operations	22,809	7,856
Loss from discontinued operations	3	1,402
Profit/(loss) for the year	22,301	9,258
Total comprehensive income/(loss) for the year	22,301	9,258
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	22,441	9,021
Non-controlling interest	(140)	237
Total comprehensive income/(loss) for the year	22,301	9,258

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Consolidated	
		2015	2014
	Notes	\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	32,644	15,516
Trade and other receivables	5	6,342	6,625
Inventories		322	502
Other assets	6	9,385	4,749
TOTAL CURRENT ASSETS		48,693	27,392
NON-CURRENT ASSETS			
Trade and other receivables	5	1,108	1,517
Investments in associates		245	622
Financial assets	7	8,220	6,220
Deferred tax asset		18	-
Property, plant and equipment	8	1,635	2,017
Intangible assets		8	113
TOTAL NON-CURRENT ASSETS		11,234	10,489
TOTAL ASSETS		59,927	37,881
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	17,652	16,756
Borrowings	10	15	374
Current tax liabilities		-	1
Employee benefits	12	2,048	2,233
Other liabilities	11	1,486	1,169
TOTAL CURRENT LIABILITIES		21,201	20,533
NON-CURRENT LIABILITIES			
Borrowings	10	158	1,038
Employee benefits	12	699	675
Other liabilities	11	-	77
TOTAL NON-CURRENT LIABILITIES		857	1,790
TOTAL LIABILITIES		22,058	22,323
NET ASSETS		37,869	15,558
EQUITY			
Issued Capital	13	18,740	18,740
Reserves		-	-
Retained earnings/(accumulated losses)		17,008	(5,433)
Total equity attributable to equity holders of the Company		35,748	13,307
Non-controlling interest		2,121	2,251
TOTAL EQUITY		37,869	15,558

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Consolidated				Total
	Issued Capital	Retained Earnings	Reserves	Non- controlling interests	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2015	18,740	(5,433)	-	2,251	15,558
Total comprehensive income for the year	-	22,441	-	(140)	22,301
Dividend paid to non-controlling interest	-	-	-	(109)	(109)
Non-controlling interests in shares issued by controlled entity	-	-	-	119	119
Balance as at 31 December 2015	18,740	17,008	-	2,121	37,869
Balance as at 1 January 2014	18,740	(14,454)	200	1,849	6,335
Total comprehensive income for the year	-	9,021	-	237	9,258
Non-controlling interests in shares issued by controlled entity	-	-	-	173	173
Disposal of controlled entity	-	-	-	(8)	(8)
Transfers to retained earnings from general reserves	-	-	(200)	-	(200)
Balance as at 31 December 2014	18,740	(5,433)	-	2,251	15,558

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

		Consolidated	
		2015	2014
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		88,773	93,096
Payments to suppliers and employees		(86,331)	(92,991)
Franking credit refunds received		735	-
Income tax paid		(53)	(3)
Interest received		324	380
Net cash provided by/(used in) operating activities	21	<u>3,448</u>	<u>482</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		67	70
Proceeds from sale of other financial assets		16,102	734
Payments for property, plant, equipment and intangibles		(289)	(480)
Payments for other financial assets		(1,592)	(1,265)
Repayments of loans from related entities		-	208
Cash acquired on consolidation		-	278
Net cash (used in)/provided by investing activities		<u>14,288</u>	<u>(455)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of equity instruments		119	166
(Repayments of)/proceeds from loans from related entities		(621)	670
Dividend paid		(109)	-
Repayment of finance lease liabilities		(25)	(101)
Net cash provided by/(used in) financing activities		<u>(636)</u>	<u>735</u>
Effects of exchange rate changes on cash and cash equivalents		<u>28</u>	<u>58</u>
Net increase/(decrease) in cash and cash equivalents held		17,128	820
Cash and cash equivalents at the beginning of financial year		15,516	14,696
Cash and cash equivalents at end of financial year	4	<u>32,644</u>	<u>15,516</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Summary of significant accounting policies

(a) General information

UQ Holdings Pty Ltd (the Company, UQ Holdings or the parent entity) is a not-for-profit company limited by shares, incorporated and domiciled in Australia. The address of its registered office and principal place of business are as follows:

The University of Queensland, St Lucia, QLD, 4072

The entity's principal activities are:

- investment in companies established to commercialise the intellectual property and facilities of The University of Queensland (UQ);
- management of, adding value to and marketing of intellectual resources and services of UQ on a commercial basis;
- management of sporting and recreational facilities;
- provision of post school educational programs as a pathway to higher education;
- operation of medical centres and related health care services;
- provision of consulting services and the installation and maintenance of products in the resources industry; and
- trusteeship of a charitable foundation, for the benefit of the UQ and the community.

The following entities within the UQ Holdings Group are registered as tax-exempt charities with the Australian Charities & Not-for-profits Commission (ACNC):

- UQ Holdings Pty Ltd;
- UniQuest Pty Ltd;
- JKTech Pty Ltd;
- UQ College Limited;
- UQ Health Care Limited;
- Symbiosis Group Pty Ltd; and
- UQH Finance Pty Ltd.

The registration of JKTech Pty Ltd as a tax-exempt charity was approved by the ACNC on 1 September 2015.

During 2015, the ACNC granted approval for the above entities to prepare a single consolidated financial report for 2015 and subsequent years.

(b) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards and Interpretations, and other legislative requirements.

The financial statements comprise the consolidated financial statements of UQ Holdings and its controlled entities.

The financial statements were authorised for issue by the directors on 19 February 2016.

(c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at re-valued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements are presented in Australian dollars rounded to the nearest thousand dollars.

Comparative amounts have been reclassified to conform to current year presentation. The presentation of the financial statements in the current year was reclassified to improve the relevance, consistency and readability of the financial statements. Since the amounts are reclassifications, the changes had no effect on the consolidated Statement of Profit or Loss and Other Comprehensive Income or the consolidated Statement of Financial Position.

Going concern

The ability of the consolidated entity to continue as a going concern is principally dependent upon the continued improvement in operating performance of its subsidiaries in the 2016 reporting period which is supplemented by the continued financial support of UQ, the ultimate parent entity.

In assessing the ability of the consolidated entity to continue as a going concern, the Directors have considered the following:

- UQ has provided a letter of financial support up to \$3,000,000 for JK Tech Pty Ltd.
- UQ has provided a letter of financial support up to \$1,000,000 and a line of credit of \$400,000 to meet operational and working capital needs for UQ Health Care Limited.
- UQ has provided a letter of financial support up to \$500,000 for UQ College Limited.
- UQ has provided a letter of financial support up to \$3,000,000 for UniQuest Pty Ltd. UQ has also provided UniQuest with a loan facility for operational funding of up to \$3,000,000 for the period to 30 November 2016, with annual reviews. At the date of the financial statements the amount drawn from the loan facility is nil.

