

2018-19

QIC

QIC LIMITED

ABN 95 942 373 762

CONSOLIDATED ANNUAL  
FINANCIAL STATEMENTS  
AND DIRECTORS' REPORT  
FOR THE YEAR ENDED  
30 JUNE 2019

The directors present their report on the consolidated entity (referred to hereafter as the group) consisting of QIC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

## DIRECTORS

The following persons were directors of QIC Limited during the whole of the financial year and up to the date of this report unless stated otherwise:

Mr G I Martin AM (appointed: 01 April 2019)

Mr J C Battams

Ms G Brown

Professor P Derrington

Ms S A Desmarchelier

Mr S J P Dunne

Mr P A Gallagher

Mr A E King

Ms J Perry (appointed: 01 October 2018)

Mr D R Luke (resigned: 31 March 2019)

Ms A J P Staines (term ended: 30 September 2018)

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the group consisted of providing investment management services.

## DIVIDENDS

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

	2019	2018
	\$'000	\$'000
Dividends provided for and declared	58,989	60,122

## REVIEW OF OPERATIONS

The profit from ordinary activities, after related income tax expense, amounts to \$69.3 million (2018: \$69.1 million).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the group during the financial year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Refer Note C11(iii).

A new fee agreement has been reached with Queensland Government clients effective from 1 July 2019. The terms of the new agreement are in line with normal commercial terms.

No other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect, the group's operations, the results of those operations, or the group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

There are no likely developments or expected results of operations of the group that are likely to materially affect the financial statements for the year ended 30 June 2019.

## COMPANY SECRETARY

Mr D E Clarke and Mr W T Burton are the company secretaries. Mr Clarke is a barrister and solicitor of the Supreme Courts of Queensland, New South Wales, Victoria and the High Court of Australia. Mr Burton is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

## MEETINGS OF DIRECTORS

The numbers of meetings of QIC Limited's board of directors and of each board committee held during the year ended 30 June 2019 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit Committee		Risk Committee		HR and Remuneration	
	A	B	A	B	A	B	A	B
Mr G I Martin AM <sup>(1)</sup>	2	2	1	1	1	1	1	1
Mr J C Battams	10	10	9	9	5	5	-	-
Ms G Brown	10	10	8	9	5	5	-	-
Professor P Derrington	10	10	-	-	-	-	-	-
Ms S A Desmarchelier	10	10	-	-	-	1	5	5
Mr S J P Dunne	10	10	-	-	1	1	4	5
Mr P A Gallagher	10	10	9	9	5	5	4	5
Mr A E King	9	10	-	-	-	-	5	5
Ms J Perry <sup>(2)</sup>	7	7	-	-	1	1	-	-
Mr D R Luke <sup>(3)</sup>	8	8	8	8	4	4	4	4
Ms A J P Staines <sup>(4)</sup>	3	3	3	5	1	2	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

(1) = Appointed 01 April 2019

(2) = Appointed 01 October 2018

(3) = Resigned 31 March 2019. Mr Luke attended meetings of the Audit Committee and Risk Committee in an ex-officio capacity

(4) = Term ended 30 September 2018

## INSURANCE OF OFFICERS

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

## ENVIRONMENTAL REGULATION

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

## SHARES UNDER OPTION

No options over issued shares or interests in the company or controlled entities were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

## ROUNDING OF AMOUNTS

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

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

A handwritten signature in black ink, appearing to read 'G I Martin', is displayed within a light gray rectangular box.

Mr G I Martin AM  
Chairman

Brisbane  
27 August 2019

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## Auditor's Independence Declaration

To the directors of QIC Limited

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

### *Independence Declaration*

As lead auditor for the audit of QIC Limited for the financial year ended 30 June 2019, 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.



Brendan Worrall  
Auditor-General

23 August 2019  
Queensland Audit Office  
Brisbane

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## Consolidated statement of profit or loss and other comprehensive income

	Notes	2019 \$'000	2018 \$'000
Revenue from contracts with customers	A7, B1	436,005	404,411
Net income from financial assets at fair value through profit or loss	A7, B2	7,040	4,848
Foreign exchange gains		1,976	648
Interest income from cash at bank and financial assets at amortised cost		268	208
<b>Total revenue and other income</b>		<b>445,289</b>	410,115
Employee benefits expense		262,373	224,840
Professional services		22,137	24,437
Travel expenses		11,305	11,439
Operating lease costs		11,276	14,056
Computer operating costs		9,983	9,414
Depreciation and amortisation expense	C6, C7	7,892	6,622
Information and research services		4,218	3,656
Communication expenses		4,043	2,999
Staff development and recruitment		3,915	3,455
Insurance costs		1,857	1,790
Auditor's remuneration	G2	520	437
Net loss on disposal of property, plant and equipment		278	12
Other expenses		7,032	5,668
<b>Total expenses</b>		<b>346,829</b>	308,825
<b>Profit before income tax</b>		<b>98,460</b>	101,290
Income tax expense	B3	29,178	32,168
<b>Total profit after income tax for the year attributable to owners</b>		<b>69,282</b>	69,122
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	A5	(394)	177
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(394)</b>	177
<b>Total comprehensive income for the year attributable to owners</b>		<b>68,888</b>	69,299

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 51.

## Consolidated statement of financial position

	Notes	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash at bank and in hand	C1	8,921	4,047
Financial assets at fair value through profit or loss	C5	79,261	104,996
Other financial assets at amortised cost	C4	193,715	154,563
Prepayments		5,339	6,741
<b>Total current assets</b>		<b>287,236</b>	<b>270,347</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	C5	44,799	44,456
Property, plant and equipment	C6	18,965	17,408
Intangible assets	C7	28,406	18,770
Deferred tax assets	B3	53,708	39,664
Other financial assets at amortised cost	C4	8,372	5,252
<b>Total non-current assets</b>		<b>154,250</b>	<b>125,550</b>
<b>Total assets</b>		<b>441,486</b>	<b>395,897</b>

<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C8	36,363	29,067
Income tax payable		6,391	3,675
Dividends payable	E2	58,989	60,122
Employee benefits	D1	104,979	103,940
Provisions	C9	1,162	2,274
Deferred revenue	B1	24,867	17,325
<b>Total current liabilities</b>		<b>232,751</b>	<b>216,403</b>
<b>Non-current liabilities</b>			
Employee benefits	D1	12,445	13,923
Provisions	C9	3,382	3,379
Deferred revenue	B1	41,172	-
Borrowings	C10	7,114	100
<b>Total non-current liabilities</b>		<b>64,113</b>	<b>17,402</b>
<b>Total liabilities</b>		<b>296,864</b>	<b>233,805</b>
<b>Net assets</b>		<b>144,622</b>	<b>162,092</b>

<b>EQUITY</b>			
Contributed equity	E1	37,475	37,475
Other reserves		(217)	177
Retained earnings		107,364	124,440
Equity and reserves attributable to owners of QIC Limited		144,622	162,092
<b>Total equity</b>		<b>144,622</b>	<b>162,092</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 51.

## Consolidated statement of changes in equity

	Attributable to owners of QIC Limited				Total equity \$'000
	Notes	Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2017</b>		37,475	-	115,440	152,915
Profit after income tax		-	-	69,122	69,122
Other comprehensive income		-	177	-	177
<b>Total comprehensive income for the year</b>		-	<b>177</b>	<b>69,122</b>	<b>69,299</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	E2	-	-	(60,122)	(60,122)
<b>Balance at 30 June 2018</b>		<b>37,475</b>	<b>177</b>	<b>124,440</b>	<b>162,092</b>
<b>Balance at 30 June 2018</b>		37,475	177	124,440	162,092
Adoption of new accounting standards	A7, B1	-	-	(27,369)	(27,369)
<b>Adjusted balance at 1 July 2018</b>		<b>37,475</b>	<b>177</b>	<b>97,071</b>	<b>134,723</b>
Profit after income tax		-	-	69,282	69,282
Other comprehensive income		-	(394)	-	(394)
<b>Total comprehensive income for the year</b>		-	<b>(394)</b>	<b>69,282</b>	<b>68,888</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	E2	-	-	(58,989)	(58,989)
<b>Balance at 30 June 2019</b>		<b>37,475</b>	<b>(217)</b>	<b>107,364</b>	<b>144,622</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 51.

## Consolidated statement of cash flows

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		<b>470,589</b>	421,685
Payments to suppliers and employees		<b>(392,584)</b>	(324,365)
Net realised income received from financial assets at fair value through profit or loss		<b>1,563</b>	1,438
Income taxes paid		<b>(28,776)</b>	(27,846)
<b>Net cash provided by operating activities</b>	C2	<b>50,792</b>	70,912
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	C6	<b>(7,172)</b>	(8,025)
Payments for intangible assets	C7	<b>(11,789)</b>	(8,104)
Payments for financial assets at fair value through profit or loss		<b>(12,651)</b>	(12,970)
Proceeds from financial assets at fair value through profit or loss		<b>17,917</b>	11,152
Payments for other financial assets at amortised cost		<b>(8,637)</b>	(2,159)
Proceeds from other financial assets at amortised cost		<b>4,069</b>	-
Net realised income received from financial assets at fair value through profit or loss		<b>2,315</b>	3,982
Proceeds from acquisition of business		-	533
Proceeds from sale of property, plant and equipment		<b>2</b>	4
Dividends received		<b>223</b>	131
<b>Net cash used in investing activities</b>		<b>(15,723)</b>	(15,456)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	C3	<b>7,014</b>	-
Dividends paid to shareholders	E2	<b>(60,122)</b>	(41,089)
<b>Net cash used in financing activities</b>		<b>(53,108)</b>	(41,089)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(18,039)</b>	14,367
Cash and cash equivalents at the beginning of the financial year		<b>94,705</b>	80,699
Effects of exchange rate changes on cash and cash equivalents		<b>(406)</b>	(512)
Net unrealised income received from financial assets at fair value through profit or loss		<b>338</b>	151
<b>Cash and cash equivalents at the end of the financial year</b>	C1	<b>76,598</b>	94,705

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 51.

