

QIC Private Capital Pty Ltd

ABN 83 076 279 528

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

QIC Private Capital Pty Ltd
Directors' report
For the year ended 30 June 2020

The directors present their report together with the audited financial statements of QIC Private Capital Pty Ltd (the 'company'), for the year ended 30 June 2020.

Directors

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

Mr G I Martin AM
Mr J C Battams
Ms G Brown
Professor P Derrington
Ms S A Desmarchelier (reappointed: 1 October 2019)
Mr P Forbes
Mr A E King (resigned: 3 October 2019)

Principal activities

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

Dividends

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

| | 2020 | 2019 |
|-------------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Dividends provided for and declared | 48,134 | 80,061 |

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$65.1 million (2019: \$80.1 million).

Significant changes in the state of affairs

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

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 company'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 company 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

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

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 is expected to significantly affect the company'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.

Insurance of officers

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

Environmental regulation

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

Auditor's independence declaration

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

Rounding of amounts

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

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



Mr G I Martin AM
Chairman

Brisbane
25 August 2020

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of QIC Private Capital Pty Ltd

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

Independence Declaration

As lead auditor for the audit of QIC Private Capital Pty Ltd for the 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.



Paul Christensen
Director
(as Delegate of the Auditor-General of Queensland)

24 August 2020

Queensland Audit Office
Brisbane

QIC Private Capital Pty Ltd

ABN 83 076 279 528

Annual financial report - 30 June 2020

Contents

| | Page |
|---|------|
| Financial statements | |
| Statement of profit or loss and other comprehensive income | 5 |
| Statement of financial position | 6 |
| Statement of changes in equity | 7 |
| Statement of cash flows | 8 |
| Notes to the financial statements | 9 |
| A BASIS OF PREPARATION | 9 |
| A1 Reporting entity | 9 |
| A2 Going concern | 9 |
| A3 Coronavirus (COVID-19) impact | 9 |
| A4 Basis of accounting and measurement | 10 |
| A5 Functional and presentation currency | 10 |
| A6 Foreign currency translation | 10 |
| A7 Accounting estimates and judgements | 11 |
| A8 Accounting Standards and Interpretations adopted by the company for the first time | 11 |
| B PERFORMANCE FOR THE YEAR | 12 |
| B1 Revenue from contracts with customers | 12 |
| B2 Net income/(loss) from financial assets held at fair value through profit or loss | 14 |
| B3 Taxation | 14 |
| C ASSETS AND LIABILITIES | 17 |
| C1 Cash and cash equivalents | 17 |
| C2 Reconciliation of cash flow from operating activities | 17 |
| C3 Financial assets at amortised cost | 18 |
| C4 Financial assets at fair value through profit or loss | 19 |
| C5 Payables | 20 |
| C6 Contingent liabilities | 20 |
| C7 Financial risk management | 21 |
| D EMPLOYEE BENEFITS AND RELATED PARTIES | 25 |
| D1 Employee benefits | 25 |
| D2 Key management personnel | 27 |
| D3 Related party information | 28 |
| E CAPITAL STRUCTURE | 30 |
| E1 Issued capital | 30 |
| E2 Dividends | 30 |
| F OTHER | 31 |
| F1 Subsequent events | 31 |
| F2 Remuneration of auditors | 31 |
| F3 Standards and interpretations issued but not yet effective | 31 |
| Directors' declaration | 32 |
| Independent auditor's report | 33 |