Accordingly, the Directors are satisfied that the going concern basis of preparation is

appropriate. The financial statements have therefore been prepared on a going concern basis, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The principal accounting policies are set out below.

(d) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intergroup assets and liabilities, equity, income expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the change in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

A detailed list of controlled entities is contained in Note 19 to the financial statements.

(e) Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(f) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Statement of Profit or Loss and Other Comprehensive Income, and Statement of Cash Flows.

(g) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

i. Research, consultancy and contracts fees

Revenue from research, consultancy and contracts fees is recognised when the relevant activity or project is completed to the extent that the client is legally required to pay the Group under the terms of the underlying contract. The associated cost of sale arises from sub-contracts entered into by the Company with The University of Queensland and other parties to provide research and consultancy services. The recognition of cost of sales matches the milestones for recognising revenue. Cost of sales is measured at the contracted value under the terms of the sub-contract.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated revenue is only recognised to the extent of the recoverable costs incurred to date. An expected loss on a contract is recognised immediately in profit or loss.

ii. Licence fees

Revenue is recognised when the company has an absolute entitlement to the licence fee. The associated cost of sale is recognised at the same time as the revenue and is measured in accordance with the Intellectual Property policy of The University of Queensland. In the case of licence fees to start-up licensee companies settled through the issue of shares and other securities the Company recognises the income from those licence fees at an amount that is net of any future disbursements under the splits arrangement.

iii. Royalties

Royalties are recognised on an accrual basis when they become due and payable in accordance with the relevant contract or agreement. An accounting estimate has been made in relation to royalty's receivable up to 31 December on the basis of the latest available, reliable information. The associated cost of sale is recognised at the same time as the royalty revenue and is measured in accordance with the Intellectual Property policy of The University of Queensland.

iv. Sport, tuition and other services

Revenue from the rendering of a service is recognised only when the entity has a right to be compensated, it is probable the compensation will be received, and the amount of the revenue can be reliably measured.

v. Provision of medical services

Revenue from the provision of administrative services to general practitioners is in the form of a management fee payable to the entity in recognition of the services provided to enable the medical practitioner to deliver medical services to their patients. The revenue is recognised when the general practitioners deliver medical services to the patient.

vi. Other revenue from continuing operations

Revenue from the sale of other goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the goods to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Group obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

All revenue received or receivable arose from the operating activities of the UQH Group.

(h) Income Tax

With exception of those tax exempt entities outlined at 1(a), all entities in the Group are taxable entities with the charge for income tax expense based on profit for the year adjusted for any non-assessable or disallowed items. Where income tax is incurred, it is expensed and provided for in the financial period in which the tax is incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Unrecognised deferred income tax assets are reassessed each reporting date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

(i) Goods and Services Tax (GST)

Revenue, 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 Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Foreign currency transactions and balances

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are recorded at the spot rate on the date of the transaction. Foreign currency monetary items are translated using the exchange rate at the end of the reporting period.

Exchange differences arising on the settlement of monetary items are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(k) Provision for dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(l) Critical accounting estimates and judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

These estimates and judgments are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

(i) Key estimates financial assets

As the majority of these assets are not publicly traded, estimates and assumptions are required to determine fair value. Fair value is generally assessed by reference to recent sales of the relevant financial instruments, recent third party investments to the underlying investee companies, or independent valuation.

(ii) Key judgements application of AASB 139: Financial Instruments

The entity has assessed how its financial assets (comprising principally equity in other companies) should be classified and measured by reference to the Standard. The standard requires that professional judgement be used in its application.

(iii) Key estimates accrued royalty income and cost of sales

Accrued royalty income and cost of sales deriving from sales of the human papilloma virus ("HPV") vaccine are based on the anticipated value of HPV royalty income due and payable for the final quarter of the year. The anticipated value is determined by reference to external independent projections for sales of the HPV vaccine in the United States, Australia and five European countries. Where the actual value of royalties received is different to the accounting estimate, the difference is accounted for in the period of receipt.

(iv) Key judgements long service leave

Management judgement is applied in determining the following key assumptions used in the calculation of the liability for long service leave at balance date:

- Future increases in salaries and wages;
- Future on cost rates;
- Experience of employee departures and period of service; and
- Discount rates.

(m) Financial instruments**Recognition and measurement**

Financial assets and financial liabilities are recognised when a group entity becomes

a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at FVTPL;
- available for sale (AFS) financial assets; and
- held to maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in profit or loss in the "finance income or finance costs" line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments. The Company does not necessarily consider the balance to be impaired; however, assessment is made on a case-by-case basis.

Loans to related entities are interest free and as there is no set period for repayment, they are measured at their original value.

Financial assets at FVTPL**Recognition and measurement**

Financial assets at fair value through profit or loss (FVTPL) are designated upon initial recognition when the following characteristics are present: the financial asset is part of a group managed and evaluated on a fair value basis in accordance with a documented investment strategy, and information about the group of financial assets is provided internally on a fair value basis to the group's key management personnel. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets subject to the splits arrangement (see Third party liabilities) are recognised in the Statement of Financial Position at the amount that is net of any future disbursements under the splits arrangement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value, net of any future disbursements under the splits arrangement.

Changes in the fair value of financial assets at fair value through profit or loss are presented in the Statement of Profit or Loss and Other Comprehensive Income within other income or expenses in the period in which they arise. Changes in the fair value of available-for-sale financial assets are recognised in movements in fair value of available-for-sale financial assets in equity.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity.

Investments are classified as held to maturity if it is the intention of the Group's management to hold them until maturity.

Held to maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets or which have been designated in this category. The Group's AFS financial assets comprise listed securities.

All AFS financial assets are measured at fair value, with subsequent changes in value recognised directly in equity. Where the fair value cannot be measured reliably, the asset is measured at cost.

A significant or prolonged decline in value of an AFS asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings (including finance lease liabilities) and trade and other payables, which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(n) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgments that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy:

Level 1 represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

Level 2 represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

More specific fair value information is outlined in Note 23.

(o) Third party disbursements

A key part of the group's business is the licencing of technology to other companies. In settlement of licence fees, the group receives shares and other securities ("underlying investment assets") in those companies.

It is the current policy of The University of Queensland that Net Proceeds of Commercialisation will be disbursed as follows ('splits arrangement'):

- a) One third to the Contributors;
- b) One third to the University Commercialisation Company; and
- c) One third to the relevant faculty or institute of the University.

Net Proceeds of Commercialisation means the cash revenues actually received by the University or a University Commercialisation Company from commercialising the intellectual property, less any expenses and costs relating to the protection, registering, management, marketing, commercialising or enforcing of that intellectual property.

Realisation of an underlying financial asset for cash would give rise to a disbursement in accordance with the splits arrangement identified above.

