

QIC Limited

ABN 95 942 373 762

Consolidated annual financial statements and directors' report for the year ended 30 June 2020

QIC Limited
Directors' report
For the year ended 30 June 2020

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 2020.

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
 Mr J C Battams
 Ms G Brown (reappointed: 1 October 2019)
 Professor P Derrington
 Ms S A Desmarchelier (reappointed: 1 October 2019)
 Mr S J P Dunne
 Mr P A Gallagher
 Ms J Perry
 Mr J Wilson (appointed: 1 October 2019)
 Mr A E King (term ended: 30 September 2019)

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:

	2020	2019
	\$'000	\$'000
Dividends provided for and declared	44,199	58,989

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$60.6 million (2019: \$69.3 million).

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows:

A new fee agreement was reached with certain Queensland Government clients effective from 1 July 2019. As part of the new fee arrangement, a competitive neutrality fee is paid to the Queensland Government. The terms of the new agreement are in line with normal commercial terms.

The property management services for five US based retail assets that are partly owned by Brookfield were transferred to Brookfield from 1 February 2020. As part of the transfer, the group recognised a break fee received for termination of the existing service arrangements in the current financial year.

The novel coronavirus (COVID-19) outbreak has developed rapidly in 2020, with devastating consequences for communities across the globe. Measures taken to contain the COVID-19 pandemic have affected economic activity, which in turn has implications for financial reporting. Management have been monitoring the impacts of the COVID-19 pandemic on the group's financial performance, financial position and cash flows through, and subsequent to, the reporting period. These impacts are included in the figures disclosed in the financial statements and the accompanying notes. Management have assessed that the group continues to meet its obligations and its ability to continue as a going concern. Refer to notes A2 and A3.

Matters subsequent to the end of the financial year

The group has appointed a service manager to perform non-strategic functions such as property management and leasing in relation to eight US based retail assets. The group will retain some on-going property level services in relation to these US assets. This transition will be finalised by 1 September 2020. As part of the transition, the group is expected to receive a break fee of USD\$13.5 million for the termination of the existing service agreements. This fee will be accounted for as a contract modification and allocated on a straight-line basis from the termination of the existing agreement to when the property level services are no longer required.

Melbourne has reported increasing numbers of COVID-19 cases since early July 2020. The Victorian government subsequently announced a stage 4 lockdown from 2 August 2020. The group acts as a property manager for real estate assets within the Melbourne region. The group has continued to assess the impacts on asset values (including receivables from QIC trusts that own these properties), liabilities and the going concern of the group. Based on these assessments, there are no material impacts identified.

Mr D E Clarke, Chief Risk Officer, resigned on 5 August 2020.

No other matters or circumstances have arisen since 30 June 2020 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

Except as disclosed elsewhere in the Director's report and the financial statements, no other developments have arisen since the end of the year ended 30 June 2020 that have significantly affected or are expected to significantly affect the group's operations in future financial years and the expected results of those operations.

Company secretary

Mr W T Burton is the company secretary. 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 2020 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	8	8	8	8	7	7	5	5
Mr J C Battams	8	8	8	8	7	7	-	-
Ms G Brown ⁽¹⁾	8	8	7	8	6	7	-	-
Professor P Derrington	8	8	-	-	-	-	-	-
Ms S A Desmarchelier ⁽¹⁾	8	8	-	-	6	7	5	5
Mr S J P Dunne	7	8	-	-	6	7	5	5
Mr P A Gallagher	8	8	8	8	7	7	5	5
Ms J Perry	8	8	3	3	7	7	-	-
Mr J Wilson ⁽²⁾	5	5	-	-	-	-	3	3
Mr A E King ⁽³⁾	3	3	-	-	-	-	1	1

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) = Reappointed 1 October 2019

(2) = Appointed 1 October 2019

(3) = Term ended 30 September 2019

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.



Mr G I Martin AM
Chairman

Brisbane
25 August 2020

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 2020, 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.



24 August 2020

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

QIC Limited

ABN 95 942 373 762

Consolidated annual financial report - 30 June 2020

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Consolidated statement of profit or loss and other comprehensive income

	Notes	2020 \$'000	2019 \$'000
Revenue from contracts with customers	B1	527,121	436,005
Net income from financial assets at fair value through profit or loss	B2	-	7,040
Foreign exchange gains		279	1,976
Interest income from cash at bank and financial assets at amortised cost		376	268
Sublease income	C8	116	-
Total revenue and other income		527,892	445,289
Employee benefits expense		254,281	262,373
Competitive neutrality fee	B1	102,000	-
Professional services		23,912	22,137
Depreciation and amortisation expense	C6, C7, C8	19,406	7,892
Computer operating costs		13,212	9,983
Travel expenses		6,378	11,305
Information and research services		4,279	4,218
Impairment charges on non-financial assets	C6, C8	4,247	-
Communication expenses		2,912	4,043
Staff development and recruitment		2,755	3,915
Insurance costs		1,720	1,857
Interest expense		1,139	300
Auditor's remuneration	G2	436	520
Net loss on financial assets at fair value through profit or loss	B2	215	-
Net loss on disposal of property, plant and equipment and intangible assets		81	278
Operating lease costs		-	10,557
Other expenses		6,629	7,451
Total expenses		443,602	346,829
Profit before income tax		84,290	98,460
Income tax expense	B3	23,706	29,178
Total profit after income tax for the year attributable to owners		60,584	69,282
Other comprehensive income/(loss)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	A7	227	(394)
Other comprehensive income/(loss) for the year, net of tax		227	(394)
Total comprehensive income for the year attributable to owners		60,811	68,888

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 54.

Consolidated statement of financial position

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash at bank and in hand	C1	5,563	8,921
Financial assets at fair value through profit or loss	C5	162,062	79,261
Other financial assets at amortised cost	C4	117,851	193,715
Net investment in sublease	C8	198	-
Current tax assets		973	-
Prepayments		5,950	5,339
Total current assets		292,597	287,236
Non-current assets			
Financial assets at fair value through profit or loss	C5	50,609	44,799
Property, plant and equipment	C6	16,560	18,965
Intangible assets	C7	30,242	28,406
Right-of-use assets	C8	33,884	-
Net investment in sublease	C8	113	-
Deferred tax assets	B3	51,645	53,708
Other financial assets at amortised cost	C4	8,405	8,372
Total non-current assets		191,458	154,250
Total assets		484,055	441,486
LIABILITIES			
Current liabilities			
Payables	C9	56,787	36,363
Current tax liabilities		-	6,391
Dividends payable	E2	44,199	58,989
Employee benefits	D1	75,958	104,979
Provisions	C10	4,268	1,162
Deferred revenue	B1	31,141	24,867
Refund liability	B1	3,980	-
Lease liabilities	C8	8,504	-
Total current liabilities		224,837	232,751
Non-current liabilities			
Employee benefits	D1	10,191	12,445
Provisions	C10	-	3,382
Lease liabilities	C8	32,108	-
Deferred revenue	B1	22,620	41,172
Refund liability	B1	226	-
Borrowings	C11	32,839	7,114
Total non-current liabilities		97,984	64,113
Total liabilities		322,821	296,864
Net assets		161,234	144,622
EQUITY			
Contributed equity	E1	37,475	37,475
Other reserves		10	(217)
Retained earnings		123,749	107,364
Equity and reserves attributable to owners of QIC Limited		161,234	144,622
Total equity		161,234	144,622

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 54.

