

**QIC Limited**

ABN 95 942 373 762

**Consolidated annual financial statements and  
directors' report for the year ended 30 June 2015**

## **Directors' Report**

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 2015.

### **Directors**

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

Mr D R Luke  
Mr M L Newman AC  
Mr B C Bowton  
Mr G B Murdoch  
Ms G M Pemberton  
Mr A E King

Mr M L Newman AC and Mr G B Murdoch were re-appointed as directors on 2 October 2014 and continue in office at the date of this report. The previous term for Mr M L Newman AC and Mr G B Murdoch ended on 30 September 2014.

Mr D E Usasz was a director from the beginning of the financial year until the end of his term on 30 September 2014.

Mr P A Gallagher was appointed as director on 11 December 2014 and continues in office at the date of this report.

### **Principal activities**

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

### **Dividends - QIC Limited**

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

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Dividends provided for and declared	<u>56,488</u>	<u>69,680</u>

### **Review of operations**

The profit from ordinary activities, after related income tax expense, amounts to \$70.6 million (2014: \$69.7 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:

On 29 May 2015, QIC Limited subscribed 15,000,000 shares at \$1.00 per share in QIC Private Capital Pty Ltd.

On 16 June 2015, QIC Limited subscribed 650,000 shares at £1.00 per share in QIC European Investment Services Limited.

### **Matters subsequent to the end of the financial year**

The Australian Securities and Investment Commission approved QIC Limited to withdraw and replace the eligible undertaking dated 25 June 2014 with QIC Private Capital Pty Ltd. On 27 July 2015 QIC Limited irrevocably agreed to pay QIC Private Capital Pty Ltd an amount up to \$3.0 million (2014: \$14.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

QIC Limited has transferred custody and safekeeping services from NAB Asset Servicing (NAS) to Northern Trust (NT). This was implemented on 1 July 2015.

### Likely developments and expected results of operations

Further information on likely developments in the operations of the group is included in the annual report.

### Company secretary

On 31 July 2015, Mr D E Clarke and Mr W T Burton were appointed as company secretaries. Mr Clarke is a barrister and solicitor of the Supreme Courts of Queensland, New South Wales, Victoria and the High Court of Australia. Mr Burton is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

Ms C G Fitzsimon was the company secretary until 31 July 2015. She is a Chartered Secretary, a member of Governance Institute of Australia (GIA), past Chairman of the Queensland Council of GIA, member of the Australian Institute of Company Directors and member of The Governance Institute.

### 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 2015, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit and Risk		HR and Remuneration	
	A	B	A	B	A	B
Mr D R Luke <sup>(1)</sup>	8	8	6	6	7	7
Mr M L Newman AC <sup>(2)</sup>	8	8	-	-	7	7
Mr B C Bowton <sup>(2)</sup>	8	8	5	6	-	-
Mr G B Murdoch	8	8	6	6	-	-
Mr A E King	8	8	-	-	7	7
Ms G M Pemberton	8	8	5	6	6	7
Mr P A Gallagher <sup>(3)</sup>	3	4	2	2	-	-
Mr D E Usasz <sup>(4)</sup>	3	3	2	3	3	4

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) = Attends in an ex-officio capacity

(2) = Term ended 30 September 2014, re-appointed 2 October 2014

(3) = Appointed 11 December 2014

(4) = Term ended 30 September 2014

### Insurance of officers

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

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



Mr D R Luke  
Chairman

Brisbane  
25 August 2015



## 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*.

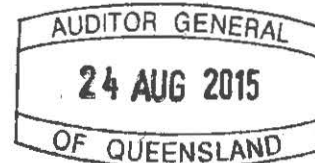
### *Independence Declaration*

As lead auditor for the audit of QIC Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been -

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



A M GREAVES FCA FCPA  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane

**QIC Limited** ABN 95 942 373 762  
**Consolidated Annual report - 30 June 2015**

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These financial statements are the financial statements of the consolidated entity consisting of QIC Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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 Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 25 August 2015. The directors have the power to amend and reissue the financial statements.

**QIC Limited Consolidated  
Statement of profit or loss  
For the year ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Revenue</b>	3	<b>322,898</b>	304,347
<b>Other income</b>	4	<b>1,205</b>	1,526
Employee benefits expense		(159,245)	(146,142)
Professional services		(18,780)	(13,348)
Operating lease costs		(11,580)	(11,779)
Depreciation and amortisation	10, 11	(6,364)	(10,928)
Travel		(5,712)	(4,489)
Computer operating costs		(4,334)	(3,624)
Staff development and recruitment		(2,833)	(2,275)
Product and mandate services		(2,652)	(2,841)
Information and research services		(2,491)	(2,606)
Insurance		(1,973)	(1,845)
Communication expenses		(1,094)	(1,254)
Auditors' remuneration	19	(390)	(421)
Net loss on disposal of property, plant and equipment		(9)	(38)
Other expenses		(6,713)	(5,705)
<b>Expenses</b>		<b>(224,170)</b>	<b>(207,295)</b>
Share of profit (loss) from associates		(36)	86
<b>Profit before income tax</b>		<b>99,897</b>	98,664
Income tax expense	5	(29,287)	(28,984)
<b>Profit for the period</b>		<b>70,610</b>	69,680
Net profit after tax is attributable to:			
Owners of QIC Limited		70,610	69,680

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

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

**QIC Limited Consolidated  
Statement of other comprehensive income  
For the year ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Net profit after tax for the year</b>		<b>70,610</b>	69,680
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Loss on revaluation - gross: foreign exchange contracts		3	(3)
Exchange differences on translation of foreign operations		173	(7)
<b>Other comprehensive income for the year, net of tax</b>		<b>176</b>	(10)
<b>Total comprehensive income for the year</b>		<b>70,786</b>	69,670
Total comprehensive income for the year is attributable to:			
Owners of QIC Limited		70,786	69,670
Total comprehensive income for the year attributable to owners of QIC Limited arises from:			
Continuing operations		70,786	69,670

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

*The above statement of other comprehensive income should be read in conjunction with the accompanying notes.*

**QIC Limited Consolidated  
Statement of financial position  
As at 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	3,084	6,689
Receivables	7	110,700	82,889
Financial assets at fair value through profit or loss	8	142,896	177,186
<b>Total current assets</b>		<b>256,680</b>	<b>266,764</b>
<b>Non-current assets</b>			
Receivables		-	78
Financial assets at fair value through profit and loss	9(a)	41,228	35,608
Other financial asset	9(b)	5,000	-
Property, plant and equipment	10	15,031	17,517
Deferred tax assets	5(d)	29,900	27,856
Intangible assets	11	5,673	6,053
Other assets		89	110
<b>Total non-current assets</b>		<b>96,921</b>	<b>87,222</b>
<b>Total assets</b>		<b>353,601</b>	<b>353,986</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	95,604	154,732
Provisions	13	55,830	31,419
Income tax payable		25,730	9,078
Deferred revenue		6,909	6
<b>Total current liabilities</b>		<b>184,073</b>	<b>195,235</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	5(e)	8,630	16,374
Provisions	13	27,745	23,522
<b>Total non-current liabilities</b>		<b>36,375</b>	<b>39,896</b>
<b>Total liabilities</b>		<b>220,448</b>	<b>235,131</b>
<b>Net assets</b>		<b>133,153</b>	<b>118,855</b>
<b>EQUITY</b>			
Contributed equity	14	37,475	37,475
Other reserves		238	62
Retained earnings	15	95,440	81,318
Capital and reserves attributable to owners of QIC Limited		<b>133,153</b>	<b>118,855</b>
<b>Total equity</b>		<b>133,153</b>	<b>118,855</b>