Statement of profit or loss and other comprehensive income

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Revenue from contracts with customers | B1 | 196,946 | 210,604 |
| Net income from financial assets at fair value through profit or loss | B2 | - | 4,948 |
| Foreign exchange gains | | - | 319 |
| Interest income from cash at bank and financial assets at amortised cost | | 91 | 140 |
| Total revenue and other income | | 197,037 | 216,011 |
| Service fees | | 48,605 | 38,354 |
| Employee benefits expense | | 46,617 | 54,597 |
| Professional services | | 3,977 | 3,734 |
| Travel expenses | | 1,664 | 3,060 |
| Loss on financial assets at fair value through profit or loss | B2 | 1,069 | - |
| Information and research services | | 641 | 791 |
| Staff development and recruitment | | 387 | 538 |
| Foreign exchange losses | | 170 | - |
| Product and mandate services | | 114 | 89 |
| Communication expenses | | 99 | 148 |
| Auditor's remuneration | F2 | 66 | 64 |
| Other expenses | | 528 | 598 |
| Total expenses | | 103,937 | 101,973 |
| Profit before income tax | | 93,100 | 114,038 |
| Income tax expense | B3 | 27,966 | 33,977 |
| Total profit after income tax for the year attributable to owners | | 65,134 | 80,061 |
| Other comprehensive income | | | |
| <i>Item that may be reclassified subsequently to profit or loss</i> | | | |
| Other comprehensive income for the year (net of tax) | | - | - |
| Total comprehensive income for the year attributable to owners | | 65,134 | 80,061 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 9 to 31.

Statement of financial position

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Financial assets at amortised cost | C3 | 93,870 | 146,790 |
| Financial assets at fair value through profit or loss | C4 | 21,213 | 24,117 |
| Prepayments | | 247 | 268 |
| Total current assets | | 115,330 | 171,175 |
| Non-current assets | | | |
| Financial assets at amortised cost | C3 | 8,306 | 8,023 |
| Financial assets at fair value through profit or loss | C4 | 39,847 | 30,742 |
| Deferred tax assets | B3 | 23,603 | 28,675 |
| Total non-current assets | | 71,756 | 67,440 |
| Total assets | | 187,086 | 238,615 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C5 | 3,126 | 8,902 |
| Current tax liabilities | | 8,054 | 26,123 |
| Dividends payable | E2 | 48,134 | 80,061 |
| Employee benefits | D1 | 24,475 | 36,096 |
| Deferred revenue | B1 | 30,093 | 20,166 |
| Total current liabilities | | 113,882 | 171,348 |
| Non-current liabilities | | | |
| Employee benefits | D1 | 2,129 | 3,788 |
| Deferred revenue | B1 | 22,620 | 32,024 |
| Total non-current liabilities | | 24,749 | 35,812 |
| Total liabilities | | 138,631 | 207,160 |
| Net assets | | 48,455 | 31,455 |
| EQUITY | | | |
| Contributed equity | E1 | 15,000 | 15,000 |
| Retained earnings | | 33,455 | 16,455 |
| Equity attributable to owners of QIC Private Capital Pty Ltd | | 48,455 | 31,455 |
| Total equity | | 48,455 | 31,455 |

The above statement of financial position should be read in conjunction with the accompanying notes on pages 9 to 31.

QIC Private Capital Pty Ltd
For the year ended 30 June 2020

Statement of changes in equity

| | Notes | Attributable to owners of QIC Private Capital Pty Ltd | | Total equity \$'000 |
|--|-------|--|--------------------------------|---------------------------|
| | | Contributed equity \$'000 | Retained earnings \$'000 | |
| Balance at 30 June 2018 | | 15,000 | 40,703 | 55,703 |
| Adoption of new accounting standards | | - | (24,248) | (24,248) |
| Adjusted balance at 1 July 2018 | | 15,000 | 16,455 | 31,455 |
| Profit after income tax | | - | 80,061 | 80,061 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | - | 80,061 | 80,061 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | E2 | - | (80,061) | (80,061) |
| Balance at 30 June 2019 | | 15,000 | 16,455 | 31,455 |
| Balance at 1 July 2019 | | 15,000 | 16,455 | 31,455 |
| Profit after income tax | | - | 65,134 | 65,134 |
| Other comprehensive income | | - | - | - |
| Total comprehensive income for the year | | - | 65,134 | 65,134 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | E2 | - | (48,134) | (48,134) |
| Balance at 30 June 2020 | | 15,000 | 33,455 | 48,455 |

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 9 to 31.