Where an underlying financial asset is subject to these arrangements, it is recognised in the Statement of Financial Position at the amount that is net of any future disbursements under the splits arrangement i.e. the amount recognised is one third. Note 7 provides more information on the gross fair value of the group's portfolio of financial assets subject to these arrangements, and the third party disbursements which would arise on realisation of those financial assets for cash. Any financial assets which are not subject to the splits arrangement are recognised at their full, 100% fair value.

(p) Cash and cash equivalents

For Statement of Cash Flows and Statement of Financial Position presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less.

(q) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short-term receivable are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss.

Accrued revenue represents revenue earned that has not been billed to the customer. Accrued interest is calculated in accordance with the terms and conditions of investments.

(r) Property, plant and equipment**Acquisition**

A recognition threshold for the Company of \$5,000 (2014: \$5,000) has been determined and only assets above that value have been capitalised. Items of property, plant and equipment are initially recorded at cost and depreciated as outlined in the following paragraphs.

Depreciation

Items of property, plant and equipment are depreciated using the straight line method over their estimated useful lives. The depreciation rates used for each class of asset, for the current and previous years, are as follows:

- Motor vehicles – useful life between 4 and 10 years;
- Plant and equipment – useful life between 3 and 20 years; and
- Buildings – useful life between 10 and 50 years.

Leasehold improvements and leased assets are depreciated over the unexpired period of the lease.

Assets are depreciated from the date of acquisition or, in respect of constructed assets, from the time an asset is completed and held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

its estimated recoverable amount and recognised in profit or loss.

Impairment of assets

The Company reviews the estimated useful lives of property, plant and equipment on an annual basis. If an indicator of impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss in profit or loss. The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

Recognition and de recognition of property, plant and equipment

The cost of property, plant and equipment includes the purchase or construction cost plus any costs or fees incidental to the purchase or construction of the asset. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of items of property, plant and equipment are determined by comparing proceeds with carrying amounts. These gains and losses on disposal are included in profit or loss.

(s) Intangible Assets**(i) Patents, copyright and other rights**

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 2 – 5 years.

(ii) Computer software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits are capitalised to computer software. Amortisation is calculated on a straight line basis over periods generally ranging from 3 – 5 years.

(t) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease

period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 15(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight line basis, over the period of the lease.

Lease income from operating leases is recognised in income on a straight line basis over the life of the lease term.

(u) Other liabilities

Convertible notes are held at cost on the statement of financial position. Convertible notes can be converted to share capital at the option of the holder.

(v) Trade and other payables

Accounts payable, including accruals, are recorded when there is a requirement to make future payments for goods and services received. A liability is recognised on receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and generally settled on 30 day terms.

(w) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages, superannuation, sick leave, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term benefits are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to reporting date.

The Group does not have an obligation to pay sick leave on termination to any employees and no liability has been recognised.

(x) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date and does not expect to settle the liability for at least 12 months after the reporting date.

Borrowing costs are recognised as an expense when incurred.

(y) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The following table summarises those future requirements, and their impact on the Group:

Standard Name	Effective Date	Requirements	Impact
AASB 9 <i>Financial Instruments</i>	1 January 2018	<p>AASB 9 establishes changes to the classification and measurement requirements for financial assets and financial liabilities.</p> <p>The key changes introduced by AASB 9 are:</p> <ul style="list-style-type: none"> requirements for impairment of financial assets based on a three-stage “expected loss” approach; amendments to classification and measurement of financial assets to add an additional category for debt instruments. The new category of fair value through other comprehensive income is added to the existing categories for debt instruments; and amendments to AASB 7 <i>Financial Instruments: Disclosures</i> that significantly expand the disclosures required in relation to credit risk. 	The Group has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be required.
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>	1 January 2016	This standard provides many consequential changes due to changes made by the International Accounting Standards Board over the past 12 months.	The impact of this standard is expected to be minimal.
Amendments to IAS27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016	Amends paragraph 10 of IAS 27 <i>Separate Financial Statements</i> to allow an entity to use the equity method in these statements as an alternative to the current rules which require an entity to account for investments in subsidiaries and associates either at cost or in accordance with IFRS 9 <i>Financial Instruments</i> .	The impact of this standard is expected to be minimal.
AASB 2014-4 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016	<p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	The impact of this standard is expected to be minimal.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Standard Name	Effective Date	Requirements	Impact
<i>IFRS 16 Leases</i>	1 January 2019	<p>The new Standard introduces three main changes:</p> <ul style="list-style-type: none"> Enhanced guidance on identifying whether a contract contains a lease. A completely new lease accounting model for lessees that requires lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. Enhanced disclosures. <p>Lessor accounting will not change significantly.</p> <p>The Australian Accounting Standards Board (AASB) has yet to issue the Australian equivalent of this Standard. It is expected that the AASB will issue the Australian Accounting Standard that incorporates the new Standard without modification, as soon as practicable.</p>	<p>IFRS 16 is not expected to have a significant impact on the Group. Additional disclosures will be required.</p>
<i>IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018	<p>IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transferor promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ol style="list-style-type: none"> Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. 	<p>The Group will review its revenue recognition policies for contracts with customers.</p> <p>The Group has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be required.</p>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2 Income tax expense*Numerical reconciliation of income tax expense and tax at the statutory rate*

	Consolidated	
	2015	2014
	\$'000	\$'000
Profit/(loss) before income tax expense from continuing operations	22,839	7,856
Profit/(loss) before income tax expense from discontinued operations	(508)	1,402
Profit/(loss) for the year	<u>22,331</u>	<u>9,258</u>
Tax at the statutory rate of 30% (2014: 30%)	<u>6,699</u>	<u>2,777</u>

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

Non-deductible expenses	395	320
Non-assessable income	(249)	(534)
Current year tax losses not recognised	49	898
Prior year tax losses not recognised now recouped	191	(269)
Current year temporary differences not recognised	(151)	(195)
Profit of tax exempt entities	<u>(6,904)</u>	<u>(2,997)</u>
Income tax expense	<u>30</u>	<u>-</u>

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	5,435	19,944
Potential tax benefit at 30% (2014: 30%)	<u>1,631</u>	<u>5,983</u>

The above potential tax benefit has not been recognised in the Statement of Financial Position.

3 Discontinued operations**(a) Description of discontinued operation**

In 2015, JKTech Pty Ltd decided to discontinue operations through its South African subsidiary, JK Africa Mining Solutions (Pty) Ltd ("JKAMS"). Revenue and expenses relating to the discontinuation of JKAMS have been eliminated from the consolidated entity operating results from continuing operations and are shown as a single line item on the face of the Statement of Profit or Loss and Other Comprehensive Income. Prior year comparatives have been restated in the same manner.