Consolidated statement of changes in equity

Notes	Attributable to owners of QIC Limited			Total equity \$'000
	Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
Balance at 30 June 2018	37,475	177	124,440	162,092
Adoption of new accounting standards	-	-	(27,369)	(27,369)
Adjusted balance at 1 July 2018	37,475	177	97,071	134,723
Profit after income tax	-	-	69,282	69,282
Other comprehensive loss	-	(394)	-	(394)
Total comprehensive income for the year	-	(394)	69,282	68,888
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(58,989)	(58,989)
Balance at 30 June 2019	37,475	(217)	107,364	144,622
Balance at 1 July 2019	37,475	(217)	107,364	144,622
Profit after income tax	-	-	60,584	60,584
Other comprehensive income	-	227	-	227
Total comprehensive income for the year	-	227	60,584	60,811
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(44,199)	(44,199)
Balance at 30 June 2020	37,475	10	123,749	161,234

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 54.

Consolidated statement of cash flows

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		670,775	470,589
Payments to suppliers and employees		(501,063)	(392,584)
Interest income from cash at bank and financial assets at amortised cost		111	-
Net realised income received from financial assets at fair value through profit or loss		1,011	1,563
Interest paid on lease liabilities		(585)	-
Income taxes paid		(29,008)	(28,776)
Net cash provided by operating activities	C2	<u>141,241</u>	<u>50,792</u>
Cash flows from investing activities			
Payments for property, plant and equipment	C6	(5,329)	(7,172)
Proceeds from sale of property, plant and equipment		76	2
Payments for intangible assets	C7	(6,523)	(11,789)
Proceeds from net investment in sublease		80	-
Payments for financial assets at fair value through profit or loss		(27,369)	(12,651)
Proceeds from sale of financial assets at fair value through profit or loss		19,134	17,917
Payments for other financial assets at amortised cost		(7,567)	(8,637)
Proceeds from sale of other financial assets at amortised cost		7,398	4,069
Net realised income received from financial assets at fair value through profit or loss		3,285	2,315
Interest paid on investing activities		(544)	-
Interest paid on net investment in sublease		(10)	-
Interest received on financial assets at amortised cost		106	-
Loans to related parties		250	-
Dividends received		169	223
Net cash used in investing activities		<u>(16,844)</u>	<u>(15,723)</u>
Cash flows from financing activities			
Proceeds from borrowings	C3	25,725	7,014
Principal elements of lease payments	C3	(9,066)	-
Dividends paid to shareholders	E2	(58,989)	(60,122)
Net cash used in financing activities		<u>(42,330)</u>	<u>(53,108)</u>
Net increase/(decrease) in cash and cash equivalents		82,067	(18,039)
Cash and cash equivalents at the beginning of the financial year		76,598	94,705
Effects of exchange rate changes on cash and cash equivalents		(437)	(406)
Net unrealised income received from financial assets at fair value through profit or loss		(207)	338
Cash and cash equivalents at the end of the financial year	C1	<u>158,021</u>	<u>76,598</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 10 to 54.

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 Going concern

The group has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of issuing the consolidated financial statements.

The COVID-19 pandemic has had widespread economic impacts to the group. Although these impacts continue to evolve, the directors remain confident that the group will be able to continue as a going concern. This assumes the group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of issuing the consolidated financial statements. In determining this position, the directors have considered the following factors:

- The group has a net current asset surplus of \$67.8 million and a current ratio of 1.30 as at 30 June 2020;
- The group has cash and cash equivalents of \$158.0 million as at 30 June 2020;
- The group has undrawn debt facility funding of \$17.2 million as at 30 June 2020;
- Management continue to monitor cash flows, taking into consideration the economic impacts of the COVID-19 pandemic, over the next 18 months;
- The group's interest cover ratio at 30 June 2020 was 136.91 which far exceeds the minimum covenant requirement under the group's debt facility, and
- Management continue to manage the group's market, credit and liquidity risk in accordance with the group's financial risk management policies. Refer to note C14 for further details.

As a result of the above, the directors conclude that the group's financial position is stable, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of issuing the consolidated financial statements.

A3 Coronavirus (COVID-19) impact

In March 2020, the World Health Organisation (WHO) declared COVID-19 a world-wide pandemic. Subsequent measures introduced to contain COVID-19 have impacted the group's financial performance. Management has considered the impact of COVID-19 and other market volatility when preparing the group's consolidated financial statements.

Specific areas of accounting estimates and judgement are disclosed in note A8, however, the impacts of COVID-19 have resulted in increased estimation uncertainty and the application of further judgement using the best available information at reporting date.

In preparing these consolidated financial statements, management have:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty;
- Updated the economic outlook for inputs into the impairment analysis of financial and non-financial asset classes and financial risk management disclosures;

A BASIS OF PREPARATION (continued)

A3 Coronavirus (COVID-19) impact (continued)

- Reviewed external market communications to identify other COVID-19 related impacts;
- Conducted several internal processes to ensure consistency in the application of the expected impact of COVID-19 across all asset classes, and
- Considered the impact of COVID-19 on the group's consolidated financial statement disclosures.

Key consolidated statement of profit or loss and other comprehensive income items that were impacted by COVID-19 are as follows:

- Revenue from contracts with customers: investment management fees, performance fees and property management fees have been impacted by a combination of lower asset valuations, equity market movements and social restrictions impacting shopping centre trading. Refer to note B1 for further details.

Key consolidated statement of financial position items that were impacted by COVID-19 are as follows:

- Financial assets at fair value through profit or loss: The group holds a number of unlisted equity investments which, in accordance with the group's accounting policies, are measured at fair value through profit or loss (FVTPL). In determining the carrying value of these investments, management have followed the same valuation process as prior years which utilises external independent valuations in determining the fair value of the underlying investments. The independent valuations included consideration of the impact of COVID-19 within the significant inputs utilised. Refer to note C5 for further details.
- Other financial assets at amortised cost: Due to the economic impacts of COVID-19, management have undertaken a more detailed analysis when assessing the recoverability and potential impairment of receivables. Refer to note C4 for further details.
- Deferred revenue: Due to the economic impacts of COVID-19, management have considered several factors when assessing the probability of performance fees being subject to clawback. 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. Refer to note B1 for further details.
- Refund liability: COVID-19 has played a significant role on the variability of property management fee revenue. As a result, management have recognised a refund liability arising from rent relief initiatives at the group's managed shopping centres. Refer to note B1 for further details.

A4 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 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 25 August 2020. The directors have the power to amend and reissue the consolidated financial statements.

A BASIS OF PREPARATION (continued)

A5 Principles of consolidation

The financial statements incorporate the assets and liabilities of QIC Limited and its subsidiaries as at 30 June 2020 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 where 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.

A6 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.

A7 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.

(ii) Group companies

The results and financial position of the group companies 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 the consolidated statement of profit or loss and other comprehensive income.

A8 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
Revenue recognition	B1
Taxation	B3
Leases	C8
Employee benefits	D1

A BASIS OF PREPARATION (continued)

A8 Accounting estimates and judgements (continued)

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.