QIC Private Capital Pty Ltd
For the year ended 30 June 2020

Statement of cash flows

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Notes | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 271,729 | 185,870 |
| Payments to suppliers and employees | (143,243) | (119,053) |
| Compensation paid to tax consolidated parent entity | (40,963) | (28,775) |
| Net cash provided by operating activities | 87,523 | 38,042 |
| | C2 | |
| Cash flows from investing activities | | |
| Net realised income received from financial assets at fair value through profit or loss | 2,490 | 2,353 |
| Payments for financial assets at fair value through profit or loss | (12,783) | (264) |
| Payments for financial assets at amortised cost | (7,567) | (7,188) |
| Proceeds from financial assets at amortised cost | 7,399 | 4,069 |
| Interest received on financial assets at amortised cost | 91 | 143 |
| Net cash used in investing activities | (10,370) | (887) |
| Cash flows from financing activities | | |
| Dividends paid to shareholders | (80,061) | (34,642) |
| Net cash used in financing activities | (80,061) | (34,642) |
| | E2 | |
| Net increase/(decrease) in cash and cash equivalents | (2,908) | 2,513 |
| Cash and cash equivalents at the beginning of the financial year | 24,117 | 21,536 |
| Net unrealised income received from financial assets at fair value through profit | 4 | 68 |
| Cash and cash equivalents at the end of the financial year | 21,213 | 24,117 |
| | C1 | |

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 9 to 31.

A BASIS OF PREPARATION

A1 Reporting entity

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

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

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

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

A2 Going concern

The company 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 financial statements.

The COVID-19 pandemic has had widespread economic impacts to the company. Although these impacts continue to evolve, the directors remain confident that the company will be able to continue as a going concern. This assumes the company 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 financial statements. In determining this position, the directors have considered the following factors:

- The company has a net current asset surplus of \$1.5 million and a current ratio of 1.01 as at 30 June 2020;
- The company has cash and cash equivalents of \$21.2 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;
- Management continue to manage the company's market, credit and liquidity risk in accordance with the company's financial risk management policies. Refer note C7 for further details.

As a result of the above, the directors conclude that the company'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 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 company's financial performance. Management has considered the impact of COVID-19 and other market volatility when preparing the company's general purpose financial statements.

Specific areas of accounting estimates and judgement are disclosed in note A7, 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.

A BASIS OF PREPARATION (continued)

A3 Coronavirus (COVID-19) impact (continued)

In preparing these general purpose 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;
- 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 company's financial statement disclosures.

Key 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 and performance fees have been impacted by lower asset valuations. Refer to note B1 for further details.

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

- Financial assets at fair value through profit or loss: The company holds a number of unlisted equity investments which, in accordance with the company'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 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.

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) and the provisions of the *Corporations Act 2001*. The financial statements of the company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The financial statements were authorised for issue by the directors on 25 August 2020. The directors have the power to amend and reissue the financial statements.

A5 Functional and presentation currency

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

A6 Foreign currency translation

(i) Transactions and balances

Transactions in a foreign currency are translated to the functional currency at the date of the transaction using the exchange rate on that date.

A BASIS OF PREPARATION (continued)

A6 Foreign currency translation (continued)

(i) Transactions and balances (continued)

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 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.

A7 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 company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

| Accounting estimates and judgements | Note |
|-------------------------------------|------|
| Revenue recognition | B1 |
| Taxation | B3 |
| Employee benefits | D1 |

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

The 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.

A8 Accounting Standards and Interpretations adopted by the company 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 company from 1 July 2019.

These accounting standards and interpretations did not have any impact on the company's financial statements on adoption.