## Notes to the consolidated financial statements

### A BASIS OF PREPARATION

#### A1 REPORTING ENTITY

These financial statements are the financial statements of the consolidated entity consisting of QIC Limited and its subsidiaries.

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

QIC Limited  
Level 5  
66 Eagle Street  
Brisbane QLD 4000

QIC Limited is a for-profit entity and is primarily involved in the provision of investment management services.

#### A2 BASIS OF ACCOUNTING AND MEASUREMENT

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), the provisions of the *Government Owned Corporations Act 1993* and the *Corporations Act 2001*. The financial statements of the QIC Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except where otherwise stated.

The consolidated financial statements were authorised for issue by the directors on 27 August 2019. The directors have the power to amend and reissue the consolidated financial statements.

#### A3 PRINCIPLES OF CONSOLIDATION

The financial statements incorporate the assets and liabilities of QIC Limited and its subsidiaries as at 30 June 2019 and their results for the year then ended. QIC Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity with QIC Limited referred to as the parent entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intergroup transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The financial information for the parent entity is disclosed in note F1 and controlled entities in note F2.

#### A4 FUNCTIONAL AND PRESENTATION CURRENCY

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

#### A5 FOREIGN CURRENCY TRANSLATION

##### *(i) Transactions and balances*

Transactions in foreign currency are translated to the functional currency at the date of transaction using the exchange rate on that date. On reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. These foreign currency differences are recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency remain translated at the exchange rate at the date of the transaction.

## Notes to the consolidated financial statements (continued)

### A BASIS OF PREPARATION (continued)

#### A5 FOREIGN CURRENCY TRANSLATION (continued)

##### (ii) Group companies

The results and financial position of the group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance date
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

#### A6 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

Accounting estimates and judgements	Note	Page
Revenue recognition	B1	17
Taxation	B3	20
Employee benefits	D1	37

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

#### A7 ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT REPORTING PERIOD

##### (i) AASB 15 Revenue from Contracts with Customers (AASB 15)

On 1 July 2018 the group adopted AASB 15, the new accounting standard for recognising revenue from contracts with customers, using the modified retrospective method. AASB 15 replaces AASB 118 *Revenue* (AASB 118).

The group recognised the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings in the current financial year. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The new standard introduces a higher threshold in recognising variable consideration, such as performance fees. AASB 15 changes recognition of performance fees from when they can be reliably measured and it is probable that future economic benefits will flow to the group, to when it is highly probable not to be significantly reversed in future periods. As a result, a transition adjustment of \$27.4 million was made to retained earnings on 1 July 2018 to reflect performance fees previously recorded in the consolidated statement of profit or loss and other comprehensive income that have yet to meet the new recognition criteria under AASB 15. The impact on adoption of AASB 15 on the groups other revenue streams is deemed immaterial. There is no material impact on the group's consolidated statement of cash flows for the year ended 30 June 2019.

## A7 ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT REPORTING PERIOD (continued)

In addition, the following tables illustrate the amounts by which each financial statement line item is affected in the current reporting period due to accounting under AASB 15 in this financial year.

	2019 Accounting under AASB 118 \$'000	2019 AASB 15 impact \$'000	2019 As reported \$'000
<b>Consolidated statement of profit or loss and other comprehensive income</b>			
Revenue from contracts with customers	439,354	(3,349)	436,005
<b>Total revenue and other income</b>	<b>448,638</b>	<b>(3,349)</b>	<b>445,289</b>

<b>Profit before income tax</b>	<b>101,809</b>	<b>(3,349)</b>	<b>98,460</b>
Income tax expense	30,183	(1,005)	29,178
<b>Total profit after income tax for the year attributable to owners</b>	<b>71,626</b>	<b>(2,344)</b>	<b>69,282</b>
<b>Total comprehensive income for the period attributable to owners</b>	<b>71,232</b>	<b>(2,344)</b>	<b>68,888</b>

	2019 Accounting under AASB 118 \$'000	2019 AASB 15 transition adjustment \$'000	2019 AASB 15 impact \$'000	2019 As reported \$'000
<b>Consolidated statement of financial position</b>				
<b>Current assets</b>				
Other financial assets at amortised cost	190,830	2,885	-	193,715
<b>Non-current assets</b>				
Deferred tax asset (DTA)	40,973	11,730	1,005	53,708
<b>Total assets</b>	<b>425,866</b>	<b>14,615</b>	<b>1,005</b>	<b>441,486</b>

<b>Current liabilities</b>				
Deferred revenue	1,381	20,137	3,349	24,867

<b>Non-current liabilities</b>				
Deferred revenue	19,325	21,847	-	41,172
<b>Total liabilities</b>	<b>251,531</b>	<b>41,984</b>	<b>3,349</b>	<b>296,864</b>
<b>Net assets</b>	<b>174,335</b>	<b>(27,369)</b>	<b>(2,344)</b>	<b>144,622</b>
<b>Equity</b>				
Retained earnings	137,077	(27,369)	(2,344)	107,364
<b>Total equity</b>	<b>137,077</b>	<b>(27,369)</b>	<b>(2,344)</b>	<b>107,364</b>

In addition, guidance on interest and dividend/distribution income has been moved from AASB 118 to AASB 9 *Financial Instruments* without significant changes to the recognition requirements. However, this has resulted in changes to how interest income, dividend income and distribution income are presented in the group's consolidated statement of profit or loss and other comprehensive income. Refer Note A7(ii) AASB 9 *Financial Instruments* for further details.

## Notes to the consolidated financial statements (continued)

### A BASIS OF PREPARATION (continued)

#### A7 ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT REPORTING PERIOD (continued)

##### (ii) AASB 9 Financial Instruments (AASB 9)

On 1 July 2018 the group adopted AASB 9, the new accounting standard for classification, measurement and impairment of financial assets and financial liabilities, using the fully retrospective method. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139).

##### Classification and measurement

There was no transition impact to the group from the classification and measurement requirements under AASB 9 on transition. Below is a summary of the measurement basis of all financial assets held by the group at 1 July 2018 under AASB 9.

Financial asset	Classification under AASB 139	Measurement basis under AASB 139	Classification under AASB 9	Measurement basis under AASB 9
Investment management, property management and performance fees	Loans and receivable	Amortised cost	Financial assets at amortised cost	Amortised cost
Loans receivable	Loans and receivable	Amortised cost	Financial assets at amortised cost	Amortised cost
Investments in unlisted unit trusts and equity securities	Financial assets at fair value through profit or loss	Fair value through profit or loss	Financial assets at fair value through profit or loss	Fair value through profit or loss
Monies in escrow	Loans and receivable	Amortised cost	Financial assets at amortised cost	Amortised cost
Unlisted debt securities	Available for sale	Fair value through other comprehensive income	Financial assets at fair value through profit or loss	Fair value through profit or loss

AASB 9 retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant impact on the group's accounting policies related to financial liabilities.

##### Presentation of interest, dividend and distribution income

Guidance on interest and dividend/distribution income has been moved from AASB 118 to AASB 9 without significant changes to the recognition requirements. However, this has resulted in changes to how interest income, dividend income and distribution income is presented in the group's consolidated statement of profit or loss and other comprehensive income.

Presentation of interest income, dividend income and distribution income from financial instruments held at fair value through profit or loss is now included within net income/(loss) from financial instruments at fair value through profit or loss.

Interest income from cash at bank and financial assets at amortised cost under AASB 9 is presented separately as interest income in profit or loss.

This has resulted in the following reclassification of prior year's income and expense in the group's consolidated statement of profit or loss and other comprehensive income:

## A BASIS OF PREPARATION (continued)

### A7 ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT REPORTING PERIOD (continued)

Consolidated statement of profit or loss and other comprehensive income	2018 Prior to AASB 9 adoption \$'000	2018 AASB 9 reclassification \$'000	2018 As reported \$'000
Revenue from contracts with customers	404,411	-	404,411
Interest income	291	(291)	-
Distribution income	5,134	(5,134)	-
Dividend income	131	(131)	-
Net income from financial assets at fair value through profit or loss	-	4,848	4,848
Interest income from cash at bank and financial assets at amortised cost	-	208	208
<b>Total revenue and other income</b>	<b>409,967</b>	<b>(500)</b>	<b>410,115</b>
Loss on financial assets at fair value through profit or loss	500	(500)	-
Other expenses	308,825	-	308,825
<b>Total expenses</b>	<b>309,325</b>	<b>(500)</b>	<b>308,825</b>
<b>Profit before income tax</b>	<b>101,290</b>	<b>-</b>	<b>101,290</b>
<b>Total comprehensive income for the period attributable to owners</b>	<b>69,299</b>	<b>-</b>	<b>69,299</b>

#### Impairment of financial assets

AASB 9 also introduces a new impairment model for financial assets that are held at amortised cost, such as trade receivables. Due to the short term nature of the trade receivables and the history of payment by the debtors, there was no transition impact to the group from the new impairment requirements under AASB 9.

## Notes to the consolidated financial statements (continued)

### B PERFORMANCE FOR THE YEAR

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

#### B1 REVENUE FROM CONTRACTS WITH CUSTOMERS

The fees below are presented on a disaggregated basis by categories that depict the nature, timing and uncertainty of revenue affected by economic factors.