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

**QIC Limited Consolidated  
Statement of changes in equity  
For the year ended 30 June 2015**

	Notes	Attributable to owners of QIC Limited			Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2013</b>		37,475	72	81,318	118,865
Profit for the period		-	-	69,680	69,680
Other comprehensive income		-	(10)	-	(10)
<b>Total comprehensive income for the year</b>		-	(10)	69,680	69,670
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid for or provided	16	-	-	(69,680)	(69,680)
<b>Balance at 30 June 2014</b>		<b>37,475</b>	<b>62</b>	<b>81,318</b>	<b>118,855</b>
<b>Balance at 1 July 2014</b>		37,475	62	81,318	118,855
Profit for the period		-	-	70,610	70,610
Other comprehensive income		-	176	-	176
<b>Total comprehensive income for the year</b>		-	176	70,610	70,786
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid for or provided	16	-	-	(56,488)	(56,488)
<b>Balance at 30 June 2015</b>		<b>37,475</b>	<b>238</b>	<b>95,440</b>	<b>133,153</b>

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

**QIC Limited Consolidated  
Statement of cash flows  
For the year ended 30 June 2015**

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		310,204	321,872
Payments to suppliers and employees		(248,800)	(247,309)
Distributions received		4,339	3,875
Fair value gains (losses) on cash and cash equivalents		(429)	124
Interest received		294	168
Income taxes paid		(22,424)	(11,547)
<b>Net cash inflow from operating activities</b>	25	<u>43,184</u>	<u>67,183</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	10	(1,328)	(5,278)
Payments for intangibles	11	(2,094)	(2,465)
Payments for investment in joint venture partnerships		-	(1)
Proceeds from sale of property, plant and equipment		-	6
Payments for financial assets at fair value through profit or loss		(11,030)	(42,435)
Payments for other financial assets		(5,000)	-
Proceeds from sale of financial assets at fair value through profit or loss		10,571	11,173
Dividends received		87	-
Distributions received		1,216	1,745
<b>Net cash outflow from investing activities</b>		<u>(7,578)</u>	<u>(37,255)</u>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	16	(69,680)	(30,909)
<b>Net cash outflow from financing activities</b>		<u>(69,680)</u>	<u>(30,909)</u>
<b>Net decrease in cash and cash equivalents</b>		(34,074)	(981)
Cash and cash equivalents at the beginning of the financial year		165,688	166,683
Effects of exchange rate changes on cash and cash equivalents		(85)	(14)
<b>Cash and cash equivalents at end of year</b>	6	<u>131,529</u>	<u>165,688</u>

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

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## **1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of QIC Limited and its subsidiaries.

### **(a) Basis of preparation**

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

#### *(i) Compliance with IFRS*

The financial statements of the QIC Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *(ii) Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for financial assets valued at fair value through profit and loss.

#### *(iii) New and amended standards adopted by the group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

#### *(iv) Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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 note 2.

Accounting estimates in relation to employee entitlements and other liabilities have changed in the current year. Full details of the change and the impacts to the financial statements are also disclosed in note 2.

### **(b) Principles of consolidation**

#### *(i) Subsidiaries*

The financial statements incorporate the assets and liabilities of all subsidiaries of QIC Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries 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.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

There are no minority interests in the results and equity of subsidiaries.

#### *(ii) Associates*

Associates are entities over which the group has significant influence but not control, generally accompanying a shareholding representing between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements at fair value and in the consolidated financial statements using the equity method of accounting (see (iv) below) after initially being recognised at cost.

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

#### (iii) Joint arrangements

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. QIC Limited has a joint venture with a US based entity.

The interest in the joint venture partnership is accounted for at cost and is not material.

#### (iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(i).

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in Australian dollars, which is QIC Limited's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of other comprehensive income.

#### (iii) Group companies

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

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

### (d) Revenue recognition

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

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

## 1 Summary of significant accounting policies (continued)

### (d) Revenue recognition (continued)

Revenue for other business activities is recognised on the following basis:

#### (i) *Investment management fees*

Management fees are recognised on an accruals basis in line with client agreements, net of the amounts of goods and services tax payable.

#### (ii) *Performance fees*

Performance fees and rebates are recognised on an accruals basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. Performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. Revenue may not be recognised where the performance criteria is subject to uncertain future events outside the control of the group. Where the achievement of criteria is uncertain a contingent asset is recognised.

Some performance fees are subject to clawback. Performance fee clawbacks are recognised on an accruals basis when there exists a present obligation and the clawback amount can be reliably measured and it is probable that future outflow of economic benefits will flow from the group. A liability is recognised as unearned revenue and a reduction in revenue recorded.

#### (iii) *Service and administration fees*

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

#### (iv) *Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

#### (v) *Dividends*

Dividends are recognised as revenue when the right to receive payment is established.

#### (vi) *Trust recovery fee*

Trust related cost recoveries are offset in revenue on a cash basis, net of amounts of goods and services tax payable. Any costs which cannot be recovered are recognised as an expense.

#### (vii) *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 expenses paid on behalf of associated entities and clients with revenues receivable on behalf of associated entities and clients, in relation to product and client related costs where QIC principally acts as agent.

### (e) Goods and Services Tax (GST)

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

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

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

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

## 1 Summary of significant accounting policies (continued)

### (f) Income tax

#### (i) Income tax equivalents

As a State trading body under the *Income Tax Assessment Act 1997*, QIC Limited and its wholly-owned Australian controlled entities are exempt from the 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.

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

AASB 112 *Income Taxes* uses a 'Balance Sheet approach' for calculating income tax balances. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The differences are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. No tax assets and tax liabilities have been offset.

#### (ii) Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (for example the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

#### (iii) Tax consolidation legislation

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 5.

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

Compliance with the TOFA legislation is mandatory for the tax consolidated group for tax years beginning on or after 1 July 2010. 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.

## 1 Summary of significant accounting policies (continued)

### (f) Income tax (continued)

#### (v) Stamp duty

Under the provisions of the *Queensland Investment Corporation Act 1991*, the group is exempted from Queensland stamp duty, but must make payments to the Queensland Government, equivalent to the amount of any stamp duty for which an exemption is received.

### (g) Leases

The group has not entered into any finance leases that have not been novated to a third party.

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 (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### (h) Cash and cash equivalents

For the purpose of financial statements, cash and cash equivalents includes cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents include balances in relation to investments in the QIC Cash Enhanced Fund where these funds are used as working capital. These investments are readily able to be converted to cash on call and are highly liquid.