The potential impacts of the COVID-19 pandemic on the accounting estimates and judgements disclosed in the financial statements are detailed in the notes as relevant. In arriving at these estimates and judgements, management have used the best available data in relation to the impacts of the pandemic.

A9 Accounting Standards and Interpretations adopted by the group for the first time

A number of new accounting standards and interpretations that are first effective in the current financial year have been adopted by the group from 1 July 2019. Except for AASB 16 *Leases* (AASB 16), the remaining accounting standards and interpretations did not have any impact on the group's financial statements on adoption. The impacts from adoption of AASB 16 are detailed below.

(i) AASB 16 Leases (AASB 16)

On 1 July 2019 the group adopted AASB 16, the new accounting standard for recognition and measurement of leases. The group had to change its accounting policies as a result of adopting AASB 16. AASB 16 replaces 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*. The group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for prior year is not restated.

AASB 16 introduces a single lessee accounting model which takes away the requirement for lessees to classify their leases as operating or finance leases. The new standard requires lessees to recognise all leases with a term of more than 12 months as assets and liabilities on their consolidated statement of financial position, unless the underlying asset is of 'low value'. Accordingly, a lessee is required to recognise a right-of-use (ROU) asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 July 2019. The group's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.39%.

Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

A BASIS OF PREPARATION (continued)

A9 Accounting Standards and Interpretations adopted by the group for the first time (continued)

Measurement of lease liabilities

	2020
	\$'000
Undiscounted operating lease commitments disclosed as at 30 June 2019	48,315
Discounted using the lessee's weighted average borrowing rate of 1.39% as at the date of initial application	(2,067)
Present value of operating lease commitments as at 30 June 2019	46,248
Add/(less): adjustments due to reassessment of lease terms	(425)
Add/(less): adjustments due to foreign exchange loss	75
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	22
Lease liability recognised as at 1 July 2019	45,920
Which are classified as:	
Current lease liabilities	9,084
Non-current lease liabilities	36,836
	45,920

Measurement of right-of-use assets

The right-of use assets on 1 July 2019 were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and lease incentives received relating to that lease recognised in the consolidated statement of financial position as at 30 June 2019.

Adjustments recognised in the consolidated statement of financial position on 1 July 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 July 2019:

- Recognition of right-of-use assets of \$41.4 million
- Recognition of lease liabilities of \$45.9 million
- Derecognition of lease incentive provision of \$4.5 million
- Recognition of deferred tax assets by \$11.1 million
- Recognition of deferred tax liabilities by \$11.1 million

There was no adjustment to retained earnings required on 1 July 2019.

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 16 this financial year.

A BASIS OF PREPARATION (continued)

A9 Accounting Standards and Interpretations adopted by the group for the first time (continued)

	2020 Accounting under AASB 117 \$'000	2020 AASB 16 impact \$'000	2020 As presented \$'000
Condensed consolidated statement of profit or loss and other comprehensive income			
Sublease income	103	13	116
Total revenue and other income	527,879	13	527,892
Professional services	23,940	(28)	23,912
Depreciation and amortisation costs	10,450	8,956	19,406
Impairment charges on non-financial assets	2,065	2,182	4,247
Interest expense	544	595	1,139
Operating lease costs	8,562	(8,562)	-
Other expenses ⁽¹⁾	6,558	71	6,629
Total expenses	440,388	3,214	443,602
Profit before income tax	87,491	(3,201)	84,290
Income tax expense	24,444	(738)	23,706
Total profit after income tax for the year attributable to owners	63,047	(2,463)	60,584
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations	(6)	233	227
Total comprehensive income for the year attributable to owners	63,041	(2,230)	60,811

(1) Expenses relating to short-term leases disclosed in other expenses

	2020 Accounting under AASB 117 \$'000	2020 AASB 16 transition impact \$'000	2020 AASB 16 impact \$'000	2020 As presented \$'000
Condensed consolidated statement of financial position				
Current assets				
Net investment in sublease	-	-	198	198
Non-current assets				
Right-of-use assets	-	41,351	(7,467)	33,884
Net investment in sublease	-	-	113	113
Deferred tax assets	53,907	-	738	54,645
Total assets	449,122	41,351	(6,418)	484,055
Current liabilities				
Provision - lease incentive	690	(1,160)	470	-
Lease liabilities	-	9,084	(580)	8,504
Non-Current liabilities				
Provision - lease incentive	2,759	(3,409)	650	-
Lease liabilities	-	36,836	(4,728)	32,108
Total liabilities	285,658	41,351	(4,188)	322,821
Net assets	163,464	-	(2,230)	161,234
Equity				
Other reserves	243	-	(233)	10
Retained earnings	125,746	-	(1,997)	123,749
Total equity	163,464	-	(2,230)	161,234

A BASIS OF PREPARATION (continued)

A9 Accounting Standards and Interpretations adopted by the group for the first time (continued)

	2020 Accounting under AASB 117 \$'000	2020 AASB 16 impact \$'000	2020 As presented \$'000
Condensed consolidated statement of cash flows			
Cash flows from operating activities			
Receipts from customers	670,873	(98)	670,775
Payments to suppliers and employees	(510,742)	9,679	(501,063)
Interest paid on lease liabilities	-	(585)	(585)
Net cash provided by operating activities	132,245	8,996	141,241
Cash flows from investing activities			
Proceeds from net investment in sublease	-	80	80
Interest paid on net investment in sublease	-	(10)	(10)
Net cash used in investing activities	(16,914)	70	(16,844)
Cash flows from financing activities			
Principal elements of lease payments	-	(9,066)	(9,066)
Net cash used in financing activities	(33,264)	(9,066)	(42,330)
Net increase in cash and cash equivalents	82,067	-	82,067
Cash at the beginning of the financial year	76,598	-	76,598
Effects of exchange rate changes on cash and cash equivalents	(437)	-	(437)
Net unrealised income received from financial assets at fair value through profit or loss	(207)		(207)
Cash and cash equivalents at the end of the financial year	158,021	-	158,021

Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16, as the group did not have any leases as lessor at 30 June 2019.

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.

	2020	2019
	\$'000	\$'000
Revenue from contracts with customers over time		
Investment management fees	364,745	223,352
Property management fees	116,532	129,482
Investment performance fees	23,266	60,387
Product administration fees - related parties	16,634	16,621
Other revenue	5,359	4,688
Total revenue from contracts with customers recognised over time	526,536	434,530
Revenue from contracts with customers at a point in time		
Investment advisory fees	585	1,475
Total revenue from contracts with customers recognised at a point in time	585	1,475
Total revenue from contracts with customers	527,121	436,005

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.

Property management fees are recognised over time as the service is performed as set out in the relevant service level agreements, net of the amounts of goods and services tax payable. COVID-19 has played a significant role in the variability of property management fee revenue across the group's shopping centre management portfolio, which may increase due to the increased risk of tenants being unable to meet their current obligations as per the management agreement.

Performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. The performance period sometimes stretches 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.

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)

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. In doing so this reporting year, management have given consideration to the additional uncertainty around future performance due to the economic impacts from the COVID-19 pandemic.

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.