In 2013, UniQuest commenced the implementation of a new-five year strategy. The strategy called for a critical evaluation of the strategic fit of the Expertise Commercialisation (International) business unit with UniQuest's primary research commercialisation and industry engagement objectives. This resulted in an acknowledgment that there was a better strategic alignment of this unit with UniQuest's ultimate parent entity, UQ. On 1 May 2014 the staff of the Expertise Commercialisation (International) business unit transferred their employment from UniQuest to UQ. From 1 May 2014 the company and UQ collaborated on the transfer of business. The transfer was completed by 31 December 2014 but the run-out of the company's prior contractual obligations has resulted in future revenue, expenses and cash flows being reported in 2015.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

3 Discontinued operations (continued)**(b) Financial performance and cash flow information**

	Consolidated	
	2015 \$'000	2014 \$'000
International development project fees	428	6,751
Other service fees	173	722
Total revenue	601	7,473
Consulting, research and royalties	(558)	(5,716)
Employee benefits	(196)	(291)
Other expenses	(295)	(64)
Total expenses	(1,049)	(6,071)
Loss before income tax	(448)	1,402
Income tax expense	(60)	-
Loss after income tax from discontinued operations	(508)	1,402
Net cash from operating activities	(508)	1,402

4 Cash and cash equivalents

	Consolidated	
	2015 \$'000	2014 \$'000
Cash at bank and on hand	31,420	13,582
Restricted deposit	1,224	1,934
Total cash and cash equivalents	32,644	15,516

Restricted deposits includes an amount of \$1,223,501 (2014: \$1,933,761) received by JKTech South America SpA as the first tranche of funding from InnovaChile CORFO (Chilean Economic Development Agency) for the establishment of an International Centre of Excellence in Chile. JKTech South America SpA has entered into a Centre Agreement with InnovaChile CORFO on 24 June 2014 to establish the Centre of Excellence (the Centre) over an eight-year period from the date of commencement of the Centre Agreement. Total grant funding expected to be received over the duration of the agreement is approximately \$12 million.

Disbursement and use of the grant funding is governed by predefined rules outlined in the grant agreement which relate to the establishment and operation of the Centre. Types of expenditure that the funding will be used for includes, but is not limited to, start up costs associated with establishing the Centre, administrative overheads as well as project-related costs for the research and development activities of the Centre.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5 Trade and other receivables

	Consolidated	
	2015	2014
	\$'000	\$'000
CURRENT		
Trade receivables - non-related entities	4,813	4,570
Allowance for impairment	(161)	(1)
Trade receivables - UQ	570	1,731
Other receivables	1,120	325
Total current trade and other receivables	6,342	6,625
	Consolidated	
	2015	2014
	\$'000	\$'000
NON-CURRENT		
Loans to related entities	1,108	1,517
Total non-current trade and other receivables	1,108	1,517

(a) Past due but not impaired

As at 31 December 2015 current trade receivables of the Group with a nominal value of \$2,704 thousand (2014: \$3,186 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The ageing of these receivables is as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Up to 3 months	2,580	2,754
Up to 6 months	64	383
Over 6 months	60	49
	2,704	3,186

The other classes within trade and other receivables do not contain impaired assets. Based on the credit history of these other classes, it is expected that these amounts will be received in full when due.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities for certain trade receivables held is insignificant as is the fair value of any collateral sold or re-pledged. Refer to Note 22 for more information on the risk management policy of the Group and the credit quality of the entities trade receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

5 Trade and other receivables (continued)**(c) Impaired receivables**

As at 31 December 2015 trade receivables of \$161 thousand (2014: \$1 thousand) were impaired and have been fully provided for an allowance for impaired receivables. The ageing analysis of these receivables is as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Between 0 to 3 months	7	-
Between 3 to 6 months	51	-
Over 6 months	103	1
	<u>161</u>	<u>1</u>

	Consolidated	
	2015	2014
	\$'000	\$'000
At 1 January 2015	1	310
Allowance for impairment recognised during the year	173	17
Receivables written off during the year as uncollectable	(13)	(326)
	<u>161</u>	<u>1</u>

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

6 Other assets

	Consolidated	
	2015	2014
	\$'000	\$'000
CURRENT		
Prepayments	488	499
Accrued income	8,897	4,200
Other non-financial assets	-	50
Total other assets	<u>9,385</u>	<u>4,749</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

7 Other financial assets**(a) Financial assets at FVTPL**

	Consolidated	
	2015	2014
	\$'000	\$'000
Shares, securities and convertible notes - listed	3,274	144
Shares, securities and convertible notes - unlisted	4,396	9,994
Contingent revenue on sale of shares - non-current	4,941	-
Convertible notes	772	-
Reduction in fair value due to commitment to pay third party disbursements	(5,163)	(3,918)
Total financial assets at FVTPL	8,220	6,220

All financial assets were designated as at FVTPL on initial recognition. Where an underlying financial asset is subject to the splits arrangement, it is recognised in the Statement of Financial Position at the amount that is net of any future disbursements under the splits arrangement i.e. the amount recognised is one-third. At the reporting date, the gross, 100% fair value of the companies total financial asset portfolio and total third party disbursements which would arise on realisation for cash is shown above.

During the 2014 year the consolidated entity completed a corporate reorganisation of its commercialisation business. Shares and convertible notes in 17 investee entities were acquired from UATC Pty Ltd as trustee for the UniQuest Asset Trust for a purchase price of \$6,016 thousand. The price of shares and convertible notes subject to the splits arrangement amounted to \$5,754 thousand. In exchange, the consolidated entity agreed to assume splits obligations in the amount of \$3,836 thousand and released UATC Pty Ltd as trustee for the UniQuest Asset Trust from its obligation to pay a management fee on future realisation of cash revenues from the underlying financial assets. This gave rise to a gain on acquisition of \$1,918 thousand in both the parent and consolidated entities.

(b) Third party disbursements

As outlined in Note 1, for underlying financial assets that are subject to the splits arrangement, the amount recognised is net of any future disbursements under the splits arrangement; i.e. one-third. Where current valuations are above the carrying amount, the investment is re-valued upwards with a corresponding one-third credit to the profit or loss. Where current valuations are below the carrying amount, the investment is re-valued downwards with a corresponding one-third charge to the profit or loss.

In the case of financial assets which are not subject to the splits arrangement, where current valuations are above the carrying amount, the investment is re-valued upwards with a corresponding full, 100% credit to the profit or loss. Similarly, for financial assets which are not subject to the splits arrangement, where current valuations are below the carrying amount, the investment is re-valued downwards with a corresponding full, 100% charge to the profit or loss.