B PERFORMANCE FOR THE YEAR

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

B1 Revenue 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 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Revenue from contracts with customers over time | | |
| Investment management fees | 112,051 | 94,102 |
| Service fees from associated entities | 61,747 | 55,886 |
| Investment performance fees | 22,239 | 57,518 |
| Other revenue | 324 | 1,617 |
| Total revenue from contracts with customers recognised over time | 196,361 | 209,123 |
| Revenue from contracts with customers at a point in time | | |
| Investment advisory fees | 585 | 1,481 |
| Total revenue from contracts with customers recognised at a point in time | 585 | 1,481 |
| Total revenue from contracts with customers | 196,946 | 210,604 |

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 and performance fees*

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

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

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

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

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

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue from contracts with customers (continued)

Recognition and measurement (continued)

(i) Investment management and performance fees (continued)

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

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

(ii) Service fees from associated entities

Service fees are recognised over time at agreed rates as the service is delivered.

(iii) Other revenue

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

(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 company where offsetting the transactions accurately reflects the substance of the transaction and where not offsetting would detract from the ability of users to clearly understand the nature of the transaction and operations of the company. The company has offset revenue and expenses in relation to product and client related costs where the company 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 company 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.

(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 \$52.7 million (2019: \$52.2 million) is recognised.

Of the deferred revenue opening balance of \$52.2 million at 1 July 2019, \$20.4 million was recognised in performance fee revenue in 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 company expects to recognise the 30 June 2020 deferred revenue balance of \$52.7 million as revenue.

B PERFORMANCE FOR THE YEAR (continued)

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

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Net realised income | 2,490 | 2,353 |
| Net unrealised (loss)/income | (3,559) | 2,595 |
| Total net (loss)/income from financial assets held at fair value through profit or loss | (1,069) | 4,948 |

Recognition and measurement

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

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

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 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Profit before income tax | 93,100 | 114,038 |
| Tax expense at the Australian tax rate of 30.0% (2019: 30.0%) | 27,930 | 34,211 |
| Non-deductible sundry items | 8 | 37 |
| Non-deductible entertainment | 7 | 6 |
| Adjustments for income tax of prior periods | 21 | (273) |
| Tax offset for franked dividends | - | (4) |
| Income tax expense | 27,966 | 33,977 |
| Current tax on profits for the year | 22,963 | 37,562 |
| Deferred tax | 5,072 | (3,305) |
| Adjustments for current tax of prior periods | (69) | (280) |
| | 27,966 | 33,977 |

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation (continued)

(ii) Movement in deferred tax balances

| 2020 \$'000 | Net balance at 1 July | Charged to P&L | Net balance at 30 June | DTA | DTL |
|--|-----------------------------|-------------------|---------------------------------|---------------|--------------|
| Employee benefits | 11,570 | (3,624) | 7,946 | 7,946 | - |
| Performance fees | 18,009 | (2,147) | 15,862 | 15,862 | - |
| Property, plant and equipment ⁽¹⁾ | 7 | (2) | 5 | 5 | - |
| Other | (911) | 701 | (210) | 88 | (298) |
| Tax assets / (liabilities) before set-off | 28,675 | (5,072) | 23,603 | 23,901 | (298) |
| Set-off DTL against DTA | - | - | - | (298) | 298 |
| Net tax assets | 28,675 | (5,072) | 23,603 | 23,603 | - |

| 2019 \$'000 | Net balance at 1 July | Tax effect on adoption of new accounting standards | Charged to P&L | Net balance at 30 June | DTA | DTL |
|--|-----------------------------|---|-------------------|---------------------------------|---------------|----------------|
| Employee benefits | 10,956 | - | 614 | 11,570 | 11,570 | - |
| Performance fees | 4,176 | 10,393 | 3,440 | 18,009 | 18,009 | - |
| Property, plant and equipment ⁽¹⁾ | 9 | - | (2) | 7 | 7 | - |
| Other | (164) | - | (747) | (911) | 408 | (1,319) |
| Tax assets / (liabilities) before set-off | 14,977 | 10,393 | 3,305 | 28,675 | 29,994 | (1,319) |
| Set-off DTL against DTA | - | - | - | - | (1,319) | 1,319 |
| Net tax assets | 14,977 | 10,393 | 3,305 | 28,675 | 28,675 | - |

Notes: (1) Low value pool assets.