From 1 July 2019, a new fee agreement was reached with certain Queensland Government clients. The terms of the new agreement are in line with normal commercial terms. As part of the new agreement, a competitive neutrality fee is payable to the Queensland Government.

(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 \$98.7 million (2019: \$59.2 million) where the group acts as agent.

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 2020 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.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue from contracts with customers (continued)

Recognition and measurement (continued)

Key estimates and judgements (continued)

(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 2020, deferred revenue of \$53.8 million (2019: \$66.0 million) is recognised.

Of the deferred revenue opening balance of \$66.0 million at 1 July 2019, \$30.0 million was recognised in performance fee revenue during the current year. Due to the various factors that impact the recognition of the deferred revenue balance over the future periods as detailed above, management is unable to reliably estimate when the group expects to recognise the 30 June 2020 deferred revenue balance of \$53.8 million as revenue.

(iii) Property management fees - refund liability

The group has specific management agreements that dictate several factors contributing to the quantum of property management fee revenue it is entitled to receive. COVID-19 has played a significant role in the variability of this property management fee revenue across the group's shopping centre management portfolio. The group has continued to invoice per contractual agreements, however due to the recognition of a provision for bad and doubtful debts relating to rent being recognised at the centres, some of this consideration may need to be refunded. As a result, the group have recognised a refund liability on property management fee revenue due to the expectation that this amount may be contractually obliged to be refunded to its customers per the management agreement.

At 30 June 2020, a refund liability of \$4.2 million (2019: \$nil) is recognised.

B2 Net (loss)/income from financial assets held at fair value through profit or loss

	2020 \$'000	2019 \$'000
Net realised income	4,284	3,826
Net unrealised (loss)/income	(4,499)	3,214
Total net (loss)/income from financial assets held at fair value through profit or loss	(215)	7,040

Recognition and measurement

Net realised (loss)/income 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. Interest income is recognised as accrued, based on the contractual coupon rate. Dividend income and distribution income is recognised on the date the dividend and/or distribution is declared.

B PERFORMANCE FOR THE YEAR (continued)

B2 Net (loss)/income from financial assets held at fair value through profit or loss (continued)

Recognition and measurement (continued)

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.

B3 Taxation

(i) Reconciliation of income tax expense

	2020	2019
	\$'000	\$'000
Profit before income tax	84,290	98,460
Tax expense at the Australian tax rate of 30.0% (2019: 30.0%)	25,287	29,538
Non-deductible entertainment	84	238
Non-deductible sundry items	5	195
Effect of tax rates in foreign jurisdictions	583	(268)
Tax offset for franked dividends and foreign income	(72)	(99)
Adjustments for current tax of prior periods	(2,181)	(426)
Income tax expense	23,706	29,178
Current tax on profits for the year	21,915	32,005
Deferred tax	2,063	(2,314)
Adjustments for current tax of prior periods	(272)	(513)
	23,706	29,178

(ii) Movement in deferred tax balances

2020	Net	Tax effect	Net			
\$'000	balance	on	balance			
	at 1 July	adoption	at			
	of new	of new	30 June	DTA	DTL	
	standards	standards	to P&L			
Performance fees	19,580	-	(3,718)	15,862	31,676	(15,814)
Employee benefits	33,317	-	(7,899)	25,418	25,418	-
Lease liability	-	(11,137)	22,313	11,176	11,176	-
Right-of-use assets	-	12,274	(24,039)	(11,765)	-	(11,765)
Property, plant and equipment	497	-	222	719	719	-
Other	314	(1,137)	11,058	10,235	10,574	(339)
Tax assets / (liabilities) before set-off	53,708	-	(2,063)	51,645	79,563	(27,918)
Set-off DTL against DTA	-	-	-	-	(27,918)	27,918
Net tax assets	53,708	-	(2,063)	51,645	51,645	-

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation (continued)

(ii) Movement in deferred tax balances (continued)

2019 \$'000	Net balance at 1 July	Tax effect on adoption of new 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)
Tax assets / (liabilities) before set-off	39,664	11,730	2,314	53,708	55,845	(2,137)
Set-off DTL against DTA	-	-	-	-	(2,137)	2,137
Net tax assets	39,664	11,730	2,314	53,708	53,708	-

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.

(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.

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation (continued)

Recognition and measurement (continued)

(iii) Tax consolidation legislation (continued)

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

(iv) Taxation of Financial Arrangements (TOFA)

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

Key estimates and judgements

(i) Income taxes

The 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. Management have given consideration to the additional uncertainty around future taxable profit due to the economic impacts from the COVID-19 pandemic in assessing recoverability of any deferred tax assets at reporting date.

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

	2020	2019
	\$'000	\$'000
Cash at bank and in hand	5,563	8,921

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	2020	2019
		\$'000	\$'000
Cash at bank and in hand		5,563	8,921
Investment - QIC Cash Enhanced Fund	C5	140,920	53,653
Investment - USD investment account	C5	11,538	14,024
Balance per consolidated statement of cash flows		158,021	76,598

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 0.62% (2019: 1.39%). The group's exposure to liquidity risk is discussed in note C14(c).

C ASSETS AND LIABILITIES (continued)

C2 Reconciliation of cash flow from operating activities

	2020	2019
	\$'000	\$'000
Profit after income tax	60,584	69,282
Net realised income received from financial assets at fair value through profit or loss	(3,437)	(2,847)
Net unrealised income received from financial assets at fair value through profit or loss	4,499	(2,743)
Interest received on other financial assets at amortised cost	(106)	(140)
Interest paid on investment in sublease	10	-
Interest paid on investing activities	544	-
Sublease income	(116)	-
Depreciation and amortisation	19,406	7,892
Impairment charges on non-financial assets	4,247	-
Net loss on disposal of property, plant and equipment and intangible assets	81	278
Net foreign exchange differences	239	(393)
Change in operating assets and liabilities:		
Net change in other financial assets at amortised cost	75,831	(34,829)
Net change in current tax assets/liabilities	(7,364)	2,716
Net change in prepayments	(611)	1,402
Net change in deferred tax assets	2,063	(2,315)
Net change in provisions	4,294	(1,109)
Net change in payables	20,424	7,296
Net change in employee benefits	(31,275)	(439)
Net change in deferred revenue	(12,278)	6,741
Net change in refund liability	4,206	-
Net cash provided by operating activities	141,241	50,792

C3 Changes in liabilities arising from financing activities

	Leases	Borrowing	
	\$'000	due after	
		1 year	Total
		\$'000	\$'000
Opening balance as at 1 July 2018	-	100	100
Cash flows - Proceeds from borrowings	-	7,014	7,014
Closing balance as at 30 June 2019	-	7,114	7,114
Opening balance as at 1 July 2019	-	7,114	7,114
Cash flows - Proceeds from borrowings	-	25,725	25,725
Recognised on adoption of AASB 16	45,920	-	45,920
Cash flows - Principal elements of lease payments	(9,066)	-	(9,066)
Acquisition - Leases	3,758	-	3,758
Closing balance as at 30 June 2020	40,612	32,839	73,451

C ASSETS AND LIABILITIES (continued)

C4 Other financial assets at amortised cost

	2020 \$'000	2019 \$'000
Investment management, property management and performance fees receivable	116,415	192,266
Term deposit	1,436	1,449
Total current other financial assets at amortised cost	117,851	193,715
Loan receivable	934	1,184
Monies held in escrow	7,471	7,188
Total non-current other financial assets at amortised cost	8,405	8,372

Recognition and measurement

(i) Investment management, property management and performance fees receivable

Receivables arise when the group provides investment management and/or property management services directly to clients 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 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. Management have reviewed the assumptions used in assessing recoverability of receivables in light of the economic impacts due to the COVID-19 pandemic. Based on this assessment, there were no impairment amounts at 30 June 2020 (2019: \$nil).