	2019 \$'000	2018 \$'000
<b>Revenue from contracts with customers over time</b>		
Investment management fees	<b>223,352</b>	209,515
Property management fees	<b>129,482</b>	104,511
Investment performance fees	<b>60,387</b>	67,138
Product administration fees- related parties	<b>16,621</b>	14,526
Other revenue	<b>4,688</b>	7,368
<b>Total revenue from contracts with customers recognised over time</b>	<b>434,530</b>	403,058
<b>Revenue from contracts with customers at a point in time</b>		
Investment advisory fees	<b>1,475</b>	1,353
<b>Total revenue from contracts with customers recognised at a point in time</b>	<b>1,475</b>	1,353
<b>Total revenue from contracts with customers</b>	<b>436,005</b>	404,411

#### Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and rebates.

Revenue is recognised on the following basis:

##### *(i) Investment management, property management and performance fees*

Management fees are fixed or have their variability resolved within the reporting period. They are recognised over time during the financial year as the service is being delivered in line with client agreements, net of the amounts of goods and services tax payable.

Performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. The performance period sometimes stretch over several reporting periods, resulting in the variability of performance fees not being resolved within the reporting period.

Performance fees are recognised over time only to the extent it is highly probable that the estimated amount of performance fee revenue will not be significantly reversed in future reporting periods.

Some performance fees are also subject to clawbacks where performance of a product falls below benchmark performance over the clawback period. Where the performance fees are subject to clawback, this is factored into the probability assessment of performance fees being significantly reversed in future periods.

At the end of the financial year, based on performance to date, uncertainty may exist as to whether the performance targets will be achieved over the performance periods. At this time, management assess the probability of any potential performance fees being significantly reversed in future periods.

## B PERFORMANCE FOR THE YEAR (continued)

### B1 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

#### Recognition and measurement (continued)

##### *(i) Investment management, property management and performance fees (continued)*

Where the achievement of performance criteria is probable but does not meet the revenue recognition requirements stated above, the estimated performance fee is not recognised, but is considered a contingent asset.

Where the estimated performance fee meets the revenue recognition requirements, but cash has not yet been received, a receivable is recognised. Where the estimated performance fee is invoiced and received prior to the achievement of the revenue recognition requirements, deferred revenue is recognised.

##### *(ii) Product administration fees - related parties*

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

##### *(iii) Other revenue*

Other revenue primarily includes consulting fee revenue and product related cost recoveries that are presented net of the costs recovered.

##### *(iv) Investment advisory fees*

Investment advisory fees include consulting fee revenue and transaction fee revenue that is recognised at the point in time after the service is provided.

##### *(v) Offsetting*

Revenue and expenses are offset in the financial statements of the group where offsetting the transactions accurately reflects the substance of the transaction and where not offsetting would detract from the ability of users to clearly understand the nature of the transaction and operations of the group. The group has offset revenue and expenses in relation to product and client related costs of \$59.2 million (2018: \$58.9 million) where the group acts as agent.

## Notes to the consolidated financial statements (continued)

### B PERFORMANCE FOR THE YEAR (continued)

#### B1 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

##### Key estimates and judgements

In recognising performance fee revenue, significant management judgement and estimation is required in determining the amount and timing of revenue recognition.

##### *(i) Performance fees – contingent asset*

Management's assessment of the probability of performance criteria being met is influenced by several factors over which the group has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors.

At 30 June 2019 management have assessed the achievement of performance criteria for certain client agreements as being probable but not highly probable. However, due to the high degree of uncertainty remaining, it is not practicable to estimate the financial effect of the contingent asset for these agreements.

##### *(ii) Performance fees – deferred revenue*

In assessing the probability of performance fees being subject to clawback, management considers several factors including changes in the competitive environment and client agreements, movements in interest rates and other risk factors. Each mandate subject to a clawback has been assessed under a consistent methodology with inputs relative to the individual clients. A statistical analysis of the changes in performance fees over time for particular asset classes has been undertaken, resulting in a reasonable data set to estimate the likelihood of negative out-performance and amount of the potential clawback. Other considerations include accumulated excess returns over the benchmark that need to be reversed before a clawback is incurred.

At 30 June 2019, deferred revenue of \$66.0 million (2018: \$17.3 million) is recognised.

Of the deferred revenue opening balance of \$59.3 million at 1 July 2018, \$17.5 million was recognised in performance fee revenue during the current year.

#### B2 NET INCOME FROM FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 \$'000	2018 \$'000
Net unrealised income/(loss)	2,743	(1,260)
Net realised income	4,297	6,108
<b>Total net income from financial assets held at fair value through profit or loss</b>	<b>7,040</b>	<b>4,848</b>

##### Recognition and measurement

Net realised income/(loss) from financial instruments at fair value through profit or loss represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transaction price if purchased in the current period, and its settlement price.

Net realised income also includes interest income, dividend income and distribution income received from financial assets held at fair value through profit or loss.

Net unrealised income/(loss) represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transaction price if purchased in the current period, and its carrying amount at the end of the reporting period.

## B PERFORMANCE FOR THE YEAR (continued)

### B3 TAXATION

#### (i) Reconciliation of income tax expense

	2019 \$'000	2018 \$'000
Profit before income tax	98,460	101,290
Tax expense at the Australian tax rate of 30.0% (2018: 30.0%)	29,538	30,387
Non-deductible entertainment	238	71
Non-deductible sundry items	195	1,276
Effect of tax rates in foreign jurisdictions	(268)	(152)
Tax offset for franked dividends and foreign income	(99)	(77)
Adjustments for current tax of prior periods	(426)	663
Income tax expense	29,178	32,168
Current tax on profits for the year	32,005	32,633
Deferred tax	(2,314)	388
Adjustments for current tax of prior periods	(513)	(853)
	29,178	32,168

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

2019 \$'000	Net balance at 1 July	Tax effect on adop- tion of new accounting standards	Charged to P & L	Net balance at 30 June	DTA	DTL
Employee benefits	33,416	-	(99)	33,317	33,317	-
Property, plant and equipment	1,113	-	(616)	497	996	(499)
Performance fees	4,758	11,730	3,092	19,580	19,580	-
Other	377	-	(63)	314	1,952	(1,638)
<b>Tax assets / (liabilities) before set-off</b>	<b>39,664</b>	<b>11,730</b>	<b>2,314</b>	<b>53,708</b>	<b>55,845</b>	<b>(2,137)</b>
Set-off DTL against DTA	-	-	-	-	(2,137)	2,137
<b>Net tax assets</b>	<b>39,664</b>	<b>11,730</b>	<b>2,314</b>	<b>53,708</b>	<b>53,708</b>	<b>-</b>

  

2018 \$'000	Net balance at 1 July	Charged to P & L	Net balance at 30 June	DTA	DTL
Employee benefits	32,351	1,065	33,416	33,416	-
Property, plant and equipment	1,584	(471)	1,113	1,987	(874)
Performance fees	6,346	(1,588)	4,758	4,758	-
Other	(229)	606	377	377	-
<b>Tax assets / (liabilities) before set-off</b>	<b>40,052</b>	<b>(388)</b>	<b>39,664</b>	<b>40,538</b>	<b>(874)</b>
Set-off DTL against DTA	-	-	-	(874)	874
<b>Net tax assets</b>	<b>40,052</b>	<b>(388)</b>	<b>39,664</b>	<b>39,664</b>	<b>-</b>

## Notes to the consolidated financial statements (continued)

### B PERFORMANCE FOR THE YEAR (continued)

#### B3 TAXATION (continued)

##### Recognition and measurement

###### (i) Income tax

As a State trading body under the *Income Tax Assessment Act 1997*, QIC Limited and its wholly-owned Australian controlled entities are exempt from Commonwealth income tax. However, pursuant to the *Government Owned Corporations Act 1993* and the National Tax Equivalents Regime, the group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Due to the opening retained earnings adjustment from adoption of AASB 15 by the group on 1 July 2018, there is a corresponding deferred tax asset adjustment. Refer to Note A7 Accounting Standards and Interpretations effective the current reporting period for further details.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

###### (iii) Tax consolidation legislation

QIC Limited and its wholly-owned Australian controlled entities have implemented the relevant requirements of the tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the parent entity, QIC Limited.

The group has also entered into a tax funding agreement under which the wholly-owned entities fully compensate QIC Limited for any current tax payable assumed and are compensated by QIC Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to QIC Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly-owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement.

###### (iv) Taxation of Financial Arrangements (TOFA)

Compliance with the TOFA legislation is mandatory for the tax consolidated group. The group has, apart from the foreign exchange retranslation election in relation to qualifying foreign exchange accounts, accepted the default method of accruals or realisation and has not made the election regarding transitional financial arrangements or any other elective timing methods.

## B PERFORMANCE FOR THE YEAR (continued)

### B3 TAXATION (continued)

#### Key estimates and judgements

##### *(i) Income taxes*

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

##### *(ii) Recovery of deferred tax assets*

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

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES

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

#### C1 CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Cash at bank and in hand	<b>8,921</b>	4,047

The figures below reconcile to the amount of cash and cash equivalents shown in the consolidated statement of cash flows at the end of the financial year as follows:

	Notes	2019 \$'000	2018 \$'000
Cash at bank and in hand		<b>8,921</b>	4,047
Investment - QIC Cash Enhanced Fund	C5	<b>53,653</b>	78,485
Investment - USD investment account	C5	<b>14,024</b>	12,173
Balance per consolidated statement of cash flows		<b>76,598</b>	94,705

#### Recognition and measurement

##### (i) Cash and cash equivalents

For the purposes of these financial statements, cash and cash equivalents includes cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents include balances in relation to investments in the QIC Cash Enhanced Fund and a US dollar denominated investment account. These investments are readily able to be converted to known amounts of cash on call and are highly liquid.

##### (ii) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash at bank and in hand was 1.39% (2018: 1.41%). The group's exposure to liquidity risk is discussed in Note C13(c).