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.

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation (continued)

Recognition and measurement (continued)

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

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

(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 company is subject to the National Tax Equivalents Regime in Australia. 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 company estimates its tax liabilities based on management's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(ii) Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences to the extent it is probable that sufficient future taxable profits will be available to utilise them. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profit. 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 company. It also provides information on the company's exposure to financial risks, how they affect the company's financial position and performance and how the risks are managed.

C1 Cash and cash equivalents

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

| | Notes | 2020 \$'000 | 2019 \$'000 |
|--|-------|----------------|----------------|
| Investment - QIC Cash Enhanced Fund | C4 | 21,213 | 24,117 |
| Balance per statement of cash flows | | 21,213 | 24,117 |

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. 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 and cash equivalents assets equals the fair value. The company's exposure to liquidity risk is discussed in note C7(c).

C2 Reconciliation of cash flow from operating activities

| | Notes | 2020 \$'000 | 2019 \$'000 |
|---|-------|----------------|----------------|
| Profit after income tax | | 65,134 | 80,061 |
| Net realised income received from financial assets at fair value through profit or loss | | (2,490) | (2,353) |
| Net unrealised loss/(income) on financial assets at fair value through profit or loss | | 3,559 | (2,595) |
| Interest received on financial assets at amortised cost | | (91) | (139) |
| Change in operating assets and liabilities: | | | |
| Net change in financial assets at amortised cost | | 52,920 | (50,740) |
| Net change in prepayments | | 21 | 19 |
| Net change in deferred tax assets | | 5,072 | (3,305) |
| Net change in employee benefits | | (13,280) | 2,779 |
| Net change in payables | | (5,776) | 875 |
| Net change in current tax liabilities | | (18,069) | 8,506 |
| Net change in deferred revenue | | 523 | 4,934 |
| Net cash provided by operating activities | | 87,523 | 38,042 |

C ASSETS AND LIABILITIES (continued)

C3 Financial assets at amortised cost

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Management, performance and other fees receivable | 12,668 | 19,364 |
| Receivables from parent and other associated entities | 81,202 | 127,426 |
| Total current financial assets at amortised cost | 93,870 | 146,790 |
| | | |
| Loan receivables | 835 | 835 |
| Monies held in escrow | 7,471 | 7,188 |
| Total non-current financial assets at amortised cost | 8,306 | 8,023 |

(i) Management, performance and other fees receivable

Receivables arise when the company provides investment management and/or other 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 assets, 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 company 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 company 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 \$12.7 million (2019: \$19.4 million) are within trading terms.

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

C ASSETS AND LIABILITIES (continued)

C4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include the following:

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Investment - QIC Cash Enhanced Fund | 21,213 | 24,117 |
| Total current financial assets at FVTPL | 21,213 | 24,117 |
| Investment - QIC Global Infrastructure Fund | 18,143 | 12,384 |
| Investment - QIC Infrastructure Portfolio | 11,792 | 12,239 |
| 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 - Lonsdale Operations Hold Trust | 388 | 508 |
| Total non-current financial assets at FVTPL | 39,847 | 30,742 |

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

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

| | Amount \$'000 |
|----------------------------------|------------------|
| Investment | 7,469 |
| Golden Reef Infrastructure Trust | 2,561 |
| QIC Global Infrastructure Fund | 314 |
| QIC Direct Opportunities Fund | 10,344 |

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 company'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.

For investments in products managed by the group, the fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on observable market data for underlying investments held by the trust. 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 company and parent entity classify financial assets at FVTPL as level 2 and level 3 (see note C7(d)(i)).