(c) Contingent revenue on sale of shares

On 27 June 2015, UniQuest disposed of its shares in Spinifex Pharmaceuticals Inc. (Spinifex). In exchange for the transfer of shares, UniQuest received, inter alia, contractual rights to receive cash in the future on achievement of certain development milestones by Spinifex. Contingent revenue on sale of shares represents the fair value of those contractual rights.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8 Property, plant and equipment

Consolidated	Capital Works in Progress	Buildings	Plant and Equipment	Motor Vehicles	Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2015						
Opening net book amount	81	-	1,733	175	28	2,017
Additions	200	-	191	-	7	398
Disposals	-	-	(9)	(5)	-	(14)
Transfers	(280)	-	280	-	-	-
Depreciation expense	-	-	(466)	(36)	(2)	(504)
Impairment loss	-	-	(262)	-	-	(262)
Closing net book amount	1	-	1,467	134	33	1,635
Cost	1	-	5,417	260	154	5,832
Accumulated depreciation and impairment	-	-	(3,950)	(126)	(121)	(4,197)
Closing net book amount	1	-	1,467	134	33	1,635

Consolidated	Capital Works in Progress	Buildings	Plant and Equipment	Motor Vehicles	Improvements	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2014						
Opening net book amount	80	25	2,193	259	89	2,646
Additions	132	-	281	40	21	474
Disposals	-	-	(73)	(79)	-	(152)
Transfers	(131)	(25)	156	-	-	-
Depreciation expense	-	-	(592)	(45)	(82)	(719)
Impairment loss	-	-	(232)	-	-	(232)
Closing net book amount	81	-	1,733	175	28	2,017
Cost	81	-	5,810	288	156	6,335
Accumulated depreciation and impairment	-	-	(4,077)	(113)	(128)	(4,318)
Closing net book amount	81	-	1,733	175	28	2,017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

9 Trade and other payables

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
CURRENT			
Trade payables		1,112	943
Trade payables - UQ		1,946	1,007
Accrued expenses		8,064	9,815
Accrued expenses - UQ		4,739	2,797
Other payables		1,791	2,194
Total current trade and other payables		17,652	16,756

10 Borrowings

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
CURRENT			
Lease liability	15	15	22
Related party loans - UQ		-	352
Total current borrowings		15	374
NON-CURRENT			
Lease liability	15	17	32
Related party loans - UQ		141	1,006
Total non-current borrowings		158	1,038

11 Other liabilities

	Notes	Consolidated	
		2015 \$'000	2014 \$'000
CURRENT			
Revenue received in advance		1,486	1,169
Total current other liabilities		1,486	1,169
NON-CURRENT			
Convertible notes		-	77
Total non-current other liabilities		-	77

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

12 Provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
CURRENT		
Long service leave	488	618
Annual leave	1,350	1,475
Other provisions	210	140
Total current provisions	2,048	2,233

	Consolidated	
	2015	2014
	\$'000	\$'000
NON-CURRENT		
Long service leave	699	675
Total non-current provisions	699	675

13 Issued capital

	Consolidated	
	2015	2014
	\$'000	\$'000
Fully paid ordinary shares (\$1 per share)	18,740	18,740
Total issued capital	18,740	18,740

Ordinary shares entitle the holder to participate in the distribution of dividends and to share in the distribution of the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

Owners of ordinary shares also have the right to attend in person or by proxy, representative or attorney at general meetings of the Company and with the right to vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14 Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant account policies relating to the Group.

	2015 \$'000	2014 \$'000
Financial Position		
Assets		
Current assets	798	189
Non-current assets	11,763	12,172
Total assets	12,562	12,361
Liabilities		
Current liabilities	172	15
Non-current liabilities	-	-
Total liabilities	172	15
Equity		
Issued Capital	18,740	18,740
Retained earnings	(6,349)	(6,394)
Total Equity	12,390	12,346
	2015	2014
	\$'000	\$'000
Financial Performance		
Profit for the year	45	(347)
Other comprehensive income	-	-
Total comprehensive income	45	(347)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

15 Capital and leasing commitments**(a) Finance leases**

Finance lease commitments include contracted amounts for motor vehicles entered into by the Group under finance leases expiring within one to five years. Under the terms of the leases, the Group has the option to acquire the lease assets for predetermined residual values on the expiry of leases.

	<i>Notes</i>	Consolidated	
		2015	2014
		\$'000	\$'000
Minimum lease payments:			
Not later than one year		17	26
Later than one year		17	34
Minimum lease payments		<u>34</u>	<u>60</u>
Less: future finance charges		<u>(2)</u>	<u>(6)</u>
Present value of minimum lease payments		<u>32</u>	<u>54</u>

	<i>Notes</i>	Consolidated	
		2015	2014
		\$'000	\$'000
Representing lease liabilities			
Current	10	15	22
Non-current	10	17	32
Total		<u>32</u>	<u>54</u>

(b) Operating leases

The Group has entered into commercial property leases and commercial leases on motor vehicles and other items of equipment. These leases have an average life of between three and five years, with renewal options included in some contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating lease as at 31 December 2015 are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Within one year	281	324
Later than one year but not later than five years	83	371
Total minimum lease payments	<u>364</u>	<u>695</u>

(c) Other commitments

In 2015 UniQuest led a proposal to establish a dedicated small molecule drug discovery and development capability to be based at The University of Queensland (Queensland Emory Drug Discovery Initiative, "QEDDI"). The University of Queensland and UniQuest intend to enter into a Memorandum of Agreement in relation to the establishment and operation of QEDDI. UniQuest intends to assume obligations to operate QEDDI substantially in accordance with the QEDDI business case and annual budget, to meet certain key performance indicators and to make financial contributions to the operation of QEDDI. UniQuest has committed funding to QEDDI in the amount of \$1.54m for the 2016 year of operation. This amount includes capital expenditure of \$280,000 which had been committed as at 31 December 2015 for equipment required to commence QEDDI operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**16 Key management personnel**

The names of each person who has been a director during the year and to the date of this report are:

Mr J. Massey (Chairman)

Mr M. McNarn, AO (resigned 4 January 2016)

Mr G. Pringle (appointed 4 January 2016)

Mr D. Gow

Mr G. Murdoch

Dr S. Pitkin

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Key management personnel remuneration included with-in employee expenses for the year is shown below:

	2015	2014
	\$'000	\$'000
Short-term employee benefits	318	304
Post-employment benefits	29	27
Total remuneration benefits	347	331

17 Remuneration of auditors

	Consolidated	
	2015	2014
	\$'000	\$'000
Auditor-General of Queensland, for:	218	288
Auditing the financial report	218	288

No non-audit related services were provided by the Auditor-General of Queensland.

18 Contingent liabilities

JKTech South America SpA has provided a performance bond guaranteeing fulfilment of the objectives contained within the Centre Agreement entered into with InnovaChile CORFO for the establishment of an International Centre of Excellence in Chile. This performance bond applies to the first tranche of funding that was received in the 2014 financial year of \$1,933,761. The Centre Agreement was signed on 24 June 2014 and will operate for an eight (8) year period from the date of commencement. Subsequent performance bonds will be required to guarantee each future tranche of funding that is released by InnovaChile CORFO. Upon successful completion of the objectives relating to each tranche of funding the related performance bond will be released. Total grant funding expected to be received over the duration of the Centre Agreement is approximately \$12 million. UQ, the ultimate controlling entity, has confirmed that the obligations and liabilities associated with the performance bond will pass through to UQ.