The group undertakes certain trustee transactions that result in cash and cash equivalents held in trust. The balances are disclosed in note 6.

### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (j) Receivables

Receivables are recognised at fair value and less provision for impairment. Trade receivables are due for settlement in no more than 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. There were no impairment amounts at 30 June 2015 (2014: \$nil).

### (k) Investments and other financial assets

The group classifies its investments as financial assets at fair value through profit or loss and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. There are no assets currently classified as held-to-maturity.



## 1 Summary of significant accounting policies (continued)

### (k) Investments and other financial assets (continued)

#### (i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated on acquisition. A financial asset is designated if there exists the possibility it will be sold in the short term or the asset is subject to frequent changes in fair value. 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.

Investment funds were held in the QIC Cash Enhanced Fund during the financial year. The QIC Cash Enhanced Fund invests in short term cash and fixed interest securities, which it records on a fair value basis. The annualised rate of return on the investment in the QIC Cash Enhanced Fund was 2.94% (2014: 3.07%).

Investment funds were also held in the QIC Growth Fund. The QIC Growth Fund invests in Australian cash, equities, fixed interest and property and international fixed interest and equities. The annualised rate of return on the investment in the QIC Growth Fund was 5.73% (2014: 10.86%). Investments held by the QIC Growth Fund are recorded on a fair value basis.

Investment funds were also held in the QIC Direct Opportunities Fund. The QIC Direct Opportunities Fund invests in private equity. The annualised rate of return on the investment in the QIC Direct Opportunities Fund was 18.12% (2014: N/A). Investments held by the QIC Direct Opportunities Fund are recorded on a fair value basis.

Investment funds were also held in the GFI Absolute Return Bond Fund. The GFI Absolute Return Bond Fund invests in global fixed interest securities. The annualised rate of return on the investment in the GFI Absolute Return Bond Fund was 0.0% (2014: N/A). The investment were made on 29 June 2015 and are recorded on a fair value basis.

Investment funds were also held in an escrow account to fund capital calls to the Golden Reef Infrastructure Trust. The Golden Reef Infrastructure Trust invests in infrastructure. The annualised rate of return on the investment in the Golden Reef Infrastructure Trust was 0.0% (2014: N/A). No investments have been purchased by the Golden Reef Infrastructure Trust as at 30 June 2015 and the investments are recorded at amortised cost.

Deferred long term staff incentive amounts were held in the QIC Cash Fund, QIC GFI Alpha Fund and QIC Growth Fund during the financial year. The QIC Cash Fund invests in short term cash securities, which it records on a fair value basis. The QIC GFI Alpha Fund invests in cash and fixed interest securities, which it records on a fair value basis. The annualised return on these investments were QIC Cash Fund 2.60% (2014: 2.67%), QIC GFI Alpha Fund 0.23% (2014: 6.79%) and QIC Growth Fund 5.40% (2014: 13.17%).

#### (ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. 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.

### (l) Property, plant and equipment

On initial recognition, an asset is measured at the fair value of the assets given or liabilities incurred at the date of exchange plus costs directly attributable to the acquisition.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discontinued to their present value as at the date of exchange. The discount rates used are the rates attaching to the Commonwealth Government securities at balance date.

Items of property, plant and equipment with a cost, or other value, in excess of \$1,000 (2014: \$1,000) are capitalised in the year of acquisition.

Internal and external costs directly incurred in the purchase or development of computer applications, including subsequent upgrades and enhancements, are capitalised where the costs exceed \$100,000 (2014: \$100,000). Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

## 1 Summary of significant accounting policies (continued)

### (l) Property, plant and equipment (continued)

Expenditure, including that on internally generated assets, is only recognised as an asset when the group controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate and the costs can be measured reliably.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

All items of property, plant and equipment have limited useful lives and are depreciated using either the straight line method or diminishing value 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	3 - 8 years
Office equipment, furniture and fittings	3 - 15 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

### (m) Intangible assets

#### (i) Computer software

When computer software assets are not integrally related to associated hardware, the group recognises them as an intangible asset where the costs are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the group controls.

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

These assets are amortised on a straight-line basis over their estimated useful lives, which are between 3 and 6 years. Software maintenance costs are expensed as incurred.

#### (ii) IT development costs

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

#### (iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 5 years.

## 1 Summary of significant accounting policies (continued)

### (n) Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (o) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

### (p) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised in payables in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Remuneration includes a mix of fixed remuneration and payments for performance, attraction and retention. The majority of these payments are dependent on the satisfaction of performance conditions and are defined as 'at risk'. The maximum 'at risk' amount payable varies with individual roles to the extent that each role impacts on investment and corporate performance.

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

The liability is measured at the amount expected to be paid when settled. The liability is classified as short-term or long-term depending on when it is expected to be settled.

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

#### (ii) Long-term obligations

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. Provisions for employee benefits that are not expected to be settled within 12 months are discounted using the rates attaching to high quality Australian corporate bonds at balance date, which most closely match the terms of maturity of the related liability. In determining the provision, consideration has been given to future increases in salary rates and prior experience with staff departures. Related on-costs have also been included.

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.

#### (iii) Retirement benefit obligations

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

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



## 1 Summary of significant accounting policies (continued)

### (p) Employee benefits (continued)

#### (iv) Termination benefits

Termination benefits are payable when employment is terminated 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 entity recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination 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.

### (q) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group only uses cash flow hedges to hedge a particular risk associated with the cashflows of highly probable forecast transactions.

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. Movements in the hedging reserve are immaterial. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are recycled in the statement of other comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast expense that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the statement of other comprehensive income.

### (r) Contributed equity

Ordinary shares are classified as equity.

### (s) Dividends

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.

The dividend declared by the parent entity represents 80% (2014: 100%) of consolidated operating profit after tax. This reflects the requirements of the *Government Owned Corporations Act 1993* and Queensland Treasury policies, which require the annual dividend declared by a government owned corporation to be calculated on a group basis.

### (t) Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar. When necessary, comparative amounts for the previous period have been adjusted to facilitate valid comparison.

## 1 Summary of significant accounting policies (continued)

### (u) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 9 *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

The group has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the group's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the group enters into, it is not expected that any of the group's financial assets will meet the criteria in AASB 9 to be measured at amortised cost.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

#### (ii) AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 which covers contracts for goods and services and AASB 11 which covers construction contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The group is currently assessing the impact on revenue recognition and measurement, at this stage the group is unable to quantify the impact of this new standard. The group is unlikely to early adopt the standard in the year preceding its mandatory status.

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

### (v) Parent entity financial information

The financial information for the parent entity, QIC Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) *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.

## 2 Critical accounting estimates and judgements

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## 2 Critical accounting estimates and judgements (continued)

### (a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Income taxes
- Revenue
- Provisions

#### (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 provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The 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) Revenue

##### Performance fee - US Real Estate Investment Trusts (REITs)

A contingent asset has been identified in respect of performance fees receivable at 31 December 2015 (see note 20 Contingencies).