As at 30 June 2020, receivables of \$9.2 million (2019: \$8.5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no history of credit default or any material impacts due to the COVID-19 pandemic. Therefore, it is assessed that the credit risk of these receivables are not significantly increased. The ageing analysis of receivables is as follows:

C ASSETS AND LIABILITIES (continued)

C4 Other financial assets at amortised cost (continued)

(iii) *Past due but not impaired (continued)*

		Days overdue		
	Within trading terms \$'000	31 - 60 \$'000	61 - 90 \$'000	Over 90 \$'000
2020	107,242	3,546	1,287	4,340
2019	183,792	4,148	1,337	2,989

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:

	2020 \$'000	2019 \$'000
Investment - QIC Cash Enhanced Fund	140,920	53,653
Investment - USD investment account	11,538	14,024
Investment - multiple products (deferred remuneration)	8,943	11,584
Investment - USD investment account (deferred remuneration)	661	-
Total current financial assets at FVTPL	162,062	79,261
Investment - QIC Global Infrastructure Fund	18,143	12,384
Investment - QIC Infrastructure Portfolio	11,792	12,239
Investment - multiple products (deferred remuneration)	8,481	12,653
Investment - Golden Reef Infrastructure Trust	4,446	-
Investment - QIC Direct Opportunities Fund	2,846	3,473
Investment - Lonsdale Asset Hold Trust	2,232	2,138
Investment - USD investment account (deferred remuneration)	1,071	-
Investment - Unlisted debt securities	513	603
Investment - Lonsdale Operations Hold Trust	388	508
Investment - QIC Private Equity Fund No. 4	238	177
Investment - QIC US Shopping Center Fund, LP	192	170
Investment - QIC Private Equity Fund No. 6	180	142
Investment - South Bay NewCo LLC	48	143
Investment - Capital Parking Pty Ltd	39	169
Total non-current financial assets at FVTPL	50,609	44,799

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:

	Amount \$'000
Investment	
QIC US Shopping Center Fund, LP	14,415
Golden Reef Infrastructure Trust	7,469
QIC Global Infrastructure Fund	2,561
QIC Direct Opportunities Fund	314
SVA Diversified Impact Fund	210
	24,969

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 unobservable market data for underlying investments held by the trust. Management have assessed that the unit price of the trusts incorporate fair value impacts to the underlying investments due to the COVID-19 pandemic. 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 C14(d)(i)).

C6 Property, plant and equipment

2020	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Assets in the course of construction \$'000	Total \$'000
Carrying amount as at 1 July 2019	12,360	4,866	1,739	18,965
Additions	1,465	3,521	343	5,329
Depreciation expense	(2,160)	(3,558)	-	(5,718)
Impairment charges ⁽²⁾	(1,827)	(238)	-	(2,065)
Disposals at net book value	(1)	(127)	-	(128)
Reclassifications at net book value ⁽¹⁾	-	1,739	(1,739)	-
Net foreign currency exchange differences in net book value	167	10	-	177
Closing net book amount at 30 June 2020	10,004	6,213	343	16,560
Cost	28,033	16,193	343	44,569
Accumulated depreciation	(16,195)	(9,741)	-	(25,936)
Accumulated impairment	(1,834)	(239)	-	(2,073)
Net book amount	10,004	6,213	343	16,560

C ASSETS AND LIABILITIES (continued)

C6 Property, plant and equipment (continued)

2019	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Assets in the course of construction \$'000	Total \$'000
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 ⁽¹⁾	117	-	(117)	-
Net foreign currency exchange differences in net book value	237	81	-	318
Closing net book amount at 30 June 2019	12,360	4,866	1,739	18,965
Cost or fair value	27,620	13,785	1,739	43,144
Accumulated depreciation	(15,260)	(8,919)	-	(24,179)
Net book amount	12,360	4,866	1,739	18,965

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

(2) Refer to note C8(ii) Key estimates and judgements

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. 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. 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). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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.

C ASSETS AND LIABILITIES (continued)

C7 Intangible assets

2020	Computer software \$'000	Intangible assets in the course of construction \$'000	Total \$'000
Carrying amount as at 1 July 2019	19,198	9,208	28,406
Additions	578	5,945	6,523
Disposals at net book value	(29)	-	(29)
Amortisation charge	(4,732)	-	(4,732)
Reclassifications at net book value ⁽¹⁾	2,708	(2,708)	-
Net foreign currency exchange differences in net book value	69	5	74
Closing net book amount at 30 June 2020	17,792	12,450	30,242
Cost	45,141	12,450	57,591
Accumulated amortisation	(27,349)	-	(27,349)
Net book amount	17,792	12,450	30,242
 2019			
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 ⁽¹⁾	7,671	(7,671)	-
Net foreign currency exchange differences in net book value	84	-	84
Closing net book amount at 30 June 2019	19,198	9,208	28,406
Cost	42,025	9,208	51,233
Accumulated amortisation	(22,827)	-	(22,827)
Net book amount	19,198	9,208	28,406

(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 consolidated 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 - 15 years (2019: 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.

C ASSETS AND LIABILITIES (continued)

C7 Intangible assets (continued)

Recognition and measurement (continued)

(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.

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.

Change in accounting estimate

(iii) Revision of useful lives of an intangible asset

During the year the amortisation period of an intangible asset was revised to reflect management's assessment of the internally generated software asset's updated useful life. The effect of the changes in the current financial year was an increase in amortisation expense and accumulated amortisation for the group of \$2.2 million.

C8 Leases

A new accounting standard AASB 16 *Leases* came into effect on 1 July 2019, resulting in significant changes to the group's accounting for leases for which it is lessee. The transitional impacts of the new standard are disclosed in note A9.

Right-of-use assets

2020	Leases \$'000
Opening balance at 1 July 2019	41,351
Additions	3,758
Depreciation charge	(8,956)
Impairment charge ⁽¹⁾	(2,182)
Disposals	(275)
Foreign currency exchange	188
Closing balance as at 30 June 2020	33,884

(1) Refer to note C8(ii) Key estimates and judgements

Lease liabilities

	2020 \$'000
Current	8,504
Non-current	32,108
	40,612

Recognition and measurement

(i) Accounting treatment of leasing activities

The group leases various offices, typically for fixed periods of between three to 10 years, but may have extension options as described in note C8(ii) below.