There were no other contingent liabilities or assets and commitments of a material nature as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2015 %	2014 %
JKTech Pty Ltd	Australia	Ordinary	94	94
SUSOP Pty Ltd	Australia	Ordinary	100	100
JK Africa Mining Solutions Pty Ltd	South Africa	Ordinary	100	100
JKTech South America SpA	Chile	Ordinary	100	100
SARV Pty Ltd <i>(Deregistered 13 May 2015)</i>	Australia	Ordinary	-	100
UniQuest Pty Ltd	Australia	Ordinary	100	100
Ausonex Pty Ltd <i>(Deregistered 3 September 2015)</i>	Australia	Ordinary	-	100
Cloevis Pty Ltd	Australia	Ordinary	100	100
Dendright Pty Ltd	Australia	Ordinary	100	100
Leximancer Pty Ltd	Australia	Ordinary	60	60
Lucia Publishing Systems Pty Ltd	Australia	Ordinary	95	95
Metallotek Pty Ltd	Australia	Ordinary	100	100
Neo-Rehab Pty Ltd	Australia	Ordinary	100	100
Rapisure Pty Ltd <i>(Deregistered 15 July 2015)</i>	Australia	Ordinary	-	100
Pepfactants Pty Ltd	Australia	Ordinary	60	67
Symbiosis Pty Ltd	Australia	Ordinary	100	100
UATC Pty Ltd <i>(Deregistered 17 June 2015)</i>	Australia	Ordinary	-	100
UTSAT Pty Ltd <i>(Deregistered 7 September 2015)</i>	Australia	Ordinary	-	100
UTASAT Pty Ltd <i>(Deregistered 25 January 2015)</i>	Australia	Ordinary	-	100
UWAT Pty Ltd	Australia	Ordinary	100	100
UQ Health Care Limited	Australia	Limited by Guarantee	-	-
UQ College Limited	Australia	Limited by Guarantee	-	-
UQ Sport Ltd	Australia	Limited by Guarantee	-	-
UQH Finance Pty Ltd	Australia	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**20 Related parties**

The Group's main related parties are as follows:

(a) Entities exercising control over the Group

The ultimate parent entity, which exercises control over the Group, is The University of Queensland. At 31 December 2015 the ultimate parent entity owns 100% of the issued ordinary shares of UQ Holdings Pty Ltd.

(b) Subsidiaries

Interests in subsidiaries are outlined in Note 19.

(c) Key management personnel

Any person having authority and responsibility for planning, directing and controlling the activities of UQ Holdings, directly or indirectly, including any director (whether executive or otherwise) of UQ Holdings is considered key management personnel. For details of disclosures relating to key management personnel, refer to Note 16: Key Management Personnel.

(d) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

20 Related parties (continued)

(e) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred between the UQ Holdings consolidated Group and UQ:

(i) Revenue	<i>Notes</i>	Consolidated	
		2015	2014
		\$'000	\$'000
Sale of goods and services		7,490	6,179
Grants and funding		1,529	1,009
Total revenue		9,082	7,188
(ii) Expenditure		Consolidated	
		2015	2014
		\$'000	\$'000
Purchase of good and services		16,058	17,853
Royalty expense		8,483	7,554
Interest expense		77	76
Total expenditure		24,618	25,483
(iii) Outstanding balances		Consolidated	
		2015	2014
		\$'000	\$'000
Assets			
Trade and other receivables	5	570	1,731
Loans to related parties	5	1,108	1,517
Total assets		1,678	3,248
Liabilities			
Trade and other payables	9	1,946	1,007
Accrued expenses	9	4,739	2,797
Loans from related entities	10	141	1,358
Total liabilities		6,826	5,162

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

21 Cash flow information

Reconciliation of profit/(loss) for the year to net cash provided by/(used in) operating activities:

	Consolidated	
	2015	2014
	\$'000	\$'000
Profit/(loss) for the year	22,301	9,258
Non-cash flows in profit/(loss)		
Depreciation and amortisation	573	898
Share of net losses of equity-accounted associates and joint ventures	1,207	824
Gain on acquisition of investments	-	(1,918)
Net (gain)/loss on disposal of property, plant and equipment	(54)	82
Loss/(gain) on disposal of other financial assets	(15,522)	431
Gain on deemed disposal of equity-accounted associates and joint ventures	(830)	(1,269)
Recognition of reserve as revenue	-	(200)
Net loss/(gain) on consolidation of controlled entities	-	210
Impairment of property, plant and equipment	189	232
Impairment of other financial assets	-	630
Finance costs	57	85
Capitalised interest revenue on loans	-	-
Forgiveness of debt	(240)	(6,281)
Non-cash investment acquisitions	(1,010)	(364)
Unrealised gain on foreign currency translation	(28)	(58)
Change in fair value of other financial assets	23	466
Changes in assets and liabilities:		
Decrease/(Increase) in trade and other receivables	121	8,647
Decrease/(Increase) in inventories	180	(203)
Decrease/(Increase) in other non-financial assets	(4,635)	(118)
Decrease/(Increase) in tax assets	(18)	-
Increase/(Decrease) in trade and other payables	1,054	(10,484)
Increase/(Decrease) in provisions	(159)	(62)
Increase/(Decrease) in other liabilities	240	(321)
Increase/(Decrease) in tax liabilities	(1)	(3)
Cash provided by/(used in) operating activities	<u>3,448</u>	<u>482</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22 Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from parent and subsidiaries, and equity instruments.

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, and price risk), credit risk and liquidity risk.

The Group's risk management is carried out by senior executives under policies approved by the Board of Directors (the Board). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls, and risk limits. Management identifies and evaluates financial risks within the Group's operating units and reports to the Board on a regular basis.

The Group's risk management program seeks to minimise potential adverse effects of financial markets on the financial performance of the Group. The Group does not use derivative financial instruments to hedge its risk exposures. The following outlines the different risks to which the Group is exposed.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk. This arises from exposure to risk on:

- royalty income that is denominated in a currency other than the Australian dollar (AUD), which is the functional currency of the Group. The currency in which these transactions are denominated is US dollars (USD).
- certain transactions denominated in a currency which is not the entity's functional currency.

The Group's policy is to ensure that its exposure is kept to an acceptable level by selling USD at spot rates as soon as it is received.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from the investments held by the Group and classified on the statement of financial position as available-for-sale financial assets and financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group monitors the activity of these investments. Price risk relates to the risk that the value of investments will change as a result of equity market movements. The impact of increase/decrease in the price of investments is considered in the below sensitivity analysis.