## C ASSETS AND LIABILITIES (continued)

### C2 RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2019 \$'000	2018 \$'000
Profit after income tax	69,282	69,122
Net realised income received from financial assets at fair value through profit or loss	(2,847)	(4,646)
Net unrealised income received from financial assets at fair value through profit or loss	(2,743)	1,148
Interest received on other financial assets at amortised cost	(140)	(117)
Depreciation and amortisation	7,892	6,622
Net loss on disposal of property, plant and equipment	278	12
Net foreign exchange differences	(393)	177
Change in operating assets and liabilities:		
Net change in other financial assets at amortised cost	(34,829)	(19,109)
Net change in prepayments	1,402	(209)
Net change in deferred tax assets	(2,315)	388
Net change in provisions	(1,109)	3,873
Net change in payables	7,296	4,608
Net change in employee benefits	(439)	9,602
Net change in income tax payable	2,716	3,934
Net change in deferred revenue	6,741	(4,493)
Net cash provided by operating activities	50,792	70,912

### C3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowing due after 1 year \$'000	Total \$'000
Opening balance as at 1 July 2017	100	100
Closing balance as at 30 June 2018	100	100
Opening balance as at 1 July 2018	100	100
Cash flows	7,014	7,014
Closing balance as at 30 June 2019	7,114	7,114

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C4 OTHER FINANCIAL ASSETS AT AMORTISED COST

	2019 \$'000	2018 \$'000
Investment management, property management and performance fees	192,266	154,563
Term deposit	1,449	-
<b>Total current other financial assets at amortised cost</b>	<b>193,715</b>	<b>154,563</b>

Loan receivable	1,184	1,183
Monies held in escrow	7,188	4,069
<b>Total non-current other financial assets at amortised cost</b>	<b>8,372</b>	<b>5,252</b>

#### Recognition and measurement

##### (i) *Investment management, property management and performance fees*

Receivables arise when the group provides money, goods or services directly to a debtor in exchange for cash consideration. These receivables are held to collect and have been assessed to contain solely payments of principal and interest under AASB 9. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

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

##### (ii) *Monies held in escrow*

Funds are held in an escrow account to fund capital calls in relation to a joint venture with a client. The group committed additional funds to the escrow account during the year, in line with the investment mandate. This money is restricted for use under the terms of the agreement.

##### (iii) *Impairment of trade receivables*

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. Provision for impairment of receivables is established using the simplified approach under AASB 9 when there is historical evidence or supportable forward looking information that the group will not be able to collect all amounts due according to the original terms of receivables. There were no impairment amounts at 30 June 2019 (2018: \$nil).

As at 30 June 2019, receivables of \$8.5 million (2018: \$2.0 million) were past due but not impaired. These relate to a number of

independent customers for whom there is no history of credit default. Therefore, it is assessed that the credit risk of these receivables are not significantly increased. The ageing analysis of receivables is as follows:

	Days overdue			
	Within trading terms \$'000	31- 60 \$'000	61- 90 \$'000	Over 90 \$'000
2019	183,792	4,148	1,337	2,989
2018	152,562	613	714	674

No collateral is held over these balances. The group has not provided against overdue balances as there has not been a significant change in credit quality and these amounts are still considered recoverable.

## C ASSETS AND LIABILITIES (continued)

### C5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2019 \$'000	2018 \$'000
Investment - QIC Cash Enhanced Fund	53,653	78,485
Investment - USD investment account	14,024	12,173
Investment - multiple products (deferred remuneration)	11,584	14,338
<b>Total current financial assets at FVTPL</b>	<b>79,261</b>	<b>104,996</b>

Investment - multiple products (deferred remuneration)	12,653	12,896
Investment - QIC Global Infrastructure Fund	12,384	10,385
Investment - QIC Infrastructure Portfolio	12,239	11,142
Investment - QIC Direct Opportunities Fund	3,473	4,158
Investment - GFI Absolute Return Bond Fund	-	2,168
Investment - Lonsdale Asset Hold Trust	2,138	1,744
Unlisted debt securities	603	603
Investment - Lonsdale Operations Hold Trust	508	523
Investment - QIC Private Equity Fund No. 4	177	195
Investment - QIC US Shopping Center Fund, LP	170	148
Investment - Capital Parking Pty Ltd	169	222
Investment - South Bay NewCo LLC	143	136
Investment - QIC Private Equity Fund No. 6	142	136
<b>Total non-current financial assets at FVTPL</b>	<b>44,799</b>	<b>44,456</b>

Changes in fair value of financial assets at FVTPL are recorded in the consolidated statement of profit or loss and other comprehensive income, which are due to market changes.

The group has the following investment commitments that are still to be funded:

Investment	Amount \$'000
QIC US Shopping Center Fund, LP	14,115
QIC Global Infrastructure Fund	9,863
Golden Reef Infrastructure Trust	7,104
SVA Diversified Impact Fund	420
QIC Direct Opportunities Fund	404
	31,906

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

##### Classification, recognition and measurement

A financial asset is classified in this category if it's held within a business model that acquires financial assets principally for the purpose of selling in the short-term, if they are managed on a fair value basis in accordance with the group's investment strategy, or if it is an equity investment.

Assets in this category are classified as current assets if they are either cash assets or are expected to be realised within 12 months of the balance date, otherwise they are classified as non-current.

The group's holding in financial assets held at FVTPL is limited to holdings in products managed by the group and unlisted debt investments.

For investments in products managed by the group, the fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on observable market data for underlying investments held by the trust. For investments in unlisted debt investments, the best estimate for the fair value of these holdings was assessed to be cost. Accordingly, the group and parent entity classify financial assets at FVTPL as level 2 and level 3 (see note C13(d)(i)).

#### C6 PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Assets in the course of construction \$'000	Total \$'000
<b>2019</b>				
Carrying amount as at 1 July 2018	11,989	5,302	117	17,408
Additions	2,697	2,736	1,739	7,172
Depreciation expense	(2,579)	(3,076)	-	(5,655)
Disposals at net book value	(101)	(177)	-	(278)
Reclassifications at net book value <sup>(1)</sup>	117	-	(117)	-
Net foreign currency exchange differences in net book value	237	81	-	318
<b>Closing net book value at 30 June 2019</b>	<b>12,360</b>	<b>4,866</b>	<b>1,739</b>	<b>18,965</b>
Cost	27,620	13,785	1,739	43,144
Accumulated depreciation	(15,260)	(8,919)	-	(24,179)
<b>Net book amount</b>	<b>12,360</b>	<b>4,866</b>	<b>1,739</b>	<b>18,965</b>
<b>2018</b>				
Carrying amount as at 1 July 2017	10,301	3,558	-	13,859
Additions	3,928	3,986	111	8,025
Depreciation expense	(2,509)	(2,328)	-	(4,837)
Disposals at net book value	-	(21)	-	(21)
Net foreign currency exchange differences in net book value	269	107	6	382
<b>Closing net book value at 30 June 2018</b>	<b>11,989</b>	<b>5,302</b>	<b>117</b>	<b>17,408</b>
Cost	33,379	13,300	117	46,796
Accumulated depreciation	(21,390)	(7,998)	-	(29,388)
<b>Net book amount</b>	<b>11,989</b>	<b>5,302</b>	<b>117</b>	<b>17,408</b>

(1) Refers to the reclassification of assets in the course of construction from work in progress to property, plant and equipment

## C ASSETS AND LIABILITIES (continued)

### C6 PROPERTY, PLANT AND EQUIPMENT (continued)

#### Recognition and measurement

The cost of an asset is measured as the fair value of the assets given or liabilities incurred at the date of exchange plus costs directly attributable to the acquisition. The carrying value of an asset is measured as the cost of the asset minus depreciation.

Items of property, plant and equipment with a cost in excess of \$1,000 are capitalised in the year of acquisition. Items of lesser value are expensed.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount and the asset's carrying amount is written down immediately to its recoverable amount.

All items of property, plant and equipment have limited useful lives and are depreciated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed.

The estimated useful lives used to calculate the depreciation rate for each class of asset are as follows:

Computer equipment	2 - 8 years
Office equipment, furniture and fittings	3 - 15 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### C7 INTANGIBLE ASSETS

2019	Computer software \$'000	Intangible assets in the course of construction \$'000	Total \$'000
Carrying amount as at 1 July 2018	10,928	7,842	18,770
Additions	2,752	9,037	11,789
Amortisation charge	(2,237)	-	(2,237)
Reclassifications at net book value <sup>(1)</sup>	7,671	(7,671)	-
Net foreign currency exchange differences in net book value	84	-	84
<b>Closing net book value at 30 June 2019</b>	<b>19,198</b>	<b>9,208</b>	<b>28,406</b>
Cost	42,025	9,208	51,233
Accumulated amortisation	(22,827)	-	(22,827)
<b>Net book amount</b>	<b>19,198</b>	<b>9,208</b>	<b>28,406</b>

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C7 INTANGIBLE ASSETS (continued)

2018	Computer software \$'000	Intangible assets in the course of construction \$'000	Total \$'000
Carrying amount as at 1 July 2017	6,656	5,659	12,315
Additions	116	7,988	8,104
Amortisation charge	(1,785)	-	(1,785)
Reclassifications at net book value <sup>(1)</sup>	5,940	(5,940)	-
Net foreign currency exchange differences in net book value	1	135	136
<b>Closing net book value at 30 June 2018</b>	<b>10,928</b>	<b>7,842</b>	<b>18,770</b>
Cost	31,514	7,842	39,356
Accumulated amortisation	(20,586)	-	(20,586)
<b>Net book amount</b>	<b>10,928</b>	<b>7,842</b>	<b>18,770</b>

(1) Refers to the reclassification of software from work in progress to intangible assets

#### Recognition and measurement

##### (i) Intangible assets

Intangible assets of the group comprise purchased software and internally developed software. Intangible assets with a historical cost equal to or greater than \$1,000 are recognised in the financial statements. Items of a lesser value are expensed. Software maintenance costs are expensed as incurred.