A performance fee is potentially payable by the US REITs to the group where certain performance criteria are achieved over a 12 month calendar year ending in December 2015. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

Although the amount of the performance fee can be reliably measured, the inflow of economic benefits is not yet considered to be probable. Accordingly no performance fee has accrued for the period 1 January 2015 to 30 June 2015 by the group.

In the prior year, a contingent asset was recognised in respect of performance fees receivable at 31 December 2014.

##### Private Equity Funds

A contingent asset has been identified in respect of performance fees receivable at 31 December 2015 (see note 20 Contingencies).

Performance fees are potentially receivable by the group in relation to the Private Equity Funds where certain performance criteria are achieved over a 12 month period ending in December 2015. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 12 month period. Achievement of these targets is influenced by a number of factors over which the group has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors.

The amount of the performance fees cannot be reliably measured. Accordingly no performance fees have been accrued for the period 1 January 2015 to 30 June 2015 by the group.

##### Performance fee - Other

All other performance fees and rebates are recognised on an accruals basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. Performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. Revenue may not be recognised where the performance criteria is subject to uncertain future events outside the control of the group. Where the achievement of criteria is uncertain a contingent asset is recognised.

## 2 Critical accounting estimates and judgements (continued)

### (a) Significant estimates and judgements (continued)

Some performance fees are subject to clawback. Performance fee clawbacks are recognised on an accruals basis when there exists a present obligation and the clawback amount can be reliably measured and it is probable that future outflow of economic benefits will flow from the group. A liability is recognised as unearned revenue and a reduction in revenue recorded.

#### Unearned revenue - Performance fee clawback

Performance fee clawbacks are potentially payable on a number of performance fee agreements. A clawback is payable where performance of a product falls below a benchmark performance over the clawback period. Based on analysing historical data, an assessment has been performed and it is considered probable that clawbacks will be required to be repaid in a future reporting period. 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 excess returns over the benchmark to be reversed before a clawback is incurred. Each asset class subject to a clawback has been assessed under a consistent methodology with inputs relative to the individual client contracts.

There are a number of factors that could influence performance including changes in the competitive environment and client agreements, movements in interest rates and other risk factors.

At 30 June 2014, the group assessed the likelihood of exposure to potential liabilities in relation to performance fee agreements as less probable as no negative performance had been recorded to date. Accordingly, a contingent liability was identified. A change in accounting estimate has occurred during the current year as QIC has developed a methodology to reassess the likelihood of clawback and calculate a reliable measurement. The performance fees subject to clawback are material to net profit and the numbers of contracts containing clawbacks have increased in the current year.

At 30 June 2015, a liability of \$6.9 million is recognised as unearned revenue. This change in accounting estimate affects the current period and is expected to have an affect in future periods. At reporting date, based on variables assessed, the estimated performance fee clawback liability may range from nil to \$36.7 million.

#### *(iii) Provisions*

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

- Employee benefits obligations - Change in discount rate

During the period the group changed the discount rate used in its employee benefits obligations calculation from the Commonwealth Government bond rate to the high quality Australian corporate bond rate and applied this as a change in accounting estimate. The Australian corporate bond market has demonstrated sufficient depth and liquidity over recent years to support this change.

- Employee benefits obligations - Change in liability classification

During the period changes were made to the group's policy for 'at risk' performance, attraction and retention payments, including calculation methods and timing of payment. 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

In the prior year, some of these amounts were recognised as payables, as the payments were approved prior to the finalisation of the group's financial statements.

As approval will now occur after finalisation of the group's financial statements, the amounts are not known with certainty and have been recognised as a provision, based on the best estimate available.

### 3 Revenue

	2015 \$'000	2014 \$'000
<b>From continuing operations</b>		
Management, performance and other fees	299,508	281,606
Product administration fees - related parties	14,026	13,314
Investment income	5,641	5,620
Interest	290	170
Other	3,433	3,637
	<u>322,898</u>	<u>304,347</u>

### 4 Other income

This note provides a breakdown of the items included in 'other income'. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

	Notes	2015 \$'000	2014 \$'000
Fair value gains on financial assets at fair value through profit or loss	8, 9	431	1,176
Net gain on sale of financial assets at fair value	8, 9	585	310
Foreign exchange gains		189	40
		<u>1,205</u>	<u>1,526</u>

### 5 Income tax

#### (a) Income tax expense

	2015 \$'000	2014 \$'000
Current tax	39,648	21,774
Deferred tax	(9,920)	8,391
Adjustments for current tax of prior periods	(441)	(1,181)
	<u>29,287</u>	<u>28,984</u>

The 2010 income tax return of the group was amended during the year to include research and development tax claims. The taxation effect of the research and development claims of \$1.1 million is included in the adjustments for current tax of prior periods. Due to the research and development claims made in the 2010 income tax return, the 2011, 2012 and 2013 income tax returns were amended for depreciation expenses that were no longer tax deductible. These amendments resulted in additional tax payable of \$0.5 million and these are also included in the adjustments for current tax of prior periods.

The 2014 income tax return was lodged during the year and includes a research and development tax claim of \$0.5 million. This claim was not included in the 2014 financial statements. The taxation effect of the research and development claim is included in the adjustments for current tax of prior periods.

In the prior year, the 2013 income tax return was amended to include a research and development tax claim. The taxation effect of the research and development claim of \$1.2 million was included in the adjustments for current tax of prior periods.

## 5 Income tax (continued)

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

	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax expense	99,897	98,664
Tax expense at the Australian tax rate of 30% (2014: 30%)	29,969	29,599
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other assessable income	-	3,585
Other non-allowable deductions	-	(3,585)
Non-deductible entertainment	69	51
Non-deductible sundry items	156	29
	30,194	29,679
Difference in overseas tax rates	(35)	(20)
Tax offset for franked dividends and foreign income	(223)	(190)
Adjustments for current tax of prior periods	(649)	(485)
	(907)	(695)
Income tax expense	29,287	28,984

### (c) Tax consolidation legislation

QIC Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(f).

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

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

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly-owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement (see note 26(e)).



## 5 Income tax (continued)

### (d) Non-current assets - Deferred tax assets

	2015 \$'000	2014 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Employee benefits provided for or payable	26,614	24,210
Depreciation and amortisation	1,195	923
Capital tax losses	908	909
Lease incentives	854	1,109
Capital projects	161	524
Accrued expenses	128	121
Investments	28	-
Sundry items	12	60
	<u>29,900</u>	<u>27,856</u>

### (e) Non-current liabilities - Deferred tax liabilities

	2015 \$'000	2014 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Performance fees	7,908	15,737
Investments	553	164
Depreciation and amortisation	105	43
Other receivables	62	428
Prepayments	2	2
	<u>8,630</u>	<u>16,374</u>

## 6 Current assets - Cash and cash equivalents

	2015 \$'000	2014 \$'000
<b>Current assets</b>		
Cash at bank and in hand	<u>3,084</u>	<u>6,689</u>

### (i) Reconciliation to cash at the end of the year

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

	2015 \$'000	2014 \$'000
Cash and cash equivalents	3,084	6,689
Investments in QIC Cash Enhanced Fund (note 8)	128,445	158,999
Balances per statement of cash flows	<u>131,529</u>	<u>165,688</u>

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 cash on call and are highly liquid.