Price risk arising from fixed interest bearing investment instruments and fixed interest bearing loans is managed by setting relatively short maturity terms ranging from less than 30 days to 90 days.

(iii) Cash flow and fair value interest rate risk

Exposure to interest rate risk is limited to cash on deposit at approved financial institutions which earn interest at the prevailing cash market rates. Exposure to interest rate risk is otherwise limited to fixed interest bearing investment instruments, on average 3% (2014: 3%), where interest rate risk arises from the potential for a change in the market interest rates to affect the net fair value of the investments, that is, price risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22 Financial risk management (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk, foreign exchange risk and other price risk.

Consolidated	2015 Carrying amount \$'000	Interest rate risk		Foreign exchange risk		Other price risk	
		-1%	1%	-5%	5%	-12%	12%
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets							
Cash and cash equivalents	32,644	(326)	326	-	-	-	-
Trade and other receivables	7,450	-	-	373	(373)	-	-
Financial assets - FVTPL	8,220	-	-	-	-	(986)	986
Financial liabilities							
Trade and other payables	17,652	-	-	(883)	883	-	-
Total (decrease).increase		(326)	326	(510)	510	(986)	986
	2014 Carrying amount \$'000	Interest rate risk		Foreign exchange risk		Other price risk	
		-1%	1%	-5%	5%	-12%	12%
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Consolidated							
Financial assets							
Cash and cash equivalents	15,516	(155)	155	-	-	-	-
Trade and other receivables	8,142	-	-	407	(407)	-	-
Financial assets - FVTPL	6,220	-	-	-	-	(746)	746
Financial liabilities							
Trade and other payables	16,756	-	-	(838)	838	-	-
Total (decrease).increase		(155)	155	(431)	431	(746)	746

1. The Group is impacted by interest rate risk on the total cash balance.

2. Lease liabilities are on a fixed interest rate hence there is no interest rate risk and have been omitted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22 Financial risk management (continued)**(b) Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group does not have any substantial credit risk exposure to any single party or any group of parties having similar characteristics.

Credit sales are on 30-day terms, including those to related parties. Credit purchases are processed on a 7- or 30-day cycle. For an analysis of receivables which are past due but not impaired refer to Note 5.

The Group's exposure to credit risk includes loans, with the majority being with related parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit risk in relation to the Group's financial assets is therefore assessed as immaterial.

(c) Liquidity risk

Liquidity risk arises from the Group's obligation to repay financial liabilities as and when they fall due. The Group has a small exposure to liquidity risk, via the subsidiaries, as the majority of the receivables are from related parties. The subsidiaries manage the liquidity risk on an individual basis and the risk is considered extremely low. A maturity analysis of the Group's financial assets and liabilities subject to liquidity risk is listed below:

	Within 1 year		1 - 5 years		Total	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash and cash equivalents	32,644	15,516	-	-	32,644	15,516
Trade and other receivables	6,342	6,625	1,108	1,517	7,450	8,142
Total financial assets	38,986	22,141	1,108	1,517	40,094	23,658
Financial liabilities						
Trade and other payables	17,652	16,756	-	-	17,652	16,756
Borrowings	15	374	158	1,038	173	1,412
Total financial liabilities	17,667	17,130	158	1,038	17,825	18,168

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

23 Fair value measurement**(a) Fair value measurements**

The Group measures and recognises the following financial assets and liabilities at fair value at the end of each reporting year.

	Carrying Amount		Fair Value	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	32,644	15,516	32,644	15,516
Trade and other receivables	7,450	8,142	7,450	8,142
Financial assets - FVTPL	8,220	6,220	8,220	6,220
Total financial assets	48,314	29,878	48,314	29,878
Financial liabilities				
Trade and other payables	17,652	16,756	17,652	16,756
Borrowings	173	1,412	173	1,412
Total financial liabilities	17,825	18,168	17,825	18,168

(b) Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy;

- Level 1 - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- Level 2 - represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- Level 3 - represents fair value measurements that are substantially derived from unobservable inputs.

Details on the fair values of the major asset types are as follows:

(i) Term deposits and shares in listed entities

Term deposits and shares in listed entities have been categorised as level 1. The fair value of assets traded in active markets (such as publicly traded securities) is based on quoted market prices for identical assets at the end of the reporting year. This is the most representative of the fair value in the circumstances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

23 Fair value measurement (continued)**(ii) Shares in unlisted entities and convertible notes**

UQ has shares and convertible notes in unlisted entities that are not traded in active markets. These have been valued using prices established in a price-setting financing round which has occurred within the two years prior to the reporting date and which involves at least one new investor. A price-setting financing round excludes an insider up round but includes an insider down round. The valuation technique takes into account material variations in rights of preferred versus ordinary shares, including the liquidation preference enjoyed by holders of preferred shares. These are categorised as level 2.

Where there is evidence that the price established in a price-setting financing round is not an appropriate valuation mechanism and better information exists to inform the valuation, the asset is categorised as level 3. Such information includes, but is not limited to, evidence that the investee company is trading poorly, that the technology the investee company is developing is known to have failed, that the investee company's investors have withdrawn their support or that the date of the last investment is greater than two years prior to the reporting date. In these cases, the fair value has been determined using the best information available about the assumptions that market participants would use when pricing the asset.

Reconciliation of financial assets categorised as level 3:

	2015	2014
	\$'000	\$'000
Opening level 3 balance	204	1,903
Total gains or losses in profit or loss	694	(1,193)
Purchases	4,919	124
Sales	-	(1,163)
Transfers out of level 3	(49)	533
Closing level 3 balance	<u>5,768</u>	<u>204</u>
Closing level 1 balance	40,094	23,658
Closing level 2 balance	2,452	6,016
Total financial assets held at fair value	<u>48,314</u>	<u>29,878</u>

(iii) Other financial assets and liabilities

The carrying value less impairment provision of trade and other receivables and payables is a reasonable approximation of the fair values due to their short-term nature.

The fair value of non-current borrowings is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant.

24 Events occurring after the reporting date

On 30 January 2016 the company and the consolidated entity received new information from the acquirer of Spinifex Pharmaceuticals (Spinifex) about the progress achieved during 2015 towards the development milestones and the impact of this on the development timeline. The company and the consolidated entity have adjusted the fair value of the contingent revenue on sale of shares recognised in the financial statements to reflect this new information. Contingent revenue on sale of shares represents the contractual rights to receive cash in the future on achievement of certain development milestones by Spinifex.

No other matter or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.