The group carries software assets at cost less amortisation and impairment losses, if any.

The estimated useful lives used to calculate the amortisation rate for computer software is 3 - 10 years.

Internal and external costs directly incurred in the purchase and development of computer applications, including subsequent upgrades and enhancements, are capitalised where the costs exceed \$100,000. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

##### (ii) Impairment of assets

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

## C ASSETS AND LIABILITIES (continued)

### C8 PAYABLES

	2019 \$'000	2018 \$'000
Accrued expenses	29,549	23,188
Accounts payable	6,814	5,879
<b>Total payables</b>	<b>36,363</b>	29,067

#### Recognition and measurement

##### (i) Payables

Payables are recognised when the group becomes obliged to make future payments resulting from the purchase of goods and services.

##### (ii) Fair value

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

### C9 PROVISIONS

	2019			2018		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Lease incentive	1,160	3,382	4,542	970	3,379	4,349
Restructuring costs	-	-	-	1,091	-	1,091
Other provisions	2	-	2	213	-	213
	<b>1,162</b>	<b>3,382</b>	<b>4,544</b>	<b>2,274</b>	<b>3,379</b>	<b>5,653</b>

#### Recognition and measurement

##### (i) Lease incentive

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

##### (ii) Restructuring

A restructuring provision was recognised at 30 June 2018 in relation to a corporate program of work being implemented to more efficiently deliver certain support functions. The restructuring has been completed, and the provision fully utilised. All requirements in relation to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* have been met in relation to this restructuring provision.

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C9 PROVISIONS (continued)

##### Recognition and measurement (continued)

##### (iii) Movements in provisions

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

2019	Lease Incentive \$'000	Restructuring obligations \$'000	Other \$'000	Total \$'000
Carrying amount at start of year	4,349	1,091	213	5,653
Amounts used during the year	(1,282)	(925)	(211)	(2,418)
Charged to profit or loss - unused amounts reversed	-	(166)	-	(166)
Additional provisions recognised	1,475	-	-	1,475
Carrying amount at end of year	4,542	-	2	4,544

#### C10 BORROWINGS

	2019 \$'000	2018 \$'000
Borrowings	7,114	100
<b>Total borrowings</b>	<b>7,114</b>	<b>100</b>

##### (i) Borrowings

QIC Limited has a debt facility with a limit of \$50.0 million.

##### (ii) Compliance with loan covenants

QIC Limited has complied with the financial covenants of its borrowing facilities during the reporting period.

##### Recognition and measurement

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

The fair value of borrowings subsequently measured at amortised cost is set out in Note C13(d)(iii).

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are split between current and non-current liabilities based on the portion of borrowings that is due to be settled within 12 months after the reporting period.

## C ASSETS AND LIABILITIES (continued)

### C11 CONTINGENT LIABILITIES

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

#### *(i) Trustee obligations*

As at 30 June 2019, QIC Limited or its controlled entities were trustee of 143 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trust. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trust against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deed. As at 30 June 2019, total assets exceed total liabilities in the majority of the Trusts.

In addition, the parent entity operates discrete portfolios on behalf of particular clients. The investments comprising each portfolio are owned by each particular client. In accordance with client agreements governing discrete portfolios, clients are obligated to provide funds to the parent entity to cover any losses or outgoings sustained in operating their particular portfolio(s).

Funds managed by the group in a trustee capacity totalled \$80.9 billion at 30 June 2019 (2018: \$86.1 billion). These figures exclude cross holdings between trusts.

#### *(ii) Subsidiary and associate undertakings*

In accordance with the QIC US Management, Inc lease at Fifth Third Building, 600 Superior Avenue East, Cleveland, United States, QIC Limited guarantees the payment of rent and all other amounts required to be paid under the lease for a period of 68 months from the commencement of the lease. The guarantee will expire in November 2023 and the amount guaranteed as at 30 June 2019 is USD\$1.9 million (AUD equivalent \$2.7 million) (2018: USD\$2.1 million; AUD equivalent \$2.8 million).

In accordance with the QIC Properties US, Inc master vehicle lease agreement, QIC Limited guarantees the prompt and satisfactory performance of all covenants, agreements and obligations contained within the agreement. The guarantee is a continuing guarantee and will remain in full effect until all obligations under the agreement has been extinguished.

#### *(iii) Litigation*

In 2015, clients managed or advised by the group acquired, through the Lochard Group (Lochard), the Iona Gas Storage Facility from EnergyAustralia. In May 2017, Lochard commenced legal proceedings against three EnergyAustralia entities in the Supreme Court of Victoria seeking damages and other relief for breach of contractual warranties and statutory misleading and deceptive conduct in connection with the acquisition. On 28 June 2019, EnergyAustralia filed and served a third party claim against a subsidiary of QIC Limited and a further amended defence to Lochard's claims which raises various allegations concerning the subsidiary's involvement in the due diligence process that occurred prior to the acquisition of the Facility. By the third party claim and the further amended defence, EnergyAustralia seeks to have the subsidiary bear a proportion of any liability that EnergyAustralia might be found to have to Lochard, either on a statutory proportionate liability or equitable contribution basis. EnergyAustralia has not, to date, specified the proportion of any liability that it seeks to have the subsidiary bear. The subsidiary will be defending the third party claim by EnergyAustralia and is required to file and serve its defence to these allegations by 13 September 2019.

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C12 COMMITMENTS

##### (i) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised in the statement of financial position of the group are as follows:

	2019 \$'000	2018 \$'000
Property, plant and equipment	-	45
Intangible assets	<b>9,779</b>	6,610

##### (ii) Investment commitments

Refer to note C5 for investment commitments that are still to be funded.

##### (iii) Non-cancellable operating leases

The group leases various offices and motor vehicles under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2019 \$'000	2018 \$'000
Within one year	<b>10,530</b>	7,803
Later than one year but not later than five years	<b>32,174</b>	26,561
Later than five years	<b>7,326</b>	14,119
	<b>50,030</b>	48,483

The group no longer sublets leased office space. At 30 June 2019, the total of future minimum sublease payments expected to be received under non-cancellable subleases is \$nil (2018: \$0.8 million).

#### Recognition and measurement

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentive received from the lessor) are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

## C ASSETS AND LIABILITIES (continued)

### C13 FINANCIAL RISK MANAGEMENT

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

The group uses different methods to measure the different types of financial risk to which it is exposed. For the purposes of financial statements disclosures, these methods include sensitivity analysis in the case of foreign exchange and price risks and ageing analysis for credit and liquidity risks.

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

#### *(a) Market risk*

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

#### *(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the group's functional currency. The risk is measured using sensitivity analysis.

Losses in value may result from translating the group's capital invested in overseas operations into Australian dollars at balance date (translation risk) or from adverse foreign currency exchange rate movements on specific cash flow transactions (transaction risk).

The group does not hedge the capital invested in overseas operations, thereby accepting the foreign currency translation risk on invested capital.

#### *Sensitivity*

The sensitivity of the group's financial instruments held at 30 June 2019 (and in the prior year) to movements in the British pound, Euro and United States dollar with all other variables held constant has been assessed and is not material. The group's exposure to other foreign currency exchange movements is not material.

#### *(ii) Cash flow and fair value interest rate risk*

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Interest rate risk is managed in accordance with the Corporate Treasury Risk Management Standard. During 2019, the group's borrowings at variable rates were denominated in United States dollars.

#### *Sensitivity*

The sensitivity of the group's long-term borrowings at 30 June 2019 to movements in the interest rate with all other variables held constant has been assessed and is not material.

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C13 FINANCIAL RISK MANAGEMENT (continued)

##### (iii) Price risk

###### Exposure

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

The market risk of an investment holding comprises the risk that the unit price of the trust will change during the next reporting period

(price risk). The change in unit price is determined by dividing the hypothetical change in the Net Asset Value ('NAV') of the trust by the number of units on issue at balance date. The hypothetical change in the NAV was determined by undertaking a sensitivity analysis for the key types of market risk that apply to the investments of that trust and aggregating the results of the analysis.

###### Sensitivity

The table below summarises the impact of increases/(decreases) in unit prices on the group's profit for the year.

	Impact on post-tax profit	
	2019 \$'000	2018 \$'000
QIC Infrastructure Portfolio - increase 10% (2018: 10%)	1,224	1,114
QIC Infrastructure Portfolio - decrease 10% (2018: 10%)	(1,224)	(1,114)
QIC Global Infrastructure Fund - increase 10% (2018: 10%)	1,238	1,038
QIC Global Infrastructure Fund - decrease 10% (2018: 10%)	(1,238)	(1,038)
QIC Direct Opportunities Fund - increase 19% (2018: 18%)	660	748
QIC Direct Opportunities Fund - decrease 17% (2018: 16%)	(590)	(665)

The impact on the group's profit from increases/(decreases) in unit prices for the group's remaining financial assets at FVTPL are deemed immaterial.

A sensitivity analysis was conducted on the impact of a movement in the unit price of the group's material investments in current financial assets at FVTPL held at 30 June 2019 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

##### (b) Credit risk

###### (i) Risk management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and credit exposures to institutional investment clients, including outstanding receivables. Deposits with banks are held only with independently rated parties.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date for the group is \$335.1 million (2018: \$313.3 million).

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

###### (ii) Guarantees

Credit risk further arises in relation to guarantees given to certain parties (see note C11). Such guarantees are provided in limited circumstances.

## C ASSETS AND LIABILITIES (continued)

### C13 FINANCIAL RISK MANAGEMENT (continued)

#### (c) Liquidity risk

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

The group invests its working capital in the QIC Cash Enhanced Fund and the USD Investment Account, which are highly liquid. The group regularly reviews its liquidity, having regard to expected future cash flow obligations.