C ASSETS AND LIABILITIES (continued)

C8 Leases (continued)

Recognition and measurement (continued)

(i) Accounting treatment of leasing activities (continued)

Contracts may contain both lease and non-lease components. For leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is subject to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and interest expense. The interest expense is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

C ASSETS AND LIABILITIES (continued)

C8 Leases (continued)

Recognition and measurement (continued)

(ii) Extension and termination options

Extension and termination options are included in a number of property leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

(iii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2020 \$'000	2019 \$'000
Depreciation charge on right-of-use assets	8,956	-
Impairment charges on non-financial assets	2,182	-
Interest expense on lease liabilities and investment in sublease	595	-
Income from sublease	116	-
Expenses relating to short-term leases ⁽¹⁾	71	-
Total cash outflow for leases	(10,744)	-
(1) Disclosed in other expenses		

(iv) Leases as Lessor

The group has sublet a leased office space. At 30 June 2020, the total of future minimum sublease payments expected to be received under non-cancellable subleases is \$0.3 million (USD \$0.2 million) (2019: \$nil). The sub lease is assessed to be a finance lease.

Maturity analysis

The following tables sets out a maturity analysis of future undiscounted lease payments receivable under the group's finance leases.

	2020 \$'000	2019 \$'000
Less than 1 year	191	-
1 to 2 years	111	-
Total	302	-

Key estimates and judgements

(i) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in office leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

C ASSETS AND LIABILITIES (continued)

C8 Leases (continued)

Key estimates and judgements (continued)

(i) Extension and termination options (continued)

As at 30 June 2020, potential future cash outflows of nil (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of \$3.8 million.

(ii) Impairment charges

The decision to appoint a Service Manager to perform the property management and leasing functions for the eight US retail assets was identified to be an indicator of potential impairment of the property management and leasing cash-generating unit (CGU). This CGU is substantially comprised of the Cleveland office lease which is included within the right-of-use assets and related office fit out and furniture which are included within property, plant and equipment. Management conducted an impairment test of the CGU and an impairment charge of \$4.2 million was recognised in the consolidated statement of profit & loss and other comprehensive income in accordance with AASB 136 *Impairment of Assets*. This impairment charge was allocated across the relevant property, plant and equipment and right-of-use assets on a pro rata basis.

The impairment charge was estimated based on the following key judgemental assumptions:

- estimated market rate for sub-leasing of the vacated office space;
- expected future cash flows which were included in a discounted cash flow model; and
- discount rate of 2.1% was based on the ten-year daily US treasury yield curve rate adjusted for a risk premium to reflect the group's credit risk.

C9 Payables

	2020 \$'000	2019 \$'000
Accrued expenses	49,743	29,549
Accounts payable	7,044	6,814
Total payables	56,787	36,363

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.

Payables are initially measured at fair value which is reflected by the transaction price, and subsequently measured at amortised cost.

The group derecognises a payable when they are paid or the obligation is extinguished.

(ii) Fair value

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

C ASSETS AND LIABILITIES (continued)

C10 Provisions

	Current \$'000	2020 Non- current \$'000	Total \$'000	Current \$'000	2019 Non- current \$'000	Total \$'000
Lease incentive	-	-	-	1,160	3,382	4,542
Restructuring costs	4,268	-	4,268	-	-	-
Other provisions	-	-	-	2	-	2
	4,268	-	4,268	1,162	3,382	4,544

Recognition and measurement

Provisions are recorded when the group has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

(i) Lease incentive

On 1 July 2019, lease incentives were derecognised as the group adopted AASB 16 *Leases*. Lease incentives are included in the measurement of the right-of-use assets recognised under AASB 16.

(ii) Restructuring costs

A restructuring provision is recognised at 30 June 2020 in relation to outsourcing of the group's non-strategic US property management functions. The restructuring is expected to be completed and the provision fully utilised by September 2020. All requirements under AASB 119 *Employee Benefits* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* have been met at reporting date in relation to the recognition and measurement of the provision.

(iii) Movements in provisions

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

	Lease Incentive \$'000	Restructuring costs \$'000	Other \$'000	Total \$'000
2020				
Carrying amount at start of year	4,542	-	2	4,544
Charged to profit or loss				
- unused amounts reversed	-	-	(2)	(2)
Derecognition of lease incentive provision on adoption of AASB 16	(4,542)	-	-	(4,542)
Provision recognised	-	4,268	-	4,268
Carrying amount at end of year	-	4,268	-	4,268

C11 Borrowings

	2020 \$'000	2019 \$'000
Borrowings	32,839	7,114
Total borrowings	32,839	7,114

C ASSETS AND LIABILITIES (continued)

C11 Borrowings (continued)

(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 C14(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.

C12 Contingent liabilities

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

(i) Trustee obligations

As at 30 June 2020, QIC Limited or its controlled entities were trustee of 146 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 2020, 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 \$78.9 billion at 30 June 2020 (2019: \$80.9 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 2020 is USD\$1.5 million (AUD equivalent \$2.2 million) (2019: USD\$1.9 million; AUD equivalent \$2.7 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.

C ASSETS AND LIABILITIES (continued)

C12 Contingent liabilities (continued)

(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 QIC Private Capital Pty Ltd (QPC), a subsidiary of QIC Limited, and a further amended defence to Lochard's claims which raises various allegations concerning QPC'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 QPC 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 QPC bear. QPC will be defending the third party claim by EnergyAustralia. The Court has set a trial start date of 10 May 2021, with the trial expected to run for 10-13 weeks.

C13 Commitments

(i) Capital commitments

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

	2020	2019
	\$'000	\$'000
Intangible assets	9,044	9,779

(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. As a result of the introduction of AASB 16 the below disclosure is in relation to 2019 only.

	2020	2019
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	10,530
Later than one year but not later than five years	-	32,174
Later than five years	-	7,326
	-	50,030

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) were charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. On 1 July 2019, the group adopted AASB 16 Leases. Operating leases are recognised on the consolidated statement of financial position as lease liabilities and a corresponding right-of-use asset.

C ASSETS AND LIABILITIES (continued)

C14 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 2020 (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 2020, the group's borrowings at variable rates were denominated in United States dollars and Euro.

Sensitivity

The sensitivity of the group's long-term borrowings at 30 June 2020 to movements in the interest rate with all other variables held constant has been assessed and is not material.

(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.

C ASSETS AND LIABILITIES (continued)

C14 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

Exposure (continued)

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 summaries the impact of increases/(decreases) in unit prices on the group's profit for the year.

	Impact on post-tax profit	
	2020 \$'000	2019 \$'000
QIC Infrastructure Portfolio - increase 17% (2019: 10%)	2,039	1,224
QIC Infrastructure Portfolio - decrease 16% (2019: 10%)	(1,921)	(1,224)
QIC Global Infrastructure Fund - increase 10% (2019: 10%)	1,814	1,238
QIC Global Infrastructure Fund - decrease 10% (2019: 10%)	(1,814)	(1,238)
Golden Reef Infrastructure Trust - increase 20% (2019: N/A)	889	-
Golden Reef Infrastructure Trust - decrease 19% (2019: N/A)	(845)	-
QIC Direct Opportunities Fund - increase 18% (2019: 19%)	512	660
QIC Direct Opportunities Fund - decrease 17% (2019: 17%)	(484)	(590)

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 2020 (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 \$346.9 million (2019: \$335.1 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 (refer to note C12). Such guarantees are provided in limited circumstances.

(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.

C ASSETS AND LIABILITIES (continued)

C14 Financial risk management (continued)

(c) Liquidity risk (continued)

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.