Directors' Declaration

In the opinion of the Directors of UQ Holdings Pty Ltd:

1. The consolidated financial statements and notes are in accordance with the *Australian Charities and Not-for-profits Act 2012* including:
 - a. complying with Accounting Standards, the *Australian Charities and Not-for-profits Commission Regulation 2013* and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2015 and of their performance for the financial year ended on that date; and
2. The consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements.
3. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and signed in accordance with subsection 60-15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Signed on behalf of the Directors by:



Mr John Massey

Director

19 February 2016

Independent Auditor's Report

To the Members of UQ Holdings Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of UQ Holdings Pty Ltd, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the responsible entities' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Responsible Entities' Responsibility for the Financial Report

The responsible entities of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the responsible entities 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit 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 responsible entities' 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 registered entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the responsible entities, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have 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.

Opinion

In my opinion the financial report of UQ Holdings Pty Ltd has been prepared in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

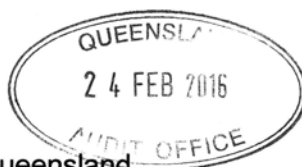
- (i) giving a true and fair view of the registered entity's financial position as at 31 December 2015 and of its financial performance and cash flows for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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.



J WELSH FCPA
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

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UQH FINANCE PTY LTD

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Auditor's Independence Declaration

To the Directors of UQH Finance Pty Ltd

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

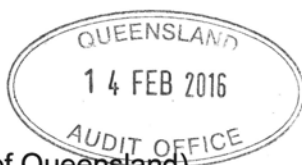
Independence Declaration

As lead auditor for the audit of UQH Finance Pty Ltd for the period ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been –

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



J F WELSH FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	2015 \$	2014 \$
Revenue from continuing operations		
Total revenue from continuing operations	<u>-</u>	<u>-</u>
Expenses from continuing operations		
Other expenses	(120)	(120)
Total expenses from continuing operations	<u>(120)</u>	<u>(120)</u>
Surplus/(deficit) before income tax expense	<u>(120)</u>	<u>(120)</u>
Income tax (expense) / revenue	-	-
Surplus/(deficit) after income tax from continuing operations	<u>(120)</u>	<u>(120)</u>
Total comprehensive income for the period	<u>(120)</u>	<u>(120)</u>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents	19,760	19,880
Total current assets	<u>19,760</u>	<u>19,880</u>
Total assets	<u>19,760</u>	<u>19,880</u>
Liabilities		
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>19,760</u>	<u>19,880</u>
Equity		
Contributed equity	20,000	20,000
Retained surplus	<u>(240)</u>	<u>(120)</u>
Total equity	<u>19,760</u>	<u>20,000</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015

	Contributed Equity	Retained Surplus	Total Equity
	\$	\$	\$
Balance as at 1 January 2014	-	-	-
Shares issued	20,000	-	20,000
Surplus / (deficit) attributable to the entity	-	(120)	(120)
Balance at 31 December 2014	20,000	(120)	19,880
Balance as at 1 January 2015	20,000	(120)	19,880
Shares issued	-	-	-
Surplus / (deficit) attributable to the entity	-	(120)	(120)
Balance at 31 December 2015	20,000	(240)	19,760

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
Cash flows from operating activities		
Payments to suppliers and employees	(120)	(120)
Net cash (used in) / generated from operating activities	<u>(120)</u>	<u>(120)</u>
Cash flows from investing activities		
Net cash (used in) / generated from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	20,000
Net cash (used in) / generated from financing activities	<u>-</u>	<u>20,000</u>
Net increase / (decrease) in cash and cash equivalents	(120)	19,880
Cash and cash equivalents at the beginning of the financial period	<u>19,880</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period	<u>19,760</u>	<u>19,880</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2015

1 Summary of significant accounting policies

(a) General information

UQH Finance Pty Ltd (the company) is a proprietary company incorporated and domiciled in Australia.

The parent company is UQ Holdings Pty Ltd. The ultimate parent company is The University of Queensland. UQH Finance Pty Ltd did not control any entities at the end of the reporting period or at any time during the reporting period.

The company was incorporated on 10 October 2013. The principal place and registered office of business of the company is UQH Finance Pty Ltd, Level 3 JD Story Building, The University of Queensland, St Lucia, QLD 4067.

The principal activity of the company is to provide financial services.

The financial statements are presented in Australian dollars which is the entities functional and presentation currency.

(b) Basis of preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users who are dependent on its general purpose financial reports. These financial statements are therefore special purpose financial statements prepared in order to meet the requirements of the *Corporations Act 2001*.

The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The complete disclosure requirements of other Accounting Standards, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board have not been applied. The financial report contains only those disclosures that are considered necessary to meet the needs of users of the financial statements.

The financial statements have been prepared on the basis of historical cost unless otherwise stated in the notes to the financial statements. The financial statements are rounded to the nearest \$1 for presentation.

Material accounting policies adopted in the preparation of the financial statements are presented as follows and have been consistently applied unless otherwise stated.

(c) Cash and cash equivalents

For the purposes of the Statements of Financial Position and the Statements of Cash Flows, cash includes cash at bank and on hand.

(d) Net value of financial assets and liabilities

The net fair value of cash and cash equivalents, other assets, and other liabilities approximate their carrying amounts.

At the end of the reporting period the company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists the excess of the carrying amount over its recoverable amount is recognised in profit and loss. At the end of the reporting period, no indication of impairment was identified.

(e) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The company has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective, instead they will be applied in accordance with their respective commencement dates. Adoption of other standards / interpretations issued but not yet effective are not expected to have a material impact on the financial statements.

2 Remuneration of auditors

The Auditor-General of Queensland is the auditor of the Group. Audit fee expenses related to UQH Finance Pty Ltd were incurred by the parent entity UQ Holdings Pty Ltd. The auditors received no other benefits.

3 Contingent liabilities

There are no known contingent liabilities or assets and commitments of a material nature at the balance date.

4 Subsequent events

No matter of circumstance has arisen since 31 December 2015 that has significantly affected or may significantly affect the entity.

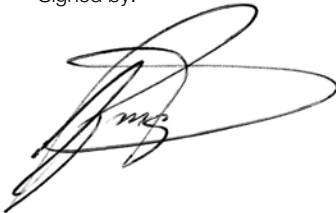
Director's Declaration

The Director of UQH Finance Pty Ltd has determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Director of UQH Finance Pty Ltd declares that:

- 1) The financial statements and notes that comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the Notes to the Financial Statements, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards as described in Note 1 to the financial statements, and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 31 December 2015 and of the performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
- 2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed by:

A handwritten signature in black ink, appearing to be 'G Pringle', written over a large, stylized circular flourish.

Mr Greg Pringle

Director

19 February 2016

Brisbane

Independent Auditor's Report

To the Members of UQH Finance Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report, being a special purpose financial report of UQH Finance Pty Ltd, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the period 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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.

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 UQH Finance 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, the financial report of UQH Finance Pty Ltd is in accordance with the *Corporations Act 2001*, including –

- (a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, attention is drawn to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



J F WELSH FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

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