C ASSETS AND LIABILITIES (continued)

C5 Payables

| | 2020 \$'000 | 2019 \$'000 |
|---------------------------------|----------------|----------------|
| Accounts payable | 165 | 2,156 |
| Accrued expenses | 1,183 | 1,323 |
| Amounts due to related entities | 1,778 | 5,423 |
| Total payables | 3,126 | 8,902 |

Recognition and measurement

(i) Payables

Payables are recognised when the company 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 company 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.

C6 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 Private Capital Pty Ltd was trustee of 15 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trusts. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trusts against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deed. As at 30 June 2020, total assets exceed total liabilities in the majority of the Trusts.

(ii) Financial undertakings

QIC Private Capital Pty Ltd has received or provided the following loan facility agreements with related entities:

| Entity | Agreement date | 2020 | 2019 |
|--|------------------|---------------|---------------|
| QIC Investments No.1 Pty Ltd | 16 July 2013 | \$3.0 million | \$3.0 million |
| QIC Retail Pty Ltd | 5 August 2015 | \$3.0 million | \$3.0 million |
| QIC Infrastructure Management No.2 Pty Ltd | 7 June 2016 | \$3.0 million | \$3.0 million |
| QIC Investments No.2 Pty Ltd | 28 November 2016 | \$3.0 million | \$3.0 million |
| QIC Infrastructure Management Pty Ltd | 28 November 2016 | \$3.0 million | \$3.0 million |
| QIC Investments No.3 Pty Ltd | 7 August 2017 | \$0.1 million | \$0.1 million |

C ASSETS AND LIABILITIES (continued)

C6 Contingent liabilities (continued)

(iii) Litigation

In 2015, clients managed or advised by QIC Private Capital Pty Ltd (QPC) 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 QPC 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.

C7 Financial risk management

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

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

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

(a) Market risk

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

(i) Price risk

Exposure

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

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

C ASSETS AND LIABILITIES (continued)

C7 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Sensitivity

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

| | Impact on post-tax profit | |
|---|---------------------------|---------|
| | 2020 | 2019 |
| | \$'000 | \$'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 company's profit from increases/(decreases) in unit prices for the company'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 company's 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 company 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 company is \$163.2 million (2019: \$209.7 million).

The company 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 company has a significant concentration of credit risk, this is only in relation to clients that are part of the Queensland Government.

(c) Liquidity risk

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

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

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

C ASSETS AND LIABILITIES (continued)

C7 Financial risk management (continued)

(d) Fair value measurements

(i) Fair value hierarchy

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

| Fair value measurements At 30 June 2020 | Notes | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|--------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Financial assets at FVTPL | | | | | |
| Unlisted unit trusts | C4 | - | 21,213 | 39,847 | 61,060 |
| Total financial assets | | - | 21,213 | 39,847 | 61,060 |
| Fair value measurements At 30 June 2019 | Notes | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets at FVTPL | | | | | |
| Unlisted unit trusts | C4 | - | 24,117 | 30,742 | 54,859 |
| Total financial assets | | - | 24,117 | 30,742 | 54,859 |

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

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

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

C ASSETS AND LIABILITIES (continued)

C7 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 | Total \$'000 |
|---|-----------------------------------|-----------------|
| Opening balance 1 July 2018 | 27,951 | 27,951 |
| Acquisitions | 917 | 917 |
| Net unrealised income from financial assets held at fair value through profit or loss | 1,874 | 1,874 |
| Closing balance 30 June 2019 | 30,742 | 30,742 |
| Acquisitions | 12,783 | 12,783 |
| Net unrealised loss from financial assets held at fair value through profit or loss | (3,678) | (3,678) |
| Closing balance 30 June 2020 | 39,847 | 39,847 |

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

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

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

D EMPLOYEE BENEFITS AND RELATED PARTIES

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

D1 Employee benefits

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Payables | 13,692 | 21,891 |
| Provisions | 10,783 | 14,205 |
| Total current employee benefits | 24,475 | 36,096 |
| Provisions | 2,129 | 3,788 |
| Total non-current employee benefits | 2,129 | 3,788 |

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

(iv) Post-employment benefits

Post-employment benefits include superannuation contributions.