The majority of the group's financial liabilities have a contractual maturity of less than a year except for the group's borrowings and lease liabilities. 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 consolidated 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 2020	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C5	-	171,614	40,544	212,158
Unlisted debt securities	C5	-	-	513	513
Total financial assets		-	171,614	41,057	212,671
<hr/>					
Fair value measurements At 30 June 2019	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C5	-	91,914	31,543	123,457
Unlisted debt securities	C5	-	-	603	603
Total financial assets		-	91,914	32,146	124,060

The group's policy is to recognise transfers into and 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 & 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.

C ASSETS AND LIABILITIES (continued)

C14 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 2020 and 30 June 2019:

	Unlisted unit trusts \$'000	Unlisted debt investments \$'000	Total \$'000
Opening balance 1 July 2018	28,788	603	29,391
Acquisitions	917	-	917
Net unrealised income/(loss) from financial assets at fair value through profit or loss	1,838	-	1,838
Closing balance 30 June 2019	31,543	603	32,146
Acquisitions	12,824	210	13,034
Disposals	(124)	(300)	(424)
Net unrealised income/(loss) from financial assets at fair value through profit or loss	(3,699)	-	(3,699)
Closing balance 30 June 2020	40,544	513	41,057

(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.

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

	2020 \$'000	2019 \$'000
Payables	25,421	36,212
Provisions	50,537	68,767
Total current employee benefits	75,958	104,979
Provisions	10,191	12,445
Total non-current employee benefits	10,191	12,445

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.

D EMPLOYEE BENEFITS (continued)

D1 Employee benefits (continued)

Recognition and measurement (continued)

(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 consolidated statement of financial position, as the liability is held on a Whole of Government basis and reported in the Whole of Government financial statements prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the 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. Please refer to note C10.

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 Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning (previously the Honourable Jackie Trad MP, former Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships from 1 July 2019 to 10 May 2020).

(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 (reappointed 1 October 2019)	3 years	30 September 2022
P Derrington	Director (appointed 12 October 2017)	3 years	30 September 2020
S A Desmarchelier	Director (reappointed 1 October 2019)	3 years	30 September 2022
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
J Perry	Director (appointed 1 October 2018)	3 years	30 September 2021
J Wilson	Director (appointed 1 October 2019)	3 years	30 September 2022
A E King	Director (term ended 30 September 2019)	3 years	30 September 2019

(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 (resigned 5 August 2020)	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	Open term
L L Wilkinson	Executive Director, Global Clients and Marketing (term ended 28 February 2020)	Open term

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(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.

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

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(iv) Remuneration of key management personnel

	2020	2019
	\$'000	\$'000
Short-term benefits	5,856	7,921
Long-term benefits	3,060	2,104
Post-employment benefits	351	348
Termination benefits	309	-
	9,576	10,373

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

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(v) *Remuneration of directors*

Directors		Board and Board Committees			Short-term employee benefits	Post-Employment	
		QIC	Board Committees	Subsidiary boards	Total	Super	Total
Name	Position	\$	\$	\$	\$	\$	\$
Reporting Period	1 July 2019 - 30 June 2020						
G I Martin AM	Chairman	161,995	-	-	161,995	15,390	177,385
J C Battams ⁽¹⁾	Director	67,911	25,131	10,052	103,094	9,794	112,888
G Brown	Director	67,911	20,104	10,136	98,151	9,257	107,408
P Derrington	Director	67,911	-	10,052	77,963	-	77,963
S Desmarchelier	Director	67,911	20,104	10,052	98,067	11,523	109,590
S J P Dunne	Director	67,911	60,104	-	128,015	12,161	140,176
P A Gallagher ⁽²⁾	Director	67,911	37,694	10,126	115,731	10,099	125,830
J Perry	Director	67,911	15,078	10,136	93,125	8,847	101,972
J Wilson	Director	50,933	5,026	-	55,959	5,316	61,275
A E King	Director	16,978	2,513	2,513	22,004	2,090	24,094
P W Forbes ⁽³⁾	Director	-	-	67,911	67,911	6,452	74,363
A C J Solway ⁽³⁾	Director	-	-	56,469	56,469	5,541	62,010
P J Higgs ⁽³⁾	Director	-	-	27,664	27,664	2,720	30,384
Total remuneration		705,283	185,754	215,111	1,106,148	99,190	1,205,338
Previous Period	1 July 2018 - 30 June 2019						
G I Martin AM	Chairman	40,499	-	-	40,499	3,847	44,346
J C Battams ⁽¹⁾	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 ⁽²⁾	Director	67,912	40,208	-	108,120	-	108,120
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 E King	Director	67,911	10,052	10,052	88,015	8,361	96,376
A J P Staines	Director	16,978	5,026	-	22,004	2,090	24,094
P W Forbes ⁽³⁾	Director	-	-	67,911	67,911	6,452	74,363
A C J Solway ⁽³⁾	Director	-	-	54,346	54,346	5,381	59,727
P J Higgs ⁽³⁾	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

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)

(vi) 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)
Name	Position	Salary and fees	Non-monetary benefits	Super	Annual and long service leave		
		\$	\$	\$	\$	\$	\$
Reporting Period 1 July 2019 - 30 June 2020							
D J Frawley	Chief Executive	754,751	8,030	37,219	45,557	-	845,557
C M Blake	Chief Financial Officer	325,270	25,952	98,778	19,946	-	469,946
D E Clarke ⁽¹⁾	Chief Risk Officer	375,632	15,865	21,002	12,008	-	424,507
G A Jackson	Executive Director, Human Resources	333,690	14,616	31,695	11,942	-	391,943
M D McDonald	Executive Director, Operations and Technology	368,475	35,572	25,954	17,854	-	447,855
M Thomsen	General Counsel, Legal	382,775	26,223	21,002	1,741		431,741
L L Wilkinson ⁽²⁾	Executive Director, Global Clients and Marketing	250,915	-	15,752	(31,019)	309,128	544,776
Total remuneration		2,791,508	126,258	251,402	78,029	309,128	3,556,325

Notes:

(1) Mr D E Clarke, Chief Risk Officer, resigned on 5 August 2020

(2) Ms L Wilkinson satisfied the definition of key management personnel from 01 July 2019 to 28 February 2020

Previous 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 ⁽¹⁾	General Counsel, Legal	328,678	9,391	33,309	(6,274)	-	365,104
L L Wilkinson	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

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(vii) Total performance, attraction and retention remuneration

	2020	2019
Aggregate amounts for performance and retention of employees (\$'000)	57,927	79,058
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided (\$'000)	198,440	209,242
Number of employees who receive payments for performance and retention purposes	877	856

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

	2020	2019	2020	2019
	Shares	Shares	\$'000	\$'000
Ordinary shares	30,300,000	30,300,000	37,475	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

	2020	2019
	\$'000	\$'000
Final dividend for the year ended 30 June 2020 of 100% (2019: 100%) of adjusted consolidated profit after income tax	44,199	58,989

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.