### (b) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash and cash equivalents was 2.03% (2014: 1.98%). The group's exposure to liquidity risk is discussed in Note 17.

## 6 Current assets - Cash and cash equivalents (continued)

### (c) Amounts held in trust

An amount of \$222,613 (2014: \$4,221,213) was recognised in cash and cash equivalents as at 30 June 2015. These monies are for the sole purpose of seeking recovery of funds involving the group as a plaintiff and in its capacity as trustee.

## 7 Current assets - Receivables

	2015 \$'000	2014 \$'000
<b>Trade receivables</b>		
Management, performance and other fees receivable	106,741	78,987
<b>Prepayments</b>		
Prepayments	3,959	3,902
	<u>110,700</u>	<u>82,889</u>

These are non-interest bearing. Information about the group's exposure to credit risk is disclosed in note 17.

## 8 Current assets - Financial assets at fair value through profit or loss

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

	2015 \$'000	2014 \$'000
At beginning of year	177,186	178,564
Revaluation (realised and unrealised)	(254)	572
Distributions reinvested	4,624	4,540
Additions (subscriptions)	431,002	275,409
Disposals (redemptions)	(469,662)	(281,899)
At end of year	<u>142,896</u>	<u>177,186</u>
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Current assets</b>		
Investment in QIC Cash Enhanced Fund	128,445	158,999
Investments in other QIC products	14,451	18,187
	<u>142,896</u>	<u>177,186</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded in the statements of profit or loss.



## 9 Non-current assets - Financial assets

### (a) Financial assets at fair value through profit or loss

	2015 \$'000	2014 \$'000
At beginning of year	35,608	3,614
Revaluations (realised and unrealised)	1,270	914
Distributions reinvested	930	1,080
Additions (subscriptions)	3,420	30,000
At end of year	<u>41,228</u>	<u>35,608</u>

	2015 \$'000	2014 \$'000
Investment in QIC Growth Fund	37,732	35,608
Investment in GFI Absolute Return Bond Fund	2,064	-
Investment in QIC Direct Opportunities Fund	1,432	-
	<u>41,228</u>	<u>35,608</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded in the statements of profit or loss.

### (b) Other financial assets

	2015 \$'000	2014 \$'000
Monies held in escrow	<u>5,000</u>	-

A deposit has been lodged into an escrow bank account for future capital calls in relation to a unit trust investment. This money is restricted for use under the terms of the agreement. No interest was earned on these monies. The group's exposure to liquidity risk is discussed in Note 17.

## 10 Non-current assets - Property, plant and equipment

	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
<b>At 1 July 2013</b>			
Cost or fair value	24,981	9,961	34,942
Accumulated depreciation	(10,556)	(8,119)	(18,675)
Net book amount	14,425	1,842	16,267
<b>Year ended 30 June 2014</b>			
Opening net book amount	14,425	1,842	16,267
Exchange differences	27	(2)	25
Additions	3,342	1,936	5,278
Disposals	(30)	(20)	(50)
Depreciation charge	(2,856)	(1,147)	(4,003)
Closing net book amount	14,908	2,609	17,517
<b>At 30 June 2014</b>			
Cost or fair value	27,998	9,892	37,890
Accumulated depreciation	(13,090)	(7,283)	(20,373)
Net book amount	14,908	2,609	17,517
<b>Year ended 30 June 2015</b>			
Opening net book amount	14,908	2,609	17,517
Exchange differences	85	48	133
Additions	453	875	1,328
Disposals	(33)	(24)	(57)
Depreciation charge	(2,711)	(1,179)	(3,890)
Closing net book amount	12,702	2,329	15,031
<b>At 30 June 2015</b>			
Cost	28,314	9,531	37,845
Accumulated depreciation	(15,612)	(7,202)	(22,814)
Net book amount	12,702	2,329	15,031

## 11 Non-current assets - Intangible assets

	Computer software \$'000	Total \$'000
<b>At 1 July 2013</b>		
Cost	29,280	29,280
Accumulated amortisation	(18,767)	(18,767)
Net book amount	<u>10,513</u>	<u>10,513</u>
<b>Year ended 30 June 2014</b>		
Opening net book amount	10,513	10,513
Additions	2,465	2,465
Amortisation charge	(6,925)	(6,925)
Closing net book amount	<u>6,053</u>	<u>6,053</u>
<b>At 30 June 2014</b>		
Cost	31,573	31,573
Accumulated amortisation	(25,520)	(25,520)
Net book amount	<u>6,053</u>	<u>6,053</u>
<b>Year ended 30 June 2015</b>		
Opening net book amount	6,053	6,053
Additions	2,094	2,094
Amortisation charge	(2,474)	(2,474)
Closing net book amount	<u>5,673</u>	<u>5,673</u>
<b>At 30 June 2015</b>		
Cost	21,818	21,818
Accumulated amortisation	(16,145)	(16,145)
Net book amount	<u>5,673</u>	<u>5,673</u>

### Assets in the course of construction - intangible assets

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to intangible assets that are in the course of construction:

	2015 \$'000	2014 \$'000
Intangible assets	333	791
Total assets in the course of construction	<u>333</u>	<u>791</u>

## 12 Current liabilities - Payables

	2015 \$'000	2014 \$'000
Dividends	56,488	69,680
Employee benefits payable	20,158	60,210
Accrued expenses	13,672	15,752
Accounts payable	5,286	9,090
	<u>95,604</u>	<u>154,732</u>

These are non-interest bearing. Information about the group's risk exposure is provided in note 17.

## 13 Provisions

Current liabilities - Provisions	2015 \$'000	2014 \$'000
Employee benefits	55,087	9,824
Other provisions	743	873
Provisions to associated entities	-	20,722
	<u>55,830</u>	<u>31,419</u>

Non-current liabilities - Provisions	2015 \$'000	2014 \$'000
Employee benefits	25,546	20,562
Other provisions	2,199	2,960
	<u>27,745</u>	<u>23,522</u>

### (i) Movements in provisions

Movements in each class of non-employee benefits provision during the financial year, are set out below:

	Provisions to associated entities \$'000	Other \$'000	Total \$'000
Carrying amount at the start of the year	20,722	3,833	24,555
Additional provisions recognised	-	-	-
Amounts recognised during the year	(12,449)	(891)	(13,340)
Reduction due to repayment	(8,273)	-	(8,273)
Carrying amount at end of year	<u>-</u>	<u>2,942</u>	<u>2,942</u>

### (ii) Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. For annual leave, the entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months.