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D1 Employee benefits (continued)

Recognition and measurement (continued)

(iv) Post-employment benefits (continued)

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

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

(v) Termination benefits

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits at the earlier of the following dates: (a) when the company can no longer withdraw the offer of those benefits; and (b) when the 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.

Key estimates and judgements

(i) Annual leave and long service leave

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

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

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

(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 AND RELATED PARTIES (continued)

D2 Key management personnel

(i) Directors

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

| Director | Position | Term | Expiry date |
|-------------------|---------------------------------------|-----------|-------------------|
| G I Martin AM | Chairman (appointed 27 June 2019) | 3 years | 30 September 2022 |
| J Battams | Director (reappointed 1 October 2018) | 3 years | 30 September 2021 |
| G Brown | Director (appointed 27 June 2019) | 3 years | 30 September 2022 |
| P Derrington | Director (appointed 27 March 2018) | 3 years | 30 September 2020 |
| S A Desmarchelier | Director (reappointed 1 October 2019) | 3 years | 30 September 2022 |
| P Forbes | Director | Open term | - |
| A E King | Director (resigned 3 October 2019) | 3 years | 30 September 2019 |

(ii) Remuneration of directors

| Directors | | Board and Board Committees | | | Short-term employee benefits | Post-Employment | |
|----------------------------------|-----------------------------------|----------------------------|------------------|-------------------|------------------------------|-----------------|--------|
| | | QPC | Board Committees | Subsidiary boards | Total | Super | Total |
| Name | Position | \$ | \$ | \$ | \$ | \$ | \$ |
| Reporting Period | 1 July 2019 - 30 June 2020 | | | | | | |
| G I Martin AM ⁽¹⁾ | Chairman | - | - | - | - | - | - |
| J C Battams ⁽¹⁾ | Director | - | - | - | - | - | - |
| G Brown ⁽¹⁾ | Director | - | - | - | - | - | - |
| P Derrington ⁽¹⁾ | Director | - | - | - | - | - | - |
| S A Desmarchelier ⁽¹⁾ | Director | - | - | - | - | - | - |
| P Forbes | Director | 67,911 | - | - | 67,911 | 6,452 | 74,363 |
| A E King ⁽¹⁾ | Director | - | - | - | - | - | - |
| Total remuneration | | 67,911 | - | - | 67,911 | 6,452 | 74,363 |

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D2 Key management personnel (continued)

(ii) Remuneration of directors (continued)

| Directors | | Board and Board Committees | | | Short-term employee benefits | Post-Employment | |
|----------------------------------|----------------------------|----------------------------|------------------|-------------------|------------------------------|-----------------|--------|
| | | QPC | Board Committees | Subsidiary Boards | Total | Super | Total |
| Name | Position | \$ | \$ | \$ | \$ | \$ | \$ |
| Previous Period | 1 July 2018 - 30 June 2019 | | | | | | |
| G I Martin AM ⁽¹⁾⁽²⁾ | Chairman | - | - | - | - | - | - |
| J C Battams ⁽¹⁾⁽²⁾ | Director | - | - | - | - | - | - |
| G Brown ⁽¹⁾ | Director | - | - | - | - | - | - |
| P Derrington ⁽¹⁾ | Director | - | - | - | - | - | - |
| S A Desmarchelier ⁽¹⁾ | Director | - | - | - | - | - | - |
| P Forbes | Director | 67,911 | - | - | 67,911 | 6,452 | 74,363 |
| A E King ⁽¹⁾ | Director | - | - | - | - | - | - |
| D R Luke ⁽¹⁾⁽²⁾ | Chairman | - | - | - | - | - | - |
| S J P Dunne ⁽¹⁾ | Director | - | - | - | - | - | - |
| Total remuneration | | 67,911 | - | - | 67,911 | 6,452 | 74,363 |

Notes: (1) Directors fees for G I Martin AM, J C Battams, G Brown, P Derrington, S A Desmarchelier, A E King, D R Luke and S J P Dunne are paid by the parent entity. (2) Board meetings held between 1 April 2019 and 26 June 2019 were chaired by J C Battams.