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, QIC Limited, show the following aggregate amounts:

	2020	2019
	\$'000	\$'000
Balance sheet		
Current assets	329,930	355,661
Non-current assets	141,669	99,562
Total assets	471,599	455,223
Current liabilities	229,796	277,061
Non-current liabilities	104,622	49,990
Total liabilities	334,418	327,051
Equity		
Contributed equity	37,475	37,475
Retained earnings	99,706	90,697
Total equity	137,181	128,172
Profit after income tax	53,317	72,614

(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	2020	2019
QIC Private Capital Pty Ltd	28 July 2015	\$3.0 million	\$3.0 million

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	2020	2019
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 5.0 million

F GROUP STRUCTURE (continued)

F1 Parent entity disclosures (continued)

(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.

QIC Limited has provided a guarantee to QICP Pty Ltd. Under this agreement the parent entity has agreed to supply funding of up to \$2.0 million.

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

As at 30 June 2020, the parent entity had contractual commitments for the acquisition of intangible assets totalling \$9.0 million (30 June 2019: \$9.8 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(v) Transactions with controlled entities

The following transactions occurred with QIC Limited subsidiaries.

	30 June 2020 \$	30 June 2019 \$
Service fees received from controlled entities	62,276,310	73,592,273
Service fees paid to controlled entities	9,091,829	26,725,793
Amounts paid by subsidiaries under the tax funding agreement	41,710,500	29,010,045
Dividend income from controlled entities	48,911,960	80,777,123
Current receivables (loans to controlled entities)	4,940,556	9,515,186
Current receivables (tax funding agreement)	7,114,746	18,315,878
Current receivables (dividend income from controlled entities)	48,911,960	80,777,123
Current payables (loans from controlled entities)	85,513,889	138,721,576

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 to 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	
			2020 %	2019 %
QIC Infrastructure Management No.2 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	100	100
QIC Investments No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC Investments No. 3 Pty Ltd	Australia	Ordinary	100	100
QIC Investments No. 1 Pty Ltd	Australia	Ordinary	100	100
QIC Private Capital Pty Ltd	Australia	Ordinary	100	100
QICP Pty Ltd	Australia	Ordinary	100	100
QIC Retail Pty Ltd	Australia	Ordinary	100	100
QIC (UK) Management Limited	United Kingdom	Ordinary	100	100
QIC European Investment Services Limited	United Kingdom	Ordinary	100	100
QIC Corporate Management, Inc. *	United States	Ordinary	100	100
QIC Global Infrastructure (US), Inc. *	United States	Ordinary	100	100
QIC Non-Member Manager LLC **	United States	Ordinary	100	100
QIC Properties US, Inc. *	United States	Ordinary	100	100
QIC QGIF GP Co No. 1 Inc **	United States	Ordinary	100	100
QIC US Investment Services Inc *	United States	Ordinary	100	100
QIC US Management, Inc.	United States	Ordinary	100	100
QIC US Private Equity, LLC **	United States	Ordinary	100	100
QIC US Private Equity No. 2 LLC **	United States	Ordinary	100	100
QIC US Regional Shopping Center Fund GP LLC **	United States	Ordinary	100	100
QIC US Shopping Centre Fund No.1 GP LLC **	United States	Ordinary	100	100
South Bay Managing Member LLC **	United States	Ordinary	100	100

* Subsidiary of QIC US Management, Inc.

** Subsidiary of QIC US Investment Services Inc.

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 Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning (previously the Honourable Jackie Trad MP, former Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships from 1 July 2019 to 10 May 2020).

There was no income received, or due and receivable, by the shareholding Ministers 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.

F GROUP STRUCTURE (continued)

F3 Related party information (continued)

(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:

2020	State of	Other related
\$	Queensland	entities
Investment management and performance fees	204,543,164	185,987,712
Competitive neutrality fee	102,000,000	-
Purchase of goods and services	8,735,683	-
Purchase of financial assets at FVTPL	-	25,410,097
Payment of income tax	28,035,793	-
Payment of dividends	58,988,533	-
Current receivables	20,019,099	60,253,643
Current payables	26,314,939	-
Dividends payable	44,198,640	-
Income tax payable	470,919	-
2019	State of	Other related
\$	Queensland	entities
Investment management and performance fees	101,905,000	166,184,044
Purchase of goods and services	13,924,597	-
Purchase of financial assets at FVTPL	-	13,267,604
Payment of income tax	27,971,533	-
Payment of dividends	60,122,349	-
Current receivables	21,764,072	37,296,749
Current payables	14,209,999	-
Dividends payable	58,988,533	-
Income tax payable	7,311,718	-

(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

G1 Subsequent events

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

The group has appointed a service manager to perform non-strategic functions such as property management and leasing in relation to eight US based retail assets. The group will retain some on-going property level services in relation to these US assets. This transition will be finalised by 1 September 2020. As part of the transition, the group is expected to receive a break fee of USD\$13.5 million for the termination of the existing service agreements. This fee will be accounted for as a contract modification and allocated on a straight-line basis from the termination of the existing agreement to when the property level services are no longer required.

Melbourne has reported increasing numbers of COVID-19 cases since early July 2020. The Victorian government subsequently announced a stage 4 lockdown from 2 August 2020. The group acts as a property manager for real estate assets within the Melbourne region. The group has continued to assess the impacts on asset values (including receivables from QIC trusts that own these properties), liabilities and the going concern of the group. Based on these assessments, there are no material impacts identified.

Mr D E Clarke, Chief Risk Officer, resigned on 5 August 2020.

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:

	2020	2019
	\$	\$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	320,000	304,300
Audit of regulatory returns	11,000	11,000
<i>KPMG</i>		
Audit and review of financial reports	105,026	204,417
Total remuneration for audit services	436,026	519,717

G3 Standards and interpretations issued but not yet effective

There are no standards that have been issued but are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 54 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 2020 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 the directors.

A handwritten signature in blue ink, appearing to read 'G I Martin', is written over a light blue rectangular background.

Mr G I Martin AM
Director

Brisbane
25 August 2020

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 2020, 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 A4.

The financial report comprises the consolidated statement of financial position as at 30 June 2020, 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 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 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 matters

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.

Recognition of performance fees and probability of clawback (\$23.27m)

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"> estimating the level and volatility of future performance using past actual performance to estimate future performance. <p>The recognition of performance fees for the year ended 30 June 2020 was impacted due to COVID-19. This included greater volatility in markets requiring further analysis by management to estimate future performance and re-assessment of the likelihood of performance fees being recognised as revenue.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Obtaining an understanding of the model, and assessing its design, integrity and appropriateness with reference to the relevant client contract. Assessing management's controls over the performance fee process in line with their model risk standard. Verifying the inputs, on a sample basis, to the relevant client contract. Analysing the movements and volatility of the funds' returns and comparing to internal and external benchmarks over the past 3 years. Analysing the calculation of the over-performance buffer and assessing the factors impacting expectations of future performance used to determine the clawback amount. Verifying inputs used in the clawback calculations including: <ul style="list-style-type: none"> current investment values, by confirming to third party investment administrator records past benchmark values, by agreeing to the relevant industry indices past actual performance data, by confirming to third party investment administrator records. 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. obtaining management's assessment of adjustments made to inputs used in the models as a result of COVID-19, and assessing these by testing reasonably possible changes in these inputs for their impact on the revenue recognised.

Other information

Other information comprises financial and non-financial information (other than the audited financial report).

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 company 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 group.
- Conclude on the appropriateness of the group's 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

27 August 2020

Queensland Audit Office
Brisbane