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

#### (d) Fair value measurements

##### (i) Fair value hierarchy

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

Fair value measurements At 30 June 2019	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>					
Financial assets at FVTPL					
Unlisted unit trusts	C5	-	91,914	31,543	123,457
Unlisted debt securities	C5	-	-	603	603
<b>Total financial assets</b>		-	91,914	32,146	124,060

Fair value measurements At 30 June 2018	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>					
Financial assets at FVTPL					
Unlisted unit trusts	C5	-	120,061	28,788	148,849
Unlisted debt securities	C5	-	-	603	603
<b>Total financial assets</b>		-	120,061	29,391	149,452

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

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

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

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments in unlisted debt and equity investments are recorded at the redemption value per unit as reported by the managers of such trusts. Where such equity investments are in QIC managed trusts, the underlying assets are valued independently at least annually in accordance with QIC's Investment Valuation Policy.

## Notes to the consolidated financial statements (continued)

### C ASSETS AND LIABILITIES (continued)

#### C13 FINANCIAL RISK MANAGEMENT (continued)

##### (d) Fair value measurements (continued)

##### (ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 30 June 2019 and 30 June 2018:

	Unlisted unit trusts \$'000	Unlisted debt investments \$'000	Total \$'000
<b>Opening balance 1 July 2017</b>	<b>27,758</b>	<b>318</b>	<b>28,076</b>
Acquisitions	969	285	1,254
Net unrealised income from financial assets at fair value through profit or loss *	61	-	61
<b>Closing balance 30 June 2018</b>	<b>28,788</b>	<b>603</b>	<b>29,391</b>

Acquisitions	917	-	917
Net unrealised income from financial assets at fair value through profit or loss *	1,838	-	1,838
<b>Closing balance 30 June 2019</b>	<b>31,543</b>	<b>603</b>	<b>32,146</b>

\* includes net unrealised income recognised in the consolidated statement of profit or loss and other comprehensive income attributable to balances held at the end of the reporting period

2019	1,838	-	1,838
2018	61	-	61

##### (iii) Fair value disclosures for financial liabilities measured at amortised cost

The fair value of the borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

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

All other financial assets and financial liabilities held by the group are measured at amortised cost, which management have assessed to be not materially different to its fair value at reporting date.

## D EMPLOYEE BENEFITS

This section provides a breakdown of the various programs the group uses to reward and recognise employees and key executives, including Key Management Personnel (KMP).

### D1 EMPLOYEE BENEFITS

	2019 \$'000	2018 \$'000
Payables	36,212	31,478
Provisions	68,767	72,462
<b>Total current employee benefits</b>	<b>104,979</b>	103,940
Provisions	12,445	13,923
<b>Total non-current employee benefits</b>	<b>12,445</b>	13,923

#### Recognition and measurement

Employee benefits are classified as payables when the timing and amount of the future payment is certain. Employee benefits are classified as provisions when the timing or amount of the future payment is uncertain. Employee benefit provisions are further presented as current if they are expected to be settled within 12 months after the end of the period in which the employees render the related service or as non-current if they are not expected to be settled within 12 months after the end of the period in which the employees render the related service.

#### (i) Employee benefits

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as workers' compensation insurance, superannuation and payroll tax.

Remuneration includes a mix of fixed remuneration and payments for performance, attraction and retention. The majority of these payments are dependent on the satisfaction of performance conditions and are defined as 'at risk'.

The maximum 'at risk' amount payable varies with individual roles to the extent that each role impacts on investment and corporate performance.

A liability for payments for performance, attraction and retention is recognised when the group has a present obligation to pay resulting from employee services provided.

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

Short-term employee benefits include salaries, annual leave, paid sick leave, at risk performance and retention compensation and any non-monetary benefits provided such as cars or car parking which is expected to be settled within 12 months after the reporting year.

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

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

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

#### (iv) Post-employment benefits

Post-employment benefits include superannuation contributions.

The group contributes to superannuation funds for the purpose of providing benefits for employees and their dependents on retirement, disability or death. Contributions are charged as expenses when incurred.

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

## Notes to the consolidated financial statements (continued)

### D EMPLOYEE BENEFITS (continued)

#### D1 EMPLOYEE BENEFITS (continued)

##### Recognition and measurement (continued)

###### *(v) Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the employee accepts the offer of those benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value using a corporate bond rate that most closely matches the terms of the benefit.

When the group recognises costs for a restructuring that is within the scope of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits, these are provided for under the restructuring provision.

##### Key estimates and judgements

###### *(i) Annual leave and long service leave*

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

Future increase in wages and salary rates;

- Future on-cost rates; and
- Expected settlement dates based on staff turnover history.

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

###### *(ii) At risk performance, attraction and retention*

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

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

## D EMPLOYEE BENEFITS (continued)

### D2 KEY MANAGEMENT PERSONNEL

Key management personnel disclosures are made in accordance with the *Supplementary Requirements for Disclosure of Government Owned Corporation Directors' and Chief and Senior Executives' Remuneration* issued by the Queensland Government.

Key management personnel include both directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the group. The group's shareholding Ministers are identified as part of the group's KMP, consistent with AASB 124 *Related Party Disclosures*. These Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for Trade and the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships.

#### (a) Directors

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

Director	Position	Term	Expiry date
G I Martin AM	Chairman (appointed 1 April 2019)	3 years	30 September 2022
J C Battams	Director (reappointed 1 October 2018)	3 years	30 September 2021
G Brown	Director (appointed 15 December 2016)	3 years	30 September 2019
P Derrington	Director (appointed 12 October 2017)	3 years	30 September 2020
S A Desmarchelier	Director (appointed 1 October 2016)	3 years	30 September 2019
S J P Dunne	Director (reappointed 1 October 2018)	3 years	30 September 2021
P A Gallagher	Director (reappointed 1 October 2017)	3 years	30 September 2020
A E King	Director (reappointed 1 October 2016)	3 years	30 September 2019
J Perry	Director (appointed 1 October 2018)	3 years	30 September 2021
D R Luke	Chairman (resigned 31 March 2019)	3 years	30 September 2019
A J P Staines	Director (term ended 30 September 2018)	3 years	30 September 2018
G B Murdoch	Director (term ended 30 September 2017)	3 years	30 September 2017

## Notes to the consolidated financial statements (continued)

### D EMPLOYEE BENEFITS (continued)

#### D2 KEY MANAGEMENT PERSONNEL (continued)

##### (b) Senior Executives

Senior executives are appointed by the QIC Board. The Chief Executive is appointed by the QIC Board with the prior written approval of the shareholding Ministers. During the current and prior financial year, the following persons were senior executives with the greatest authority for the strategic direction and management of the group ('senior executives'):

Name	Position	Term
D J Frawley	Chief Executive	Open term
C M Blake	Chief Financial Officer	Open term
D E Clarke	Chief Risk Officer	Open term
G A Jackson	Executive Director, Human Resources	Open term
M D McDonald	Executive Director, Operations and Technology	Open term
M Thomsen	General Counsel, Legal (appointed 6 August 2018)	Open term
L L Wilkinson	Executive Director, Global Clients and Marketing (appointed 1 July 2018)	Open term

##### (c) Remuneration principles

###### (i) Remuneration of shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The group does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

###### (ii) Remuneration of directors

The Governor in Council of the State of Queensland determines the group's directors' fees. Directors receiving directors' fees personally also receive the statutory superannuation contributions. All directors are reimbursed for reasonable expenses incurred while conducting business on behalf of the group. Directors are not entitled to performance based incentive payments and retirement benefits.

###### (iii) Remuneration of senior executives and employees

Governance of remuneration practices and arrangements occurs through the HR and Remuneration Committee, which oversees all remuneration policies and their implementation. The Committee refers its recommendations relating to remuneration to the QIC Board for approval.

The majority of the group's employees are sourced from the various financial markets and investment sectors in which the group participates. It is important that the group's employment practices are competitive within these markets. Effective remuneration strategies are an essential element in the group's ability to attract and retain investment professionals and other key employees and to ensure their effectiveness in achieving agreed performance benchmarks.

Analysis and advice is obtained from external consultants to ensure that remuneration is benchmarked against market rates for comparable roles. In addition, a number of surveys are used to assess market rates and trends. Remuneration is reviewed at least annually to ensure that it is competitive within the funds management industry.

## D EMPLOYEE BENEFITS (continued)

### D2 KEY MANAGEMENT PERSONNEL (continued)

#### (c) Remuneration principles (continued)

##### (iii) Remuneration of senior executives and employees (continued)

The group has established a remuneration structure to motivate superior employee performance in order to achieve the organisation's short term performance objectives, to provide sustainable long term performance outcomes for the group and alignment with client and shareholder interests.

Fixed remuneration is calculated on a 'total cost' basis, including the cost of employee benefits such as motor vehicles, superannuation and car parking, together with fringe benefits tax applicable to those benefits. Fixed remuneration levels are targeted at the market median, taking into consideration relevant market trends.

Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination. The group may, at its discretion, provide retrenchment payments consistent with industry practice.

##### (iv) At risk performance, attraction and retention compensation

These payments are dependent on the satisfaction of performance conditions and are defined as 'at risk'. The maximum 'at risk' amount payable varies with individual roles to the extent that each role impacts on investment and corporate performance. The components of the calculation reflect business objectives and are drawn from the following as appropriate:

- Financial performance, including profitability and revenue growth
- Investment performance, client satisfaction and client retention
- Process, risk and systems management and business improvements
- Leadership and culture, including employee engagement, capability management and collaboration

In addition, the QIC Board may exercise its discretion to make performance based payments to additional employees who are not participants in incentive schemes.

##### (v) Remuneration of key management personnel

	2019 \$'000	2018 \$'000
Short-term benefits	7,921	7,772
Long-term benefits	2,104	1,243
Post-employment benefits	348	323
	<b>10,373</b>	9,338

Key management personnel remuneration includes the remuneration of directors and senior executives specified in this note for the periods indicated.