D3 Related party information

(i) Parent entity

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

(ii) Transactions with key management personnel

Directors of QIC Private Capital Pty Ltd

The directors of QIC Private Capital Pty Ltd are also directors of other companies within the consolidated group. During the year, QIC Private Capital Pty Ltd provided investment management services to these companies. All of these transactions occur at agreed amounts.

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

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

D EMPLOYEE BENEFITS AND RELATED PARTIES (continued)

D3 Related party information (continued)

(iii) Transactions with other related parties

The following transactions occurred with related parties:

| 2020 \$ | State of Queensland | Parent entity | Other related parties |
|--|------------------------|---------------|--------------------------|
| Investment management and performance fees | - | 98,645,849 | 2,667,298 |
| Service and administration fee income | - | - | 61,746,561 |
| Service and administration fee expense | - | 33,997,343 | 14,607,586 |
| Purchase of goods and services | 2,346,715 | - | - |
| Purchase of financial assets at FVTPL | - | - | 12,782,938 |
| Payment of income tax | - | 40,963,728 | - |
| Payment of dividends | - | 80,061,363 | - |
| Current receivables | - | 74,282,840 | 6,919,209 |
| Current payables | - | - | 1,777,777 |
| Current tax liabilities | - | 8,053,569 | - |
| Dividends payable | - | 48,133,935 | - |
| 2019 \$ | State of Queensland | Parent entity | Other related parties |
| Investment management and performance fees | - | 106,227,958 | 850,035 |
| Service and administration fee income | - | - | 55,885,861 |
| Service and administration fee expense | - | 38,353,632 | - |
| Purchase of goods and services | 1,990,912 | 6,768,199 | - |
| Purchase of financial assets at FVTPL | - | - | 917,540 |
| Payment of income tax | - | 28,774,950 | - |
| Payment of dividends | - | 34,641,609 | - |
| Current receivables | - | 122,931,187 | 4,495,066 |
| Current payables | - | - | 5,422,894 |
| Current tax liabilities | - | 26,123,241 | - |
| Dividends payable | - | 80,061,363 | - |

(iv) 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.

E CAPITAL STRUCTURE

This section provides information relating to the company capital structure.

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

E1 Issued capital

| | 2020 Shares | 2019 Shares | 2020 \$'000 | 2019 \$'000 |
|-----------------|----------------|----------------|----------------|----------------|
| Ordinary shares | 15,000,001 | 15,000,001 | 15,000 | 15,000 |

(i) Movements in ordinary share capital

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

(ii) Risk management

The company'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 company 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 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Final dividend for the year ended 30 June 2020 being 100% (2019: 100%) of adjusted profit after income tax | 48,134 | 80,061 |

Recognition and measurement

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

F OTHER

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

F1 Subsequent events

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect, the company's operations, the results of those operations, or the company's state of affairs in future financial years.

F2 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 | 55,000 | 53,000 |
| Audit of regulatory returns | 11,000 | 11,000 |
| Total remuneration for audit services | 66,000 | 64,000 |

F3 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 company in the current or future reporting periods and on foreseeable future transactions.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 31 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the entity's financial position as at 30 June 2020 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note A4 confirms that the financial statements also comply with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

This declaration is made in accordance with a resolution of the directors.



Mr G I Martin AM
Director

Brisbane
25 August 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of QIC Private Capital Pty Ltd

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of QIC Private Capital Pty Ltd.

In my opinion, the financial report:

- a) gives a true and fair view of the company'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.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 company 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 entity 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.

Other information

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

The directors are 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 company's 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 company's 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 company's directors are also responsible for assessing the company'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 company 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the company.

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

I communicate with the company's 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.



Paul Christensen
as delegate of the Auditor-General

27 August 2020

Queensland Audit Office
Brisbane