### 13 Provisions (continued)

#### (ii) Amounts not expected to be settled within 12 months (continued)

	2015 \$'000	2014 \$'000
Annual leave obligations expected to be settled after 12 months	355	423
	<u>355</u>	<u>423</u>

### 14 Contributed equity

#### (a) Share capital

	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Ordinary shares Fully paid	30,300,000	30,300,000	37,475	37,475

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

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

#### (c) Capital risk management

The group's capital management objectives are to ensure sufficient capital resources to support business and operating requirements and risks and to continue to provide a return to the State of Queensland and benefits for other stakeholders.

In addition, the group seeks to maintain a sufficient capital base to safeguard the ability to continue as a going concern.

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.

With the exception of payables, provisions and income tax liabilities incurred in the normal course of business, the group does not undertake borrowings or hold debt.

### 15 Retained earnings

Movements in retained earnings were as follows:

	2015 \$'000	2014 \$'000
Balance 1 July	81,318	81,318
Net profit for the year	70,610	69,680
Dividends	(56,488)	(69,680)
Balance 30 June	<u>95,440</u>	<u>81,318</u>

### 16 Dividends

#### (a) Ordinary shares

	2015 \$'000	2014 \$'000
Final dividend for the year ended 30 June 2015 of 186 cents (2014: 230 cents) per share being 80% (2014: 100%) of consolidated operating profit after tax recognised as a payable (note 12)	<u>56,488</u>	<u>69,680</u>

## 17 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.

	Notes	Assets at FVTPL \$'000	Financial assets at amortised cost \$'000	Total \$'000
<b>Financial assets</b>				
<b>2015</b>				
Cash and cash equivalents	6	-	3,084	3,084
Trade and other receivables *	7	-	106,663	106,663
Financial assets at fair value through profit or loss	8, 9(a)	184,124	-	184,124
Other financial assets	9(b)	-	5,000	5,000
		<u>184,124</u>	<u>114,747</u>	<u>298,871</u>
<b>2014</b>				
Cash and cash equivalents	6	-	6,689	6,689
Trade and other receivables *	7	-	79,065	79,065
Financial assets at fair value through profit or loss	9(a)	212,794	-	212,794
		<u>212,794</u>	<u>85,754</u>	<u>298,548</u>

\* excluding prepayments

	Notes	Derivatives used for hedging \$'000	Liabilities at amortised cost \$'000	Total \$'000
<b>Financial liabilities</b>				
<b>2015</b>				
Payables **	12	-	39,116	39,116
		-	<u>39,116</u>	<u>39,116</u>
<b>2014</b>				
Payables **	12	5	85,047	85,052
		<u>5</u>	<u>85,047</u>	<u>85,052</u>

\*\* excluding non-financial liabilities

### (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.

## 17 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds (GBP), Euro (EUR) and United States dollars (USD).

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity'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.

#### Exposure

The group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2015			30 June 2014		
	GBP £'000	USD \$'000	EUR \$'000	GBP £'000	USD \$'000	EUR \$'000
Cash assets	75	460	-	455	663	-
Receivables	1,536	4,442	-	1,074	1,284	-
Financial assets at fair value through profit and loss	-	-	1,424	-	-	-
Payables	(465)	(1,382)	-	(191)	(138)	-
Net exposure	1,146	3,520	1,424	1,338	1,809	-

#### Sensitivity

The sensitivity of the group's financial instruments held at 30 June 2015 (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 exchange movements is not material.

#### (ii) 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 statement of financial position as financial assets at fair value through profit or loss. The group is not exposed to any other price risk. Price risk incorporates market risk, interest rate risk and foreign exchange risk in respect of investments in unit trusts. Investments in unlisted unit trusts are recorded at redemption value per unit as reported by the manager of the trust.

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

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

## 17 Financial risk management (continued)

### (a) Market risk (continued)

Consolidated entity	Impact on post-tax profit	
	2015 \$'000	2014 \$'000
QIC Growth Fund - increase 9% (2014: 10%)	3,401	3,568
QIC Direct Opportunities Fund - increase 15% (2014: NA)	215	-
GFI Absolute Return Bond Fund - increase 5% (2014: NA)	103	-
QIC Growth Fund - decrease 10% (2014: 10%)	(3,779)	(3,568)
QIC Direct Opportunities Fund - decrease 14% (2014: NA)	(201)	-
GFI Absolute Return Bond Fund - decrease 3% (2014: NA)	62	-

A sensitivity analysis was conducted on the impact of a movement in the unit price of the group's investments in current financial assets at fair value through profit or loss held at 30 June 2015 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

Sensitivity analysis was not conducted for the group's investments in Golden Reef Infrastructure Trust as the investment funds are currently held in an escrow account to fund capital calls. No investments have been purchased by the Golden Reef Infrastructure Trust as at 30 June 2015.

There is no significant price risk in respect of any other financial assets.

### (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 wholesale 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 \$298.9 million (2014: \$298.5 million).

The group seeks to limit its exposure to credit risk in terms of outstanding trade 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 financial guarantees given to certain parties (see note 20 Contingencies). Such guarantees are provided in limited circumstances.

#### (iii) Past due but not impaired

As at 30 June 2015, trade receivables of \$2,095,320 (2014: \$3,362,460) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of trade receivables is as follows:

	Within trading terms \$'000	Days overdue		
		31 - 60 \$'000	61 - 90 \$'000	Over 90 \$'000
2015	104,646	846	758	491
2014	75,625	2,278	739	345

Related party receivables are settled within trading terms.

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



## 17 Financial risk management (continued)

### (c) Liquidity risk

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

The group invests its working capital in the QIC Cash Enhanced Fund, which is highly liquid.

All of the group's and parent entity's financial liabilities have contractual maturity of less than a year. The amounts due are the contractual undiscounted cash flows (see note 12 Payables).

### (d) Fair value measurements

#### (i) Fair value hierarchy

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

Fair value measurements at 30 June 2015	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>					
Financial assets at fair value through profit or loss		-	184,124	-	184,124
Unlisted unit trusts		5,000	-	-	5,000
Monies held in escrow account					
<b>Total financial assets</b>		<b>5,000</b>	<b>184,124</b>	<b>-</b>	<b>189,124</b>
<b>Financial liabilities</b>					
Derivatives used for hedging - foreign exchange contracts		-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Fair value measurements at 30 June 2014	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>					
Financial assets at fair value through profit or loss					
Unlisted unit trusts	8, 9	-	212,794	-	212,794
<b>Total financial assets</b>		<b>-</b>	<b>212,794</b>	<b>-</b>	<b>212,794</b>
<b>Financial liabilities</b>					
Derivatives used for hedging - foreign exchange contracts		-	5	-	5
<b>Total financial liabilities</b>		<b>-</b>	<b>5</b>	<b>-</b>	<b>5</b>

There were no transfers between any levels for recurring fair value measurements during the year. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale 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.

## 17 Financial risk management (continued)

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

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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 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. This is the case for unlisted equity securities.

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

The group's holding in financial assets held at fair value through profit and loss is limited to units in unit trusts managed by the parent entity. 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. Accordingly, the group and parent entity classify financial assets at fair value through profit or loss as level 2.