## Notes to the consolidated financial statements (continued)

### D EMPLOYEE BENEFITS (continued)

#### D2 KEY MANAGEMENT PERSONNEL (continued)

##### (vi) Remuneration of directors

Directors		Board of Board Committees			Short-term employee benefits	Post-Employment	
		QIC	Board Committees	Subsidiary boards	Total	Super	Total
Name	Position	\$	\$	\$	\$	\$	\$
Reporting Period	1 July 2018 - 30 June 2019						
G I Martin AM	Chairman	40,499	-	-	40,499	3,847	44,346
J C Battams <sup>(1)</sup>	Director	67,911	25,131	10,052	103,094	9,794	112,888
G Brown	Director	67,911	20,104	-	88,015	8,361	96,376
P Derrington	Director	67,911	-	10,052	77,963	-	77,963
S Desmarchelier	Director	67,911	13,738	10,052	91,701	10,775	102,476
S J P Dunne	Director	67,911	53,738	6,366	128,015	12,161	140,176
P A Gallagher <sup>(2)</sup>	Director	67,912	40,208	-	108,120	-	108,120
A E King	Director	67,911	10,052	10,052	88,015	8,361	96,376
J Perry	Director	50,933	3,686	-	54,619	5,189	59,808
D R Luke	Chairman	121,496	-	-	121,496	11,846	133,342
A J P Staines	Director	16,978	5,026	-	22,004	2,090	24,094
P W Forbes <sup>(3)</sup>	Director	-	-	67,911	67,911	6,452	74,363
A C J Solway <sup>(3)</sup>	Director	-	-	54,346	54,346	5,381	59,727
P J Higgs <sup>(3)</sup>	Director	-	-	54,346	54,346	5,381	59,727
Total remuneration		705,284	171,683	223,177	1,100,144	89,638	1,189,782

Previous Period	1 July 2017 - 30 June 2018						
D R Luke	Chairman	161,995	-	-	161,995	15,795	177,790
J C Battams <sup>(1)</sup>	Director	67,911	25,131	10,052	103,094	9,794	112,888
G Brown	Director	67,911	24,069	-	91,980	8,738	100,718
P Derrington	Director	48,925	-	2,648	51,573	-	51,573
S Desmarchelier	Director	67,911	10,052	10,052	88,015	10,342	98,357
S J P Dunne	Director	67,911	70,330	10,052	148,293	11,643	159,936
P A Gallagher <sup>(2)</sup>	Director	67,912	35,156	-	103,068	-	103,068
A E King	Director	67,911	10,052	10,052	88,015	8,361	96,376
A J P Staines <sup>(11)</sup>	Director	67,911	20,104	-	88,015	8,361	96,376
G B Murdoch	Director	16,978	8,788	-	25,766	2,448	28,214
P W Forbes <sup>(3)</sup>	Director	-	-	67,911	67,911	6,452	74,363
A C J Solway <sup>(3)</sup>	Director	-	-	52,145	52,145	5,222	57,367
P J Higgs <sup>(3)</sup>	Director	-	-	52,145	52,145	5,222	57,367
Total remuneration		703,276	203,682	215,057	1,122,015	92,378	1,214,393

Notes: (1) Chair of the Risk Committee. (2) Chair of the HR & Remuneration Committee and Chair of the Audit Committee. (3) Director of QIC Limited subsidiary companies only.

## D EMPLOYEE BENEFITS (continued)

### D2 KEY MANAGEMENT PERSONNEL (continued)

#### (vii) Remuneration of senior executives

Senior executives		Short-term employee benefits		Post-employee benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
		Salary and fees	Non-monetary benefits	Super	Annual and long service leave		
Name	Position	\$	\$	\$	\$	\$	\$
Reporting Period	1 July 2018 - 30 June 2019						
D J Frawley	Chief Executive	753,017	10,235	36,748	28,998	-	828,998
C M Blake	Chief Financial Officer	295,852	26,101	90,547	8,719	-	421,219
D E Clarke	Chief Risk Officer	391,969	-	20,531	19,825	-	432,325
G A Jackson	Executive Director, Human Resources	310,122	13,654	31,224	6,222	-	361,222
M D McDonald	Executive Director, Operations and Technology	380,999	23,518	25,483	10,871	-	440,871
M Thomsen <sup>(1)</sup>	General Counsel, Legal	328,678	9,391	33,309	(6,274)	-	365,104
L L Wilkinson <sup>(2)</sup>	Executive Director, Global Clients and Marketing	379,469	-	20,531	14,350	-	414,350
Total remuneration		2,840,106	82,899	258,373	82,711	-	3,264,089

Notes:

(1) Ms M Thomsen satisfied the definition of key management personnel from 06 August 2018

(2) Ms L Wilkinson satisfied the definition of key management personnel from 01 July 2018

Previous Period	1 July 2017 - 30 June 2018						
D J Frawley	Chief Executive	755,073	8,661	36,266	13,868	-	813,868
D Asplin <sup>(1)</sup>	Managing Director, Global Business Development	417,639	-	24,390	2,584	-	444,613
C M Blake	Chief Financial Officer	297,405	24,548	90,547	3,959	-	416,459
D E Clarke	Chief Risk Officer	465,846	7,933	18,050	(62,675)	-	429,154
G A Jackson	Executive Director, Human Resources	310,605	13,654	30,741	6,397	-	361,397
M D McDonald	Executive Director, Operations and Technology	405,412	-	24,588	(251)	-	429,749
B J Delaney <sup>(2)</sup>	Executive Director, Strategy, Clients and Global Markets	62,890	-	6,457	6,222	-	75,569
Total remuneration		2,714,870	54,796	231,039	(29,896)	-	2,970,809

Notes:

(1) Mr D Asplin, formerly Managing Director, Global Business Development satisfied the definition of key management personnel until 30 June 2018.

Subsequently Mr D Asplin occupied the position of Chief Operating Officer- Global Real Estate (GRE), which does not meet the definition of key management personnel.

(2) Mr B J Delaney, formerly Executive Director, Strategy, Clients and Global Markets satisfied the definition of key management personnel until 14 August 2017. Subsequently Mr B J Delaney occupied the position of Senior Managing Director-US, which does not meet the definition of key management personnel.

## Notes to the consolidated financial statements (continued)

### D EMPLOYEE BENEFITS (continued)

#### D2 KEY MANAGEMENT PERSONNEL (continued)

##### *(viii) Total performance, attraction and retention remuneration*

	2019	2018
Aggregate amounts for performance and retention of employees (\$'000)	<b>79,058</b>	69,672
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided (\$'000)	<b>209,242</b>	186,065
Number of employees who receive payments for performance and retention purposes	<b>856</b>	738

## E CAPITAL STRUCTURE

This section provides information relating to the group capital structure.

The capital structure of the group consists of debt and equity. The directors review the group's capital structure and dividend policy regularly and do so in the context of the group's ability to continue as a going concern, to invest in opportunities that grow the business and enhance shareholder value.

### E1 ISSUED CAPITAL

	2019 Shares	2018 Shares	2019 \$'000	2018 \$'000
Ordinary shares	<b>30,300,000</b>	30,300,000	<b>37,475</b>	37,475

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

There were no movements in the share capital of the group in the current and prior year.

#### (ii) Risk management

The group's capital management objectives are to:

- ensure sufficient capital resources to support business and operating requirements and manage risks; and
- continue to provide a return to the State of Queensland and benefits for other stakeholders.

Capital levels are monitored and assessed on a regular basis to ensure that these objectives are met.

The group is not currently subject to any legal or other regulatory requirement to have a capital base of any specific size.

### E2 DIVIDENDS

#### (i) Ordinary shares

	2019 \$'000	2018 \$'000
Final dividend for the year ended 30 June 2019 of 100% (2018: 100%) of adjusted consolidated profit after income tax	<b>58,989</b>	60,122

#### Recognition and measurement

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

## Notes to the consolidated financial statements (continued)

### F GROUP STRUCTURE

This section explains significant aspects of QIC Limited's group structure, including its controlled entities. It also provides information relating to QIC Limited's related parties, the extent of related party transactions and the impact they had on the group's financial performance and position.

#### F1 PARENT ENTITY DISCLOSURES

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

##### *(i) Summary financial information*

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 \$'000	2018 \$'000
<b>Balance sheet</b>		
Current assets	355,661	213,050
Non-current assets	99,562	59,306
<b>Total assets</b>	<b>455,223</b>	272,356
Current liabilities	277,059	149,524
Non-current liabilities	49,990	8,372
<b>Total liabilities</b>	<b>327,049</b>	157,896
<b>Equity</b>		
Contributed equity	37,475	37,475
Retained earnings	90,699	76,985
<b>Total equity</b>	<b>128,174</b>	114,460
Profit after income tax	72,616	32,930

##### *(ii) Contingent liabilities of the parent entity*

QIC Limited has given the following eligible undertakings in respect of Australian Financial Services Licences issued to controlled entities:

Entity	Agreement date	2019	2018
QIC Private Capital Pty Ltd	28 July 2015	\$3.0 million	\$3.0 million

## F GROUP STRUCTURE (continued)

### F1 PARENT ENTITY DISCLOSURES (continued)

#### *(ii) Contingent liabilities of the parent entity (continued)*

In accordance with deed polls dated 2 February 2004 and 18 March 2005, QIC Limited has agreed to indemnify each subsidiary listed in those deed polls for liabilities incurred by the subsidiary to third parties, arising from the provision of financial services to wholesale clients in respect of dealing (including arranging for a person to deal), providing financial product advice and providing a custodial or depository service.

QIC Limited has received or provided the following loan facility agreements with controlled entities:

Entity	Agreement date	2019	2018
QIC European Investment Services Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC (UK) Management Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC US Management, Inc	15 May 2013	USD 5.0 million	USD 5.0 million
QIC Investments No. 1 Pty Ltd	16 July 2013	AUD 5.0 million	AUD 8.0 million

#### *(iii) Guarantees*

QIC Limited has provided a guarantee to QIC European Investment Services Limited. Under this agreement the parent entity has agreed to supply funding of up to \$1.0 million.

QIC Limited has provided a guarantee to QIC US Management Inc. Under this agreement the parent entity has agreed to supply funding of up to \$3.0 million.

QIC Limited has provided a guarantee to QIC US Investment Services Inc. Under this agreement the parent entity has agreed to supply funding of up to \$1.0 million.

#### *(iv) Contractual commitments for the acquisition of property, plant or equipment and intangible assets*

As at 30 June 2019, the parent entity had contractual commitments for the acquisition of intangible assets totalling \$9.8 million (30 June 2018: \$6.6 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

## Notes to the consolidated financial statements (continued)

### F GROUP STRUCTURE (continued)

#### F1 PARENT ENTITY DISCLOSURES (continued)

##### (v) Transactions with controlled entities

The following transactions occurred with QIC Limited subsidiaries.

	30 June 2019 \$	30 June 2018 \$
Service fees received from controlled entities	<b>73,592,273</b>	75,483,531
Service fees paid to controlled entities	<b>26,725,793</b>	36,707,825
Amounts paid by subsidiaries under the tax funding agreement	<b>29,010,045</b>	29,895,548
Dividend income from controlled entities	<b>80,839,388</b>	37,006,774
Current receivables (loans to controlled entities)	<b>9,515,186</b>	23,520,528
Current receivables (tax funding agreement)	<b>18,315,878</b>	10,433,809
Current receivables (dividend income from controlled entities)	<b>80,839,388</b>	37,006,774
Current payables (loans from controlled entities)	<b>138,721,576</b>	38,563,231

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

Transactions with Queensland Government entities and QIC Limited investment entities are disclosed at a consolidated level, refer note F3.

## F GROUP STRUCTURE (continued)

### F2 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries. QIC Limited has a number of other subsidiaries in the group that are non-trading and were effectively dormant during the current and prior year:

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2019 %	2018 %
QIC Infrastructure Management No.2 Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Investments No. 2 Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Investments No. 3 Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Investments No. 1 Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Private Capital Pty Ltd	Australia	Ordinary	<b>100</b>	100
QICP Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Retail Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC (UK) Management Limited	United Kingdom	Ordinary	<b>100</b>	100
QIC European Investment Services Limited	United Kingdom	Ordinary	<b>100</b>	100
QIC Corporate Management, Inc. *	United States	Ordinary	<b>100</b>	100
QIC Non-Member Manager LLC *	United States	Ordinary	<b>100</b>	100
QIC Global Infrastructure (US), Inc. *	United States	Ordinary	<b>100</b>	100
QIC US Shopping Centre Fund No.1 GP LLC *	United States	Ordinary	<b>100</b>	100
QIC US Private Equity, LLC *	United States	Ordinary	<b>100</b>	100
QIC US Private Equity No. 2 LLC *	United States	Ordinary	<b>100</b>	100
QIC US Regional Shopping Center Fund GP LLC *	United States	Ordinary	<b>100</b>	100
QIC Properties US, Inc. *	United States	Ordinary	<b>100</b>	100
South Bay Managing Member LLC *	United States	Ordinary	<b>100</b>	100
QIC US Investment Services Inc *	United States	Ordinary	<b>100</b>	100
QIC US Management, Inc.	United States	Ordinary	<b>100</b>	100
QIC QGIF GP Co No. 1 Inc *	United States	Ordinary	<b>100</b>	-

\* Subsidiary of QIC US Management, Inc.

## Notes to the consolidated financial statements (continued)

### F GROUP STRUCTURE (continued)

#### F3 RELATED PARTY INFORMATION

##### *(i) Transactions with shareholding Ministers*

As a Queensland Government Owned Corporation (GOC), QIC Limited's shareholding Ministers are the Honourable Anastacia Palaszczuk MP, Premier and Minister for Trade and the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships.

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

The group has not made purchases or provided goods or services to/from entities or individuals related to shareholding Ministers.

##### *(ii) Transactions with key management personnel Directors of QIC Limited and Executives of the Group*

Transactions with entities related to key management personnel occur on terms and conditions which are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

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

The following transactions occurred with related parties:

<b>2019</b> <b>\$</b>	<b>State of Queensland</b>	<b>Other related entities</b>
Investment management and performance fees	<b>101,905,000</b>	<b>166,184,044</b>
Purchase of goods and services	<b>13,924,597</b>	-
Payment of income tax	<b>27,971,533</b>	-
Payment of dividends	<b>60,122,349</b>	-
Current receivables	<b>21,764,072</b>	<b>37,296,749</b>
Current payables	<b>14,209,999</b>	-
Dividends payable	<b>58,988,533</b>	-
Income tax payable	<b>7,311,718</b>	-

<b>2018</b> <b>\$</b>	<b>State of Queensland</b>	<b>Other related entities</b>
Investment management and performance fees	100,326,711	156,446,645
Purchase of goods and services	13,801,025	-
Payment of income tax	27,282,157	-
Payment of dividends	41,089,068	-
Current receivables	37,713,009	27,583,068
Current payables	8,943,614	-
Dividends payable	60,122,349	-
Income tax payable	2,706,111	-

## F GROUP STRUCTURE (continued)

### F3 RELATED PARTY INFORMATION (continued)

#### *(iv) Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of QIC Limited.

#### *(v) Terms and conditions*

Loans between entities in the group are interest free and repayable on demand. Outstanding balances are unsecured and are repayable in cash.

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

## G OTHER

This section provides details on other required disclosures relating to the group to comply with accounting standards and other pronouncements.

### G1 SUBSEQUENT EVENTS

Other than the item disclosed in Note C11 (iii), no other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect, the group's operations, the results of those operations, or the group's state of affairs in future financial years.

### G2 REMUNERATION OF AUDITORS

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

	2019 \$'000	2018 \$'000
<i>Queensland Audit Office</i>		
Audit and review of financial reports	<b>304,300</b>	302,000
Audit of regulatory returns	<b>11,000</b>	10,000
<i>KPMG</i>		
Audit and review of financial reports	<b>204,417</b>	125,340
<b>Total remuneration for audit services</b>	<b>519,717</b>	437,340

## Notes to the consolidated financial statements (continued)

### G OTHER (continued)

#### G3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below. Other than as set out in this note, there are no other standards that are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

##### *(i) AASB 16 Leases*

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

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

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

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

Based on the current operating lease commitments totalling \$50.0 million (refer to note C12(iii)), the group estimates a right of use asset of \$41.3 million and corresponding lease liability of \$45.7 million would be recognised in the statement of financial position on transition. The difference between the right of use asset and lease liability on transition relates to the lease incentive provision, which is netted off against the right of use asset on transition.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 51 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the group 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 directors.



Mr G I Martin AM  
Director

Brisbane  
27 August 2019

## INDEPENDENT AUDITOR'S REPORT

To the Members of QIC Limited

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of QIC Limited and its controlled entities (the group). In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards
- c) complies with International Financial Reporting Standards as disclosed in Note A2.

The financial report comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matter

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit for the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Recognition of performance fees and probability of clawback (\$60.39m)

Refer to Note B1 in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Performance fees are material to QIC Limited (QIC).</p> <p>Performance fees are charged in accordance with individual client contracts. Under these contracts, QIC may be entitled to performance fees when the investment performance exceeds a set benchmark. Some contracts also contain clawback clauses that require QIC to refund performance fees received. This occurs if the investment performance falls below the benchmark during a specified future period (the clawback period). Revenue is recognised in the financial statements for performance fees earned less the amount of clawbacks recognised as deferred revenue.</p> <p>The methodology used in the calculation of the performance fee and potential clawback is complex as it is dependent on:</p> <ul style="list-style-type: none"> <li>estimating the level and volatility of future performance</li> <li>using past actual performance to estimate future performance.</li> </ul> <p>The methodology and assumptions for calculation of the performance fee and potential clawbacks was also revised for 30 June 2019 due to the first year adoption of AASB 15 <i>Revenue from Contracts with Customers</i>. This has resulted in a one-off adjustment to the opening balance of retained earnings in line with the modified retrospective approach.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the model, and assessing its design, integrity and appropriateness with reference to the relevant client contract. This included assessing changes made to the model in response to the implementation of AASB 15.</li> <li>Obtaining management's assessment of the changes in accounting policy for performance fee recognition and assessing for compliance with AASB 15.</li> <li>Assessing management's controls over the performance fee process in line with their model risk standard.</li> <li>Verifying the inputs, on a sample basis, to the relevant client contract.</li> <li>Analysing the movements and volatility of the funds' returns and comparing to internal and external benchmarks over the past 3 years.</li> <li>Analysing the calculation of the overperformance buffer and assessing the factors impacting expectations of future performance used to determine the clawback amount.</li> <li>Verifying inputs used in the clawback calculations including: <ul style="list-style-type: none"> <li>current investment values, by confirming to third party investment administrator records</li> <li>past benchmark values, by agreeing to the relevant industry indices</li> <li>past actual performance data, by confirming to third party investment administrator records.</li> </ul> </li> <li>Assessing management's evaluation of the probability of the performance fee criteria being met. This included re-performing the normal distribution to calculate the probability of a material performance fee to be recognised at the end of the performance period and using the results to validate QIC's assessment of what is recognised as revenue, deferred revenue and as a contingent asset.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (continued)

### Other information

Other information comprises the information included in the group's annual report for the year ended 30 June 2019 but does not include the financial report and my auditor's report thereon.

### The Board is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Responsibilities of the Board for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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## INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Brendan Worrall  
Auditor-General

29 August 2019  
Queensland Audit Office  
Brisbane