All other financial assets and financial liabilities held by the group are measured at cost, which equates to fair value.

## 18 Key management personnel disclosures

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.

### (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
D R Luke <sup>(1)</sup>	Chairman (appointed 12 December 2013)	3 years	30 September 2016
M L Newman AC <sup>(2)</sup>	Director (reappointed 2 October 2014)	1 years	30 September 2015
B C Bowton <sup>(3)</sup>	Director (reappointed 12 December 2013)	3 years	30 September 2016
G B Murdoch <sup>(4)</sup>	Director (reappointed 2 October 2014)	3 years	30 September 2017
A E King <sup>(1)</sup>	Director (appointed 12 December 2013)	3 years	30 September 2016
G Pemberton <sup>(1)</sup>	Director (appointed 12 December 2013)	3 years	30 September 2016
P A Gallagher <sup>(5)</sup>	Director (appointed 11 December 2014)	3 years	30 September 2017
D E Usasz	Director (term ended 30 September 2014)	3 years	30 September 2014
P F Young AM	Chairman (resigned 21 November 2013)	3 years	21 November 2013
K D MacDonald	Deputy Chairman (term ended 30 September 2013)	3 years	30 September 2013
L T Gearing	Director (term ended 30 September 2013)	2 years	30 September 2013

Notes:

(1) Term of appointment: from 12 December 2013 to 30 September 2016, 2 years, 9 months and 18 days. (2) Previous term ended on 30 September 2014. Term of appointment: from 2 October 2014 to 30 September 2015, 11 months and 29 days. (3) Previous term ended on 30 September 2013. Term of appointment: from 12 December 2013 to 30 September 2016, 2 years, 9 months and 18 days. (4) Previous term ended on 30 September 2014. Term of appointment: from 2 October 2014 to 30 September 2017, 2 years, 11 months and 29 days. (5) Term of appointment: from 11 December 2014 to 30 September 2017, 2 years, 9 months and 20 days.

### (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'):

D J Frawley	Chief Executive	Open term
C M Blake	Executive Director, Finance	Open term
D E Clarke	Executive Director, Risk, Legal and Tax	Open term
A C Ryder	Chief Investment Officer	Open term
B J Delaney	Executive Director, Strategy, Clients and Global Markets	Open term
M McDonald	Executive Director, Operations and Technology (appointed 2 March 2015)	Open term
G A Jackson	Executive Director, Human Resources (appointed 2 March 2015)	Open term
P R Leitch <sup>(1)</sup>	Chief Operating Officer (to 2 March 2015)	Open term

Notes:

(1) Mr P R Leitch, formerly Chief Operating Officer satisfied the definition of key management personnel until 2 March 2015, at which time the group was restructured. Subsequently Mr P Leitch occupied the position of Executive Adviser, which did not meet the definition of key management personnel, until his resignation on 30 June 2015.

## 18 Key management personnel disclosures (continued)

### (c) Remuneration principles

#### (i) 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.

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

Governance of remuneration practices and arrangements occurs through the Human Resources 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.

Remuneration for senior executives includes a mix of fixed remuneration and variable performance based incentive payments.

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 between the market median and 75th percentile, 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.

#### (iii) At risk performance and retention compensation

Variable performance and retention payments are focused on senior employees whose roles and contribution are identified as critical to the continued success of the group.

The following categories of employees are eligible to participate in these payments:

- Selected senior executives specified within this note
- Leading specialist staff with primary direct responsibility for investment or client outcomes
- Senior specialist staff with significant direct responsibility for investment or client outcomes
- Other investment professionals involved in the management of investment portfolios or client outcomes
- Senior non-investment professionals

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

## 18 Key management personnel disclosures (continued)

### (c) Remuneration principles (continued)

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

### (d) Remuneration of key management personnel

	2015 \$'000	2014 \$'000
Short-term employee benefits	9,225	8,513
Long-term employee benefits	1,552	537
Post-employment benefits	372	299
Termination benefits	319	-
	<u>11,468</u>	<u>9,349</u>

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

Short-term employee benefits include salaries, paid sick leave, at risk performance and retention compensation and any non-monetary benefits provided such as cars or car parking. Long-term employee benefits includes annual leave and long service leave accrued and at risk long term performance and retention compensation. Post-employment benefits include superannuation contributions.

## 18 Key management personnel disclosures (continued)

### (e) Remuneration of directors

Directors		Board and Board Committees			Total Directors' fees	Post-Employment	
Name	Position	QIC Board	Board Committees	Subsidiary Boards		Super	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Reporting Period 1 July 2014 - 30 June 2015</b>							
D R Luke <sup>(1)</sup>	Chairman	161	-	-	161	16	177
M L Newman AC <sup>(2)</sup>	Director	68	10	-	78	7	85
B C Bowton <sup>(3)</sup>	Director	68	10	7	85	8	93
G B Murdoch <sup>(2)</sup>	Director	68	15	-	83	8	91
A E King <sup>(1)</sup>	Director	68	10	7	85	8	93
G M Pemberton <sup>(1)</sup>	Director	68	20	-	88	8	96
P A Gallagher <sup>(4)</sup>	Director	38	5	-	43	-	43
D E Usasz <sup>(5)</sup>	Director	22	7	-	29	3	32
P Forbes <sup>(6)</sup>	Director	-	-	68	68	6	74
A C J Solway <sup>(6)</sup>	Director	-	-	56	56	6	62
P Higgs <sup>(9)</sup>	Director	-	-	13	13	2	15
Total remuneration	1 July 2014 - 30 June 2015	561	77	151	789	72	861
<b>Previous Period 1 July 2013 - 30 June 2014</b>							
D R Luke <sup>(1)</sup>	Chairman	88	-	-	88	9	97
M L Newman AC <sup>(2)</sup>	Director	67	10	-	77	7	84
B C Bowton <sup>(3)</sup>	Director	53	7	-	60	6	66
G B Murdoch <sup>(2)</sup>	Director	67	15	-	82	7	89
D E Usasz <sup>(5)</sup>	Director	67	14	-	81	7	88
A E King <sup>(1)</sup>	Director	37	4	-	41	4	45
G M Pemberton <sup>(1)</sup>	Director	37	8	-	45	4	49
P F Young AM <sup>(7)</sup>	Director	66	-	-	66	7	73
K D MacDonald <sup>(8)</sup>	Director	18	6	2	26	2	28
L T Gearing <sup>(8)</sup>	Director	17	2	-	19	2	21
P Forbes <sup>(6)</sup>	Director	-	-	67	67	6	73
A C J Solway <sup>(6)</sup>	Director	-	-	53	53	5	58
Total remuneration	1 July 2013 - 30 June 2014	517	66	122	705	66	771

**Notes:**

(1) Appointed 12 December 2013. (2) Reappointed 2 October 2014. Previous term ended 30 September 2014. (3) Reappointed 12 December 2013. Previous term ended 30 September 2013. (4) Appointed 11 December 2014. (5) Term ended 30 September 2014. (6) Director of QIC Limited subsidiary companies only. (7) Resigned 21 November 2013. (8) Term ended 30 September 2013. (9) Appointed 14 April 2015 and Director of QIC Limited subsidiary companies only.

## 18 Key management personnel disclosures (continued)

### (f) Remuneration of senior executives

Senior executives		Short-term employee benefits		Post-employment benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
Name	Position	Salary and fees	Non-monetary benefits	Superannuation	Annual and long service leave		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Reporting Period</b>	<b>1 July 2014 - 30 June 2015</b>						
D J Frawley	Chief Executive	702	13	35	17	-	767
C M Blake <sup>(1)</sup>	Executive Director, Finance	287	35	90	(9)	-	403
D E Clarke <sup>(2)</sup>	Executive Director, Risk, Legal and Tax	394	-	18	7	-	419
A C Ryder	Chief Investment Officer	484	-	91	39	-	614
B J Delaney <sup>(3)</sup>	Executive Director, Strategy, Clients and Global Markets	522	-	28	4	-	554
M McDonald <sup>(4)</sup>	Executive Director, Operations and Technology	128	-	5	2	-	135
G A Jackson <sup>(5)</sup>	Executive Director, Human Resources	94	-	6	7	-	107
P R Leitch <sup>(6)</sup>	Chief Operating Officer	311	13	27	(31)	319	639
Total remuneration	1 July 2014 - 30 June 2015	2,922	61	300	36	319	3,638
<b>Previous Period</b>	<b>1 July 2013 - 30 June 2014</b>						
D J Frawley	Chief Executive	712	13	25	22	-	772
C M Blake	Chief Financial Officer	334	28	51	15	-	428
P R Leitch	Chief Operating Officer	429	18	20	14	-	481
D E Clarke <sup>(7)</sup>	Chief Risk Officer	394	-	18	30	-	442
A C Ryder	Chief Investment Officer	482	-	94	27	-	603
B J Delaney	Chief of Global Clients and Marketing	504	21	25	26	-	576
Total remuneration	1 July 2013 - 30 June 2014	2,855	80	233	134	-	3,302

**Notes:**

(1) Title changed 2 March 2015. Prior to this date Ms Blake was in the role of Chief Financial Officer. (2) Title changed 2 March 2015. Prior to this date Mr Clarke was in the role of Chief Risk Officer. (3) Title changed 2 March 2015. Prior to this date Mr Delaney was in the role of Chief of Global Clients and Marketing. (4) Appointed 2 March 2015. Prior to this date Mr McDonald was in the role of Head of Middle Office which did not meet the definition of key management personnel. (5) Appointed 2 March 2015. Prior to this date Mr Jackson was in the role of Head of Talent and Reward which did not meet the definition of key management personnel. (6) Mr P R Leitch, formerly Chief Operating Officer satisfied the definition of key management personnel until 2 March 2015, at which time the group was restructured. Subsequently Mr P Leitch occupied the position of Executive Adviser, which did not meet the definition of key management personnel, until his resignation on 30 June 2015. (7) Title changed 1 October 2012. Prior to this date Mr Clarke was in the role of Managing Director, Organisational Risk, Legal and Tax.

## 18 Key management personnel disclosures (continued)

### (g) Total performance and retention remuneration

	2015	2014
Aggregate amounts for performance and retention of employees (\$'000)	65,995	56,543
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided (\$'000)	143,708	125,313
Number of employees who receive payments for performance and retention purposes	482	432

## 19 Remuneration of auditors

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

	2015 \$	2014 \$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	294,801	315,220
Other assurance services		
Audit of regulatory returns	21,000	21,000
<i>KPMG</i>		
Audit and review of financial reports	73,802	84,335
Total remuneration for audit services	<u>389,603</u>	<u>420,555</u>



## 20 Contingencies

### (a) Contingent liabilities

The group had contingent liabilities at 30 June 2015 in respect of:

#### (i) Trustee obligations

As at 30 June 2015, QIC Limited or its controlled entities were trustee of:

Canberra Centre (No 2) Investment Trust	QIC Global Infrastructure Fund (Australia) No.1 Trust	QIC Ports Trust No. 1B
Canberra Centre Investment Trust	QIC Global Infrastructure Fund (Australia) No.2 Trust	QIC Ports Trust No. 2
Eastland Shopping Centre Trust	QIC Global Strategy Trust No 2	QIC PPP Trust
General Fund No. 2	QIC Global Strategy Trust No. 2A	QIC Private Equity Fund No. 2
Innovis Investments Australia Fund	QIC Global Strategy Trust No. 2B	QIC Private Equity Fund No. 3
Martin Place Property Trust	QIC Government Office Fund No.1	QIC Private Equity Fund No.1
Melton Property Trust	QIC GP Holding Trust	QIC Private Equity Investment Trust No.1
Noosa Civic Trust	QIC Grand Central Trust	QIC Private Equity Investment Trust No.2
QGOF 63G Trust	QIC Growth Fund	QIC Property Fund
QGOF DPI Trust	QIC Hedged International Equities Fund	QIC Retail (No. 2) Fund
QGOF MH Trust	QIC Helensvale Trust	QIC Ringwood Trust
QIC 141 Queen Street Trust	QIC Industrial Trust	QIC Robina Trust
QIC 80 Collins Street Trust	QIC Infrastructure Mandate No. 1 Trust	QIC Section 63 Trust
QIC Active Currency Trust	QIC Infrastructure Mandate No. 1A Trust	QIC Shopping Centre Fund
QIC Active Large Companies Fund No. 2	QIC Infrastructure Mandate No. 1B Trust	QIC Shops at Tanforan Trust
QIC Active Retail Property Fund	QIC Infrastructure Mandate No. 2 Trust	QIC Stable Fund
QIC Alternative Beta Fund	QIC Infrastructure Mandate No. 2A Trust	QIC Strategy Fund No 2
QIC Alternative Investment Trust	QIC Infrastructure Mandate No. 2B Trust	QIC Strategy Fund No. 3
QIC Asia Diversified Property Fund	QIC International Equities Fund	QIC Tollroad Investment Fund No. 1
QIC Asia Property Fund	QIC International Equities Fund No. 2	QIC Tollroads Fund No 1
QIC Asia Retail Property Fund	QIC International Property Development Trust	QIC Treasury Infrastructure Fund
QIC Australian Equities Fund No. 2	QIC International Property Fund	QIC Treasury Infrastructure Fund No 3
QIC Australian Equities Special Purpose Fund	QIC January 1999 Trust	QIC TSRC Trust
QIC Australian Fixed Interest Fund	QIC Logan Hyperdome (No. 3) Trust	QIC UK Retail Fund
QIC Australian Venture Capital Fund	QIC Logan Hyperdome Trust	QIC US Infrastructure Fund No. 1
QIC Bond Plus Fund	QIC March 2001 Trust	QIC US Infrastructure Fund No. 2
QIC Brisbane Airport Infrastructure Trust	QIC Merrifield Trust	QIC US Infrastructure Fund No. 3
QIC Cash Enhanced Fund	QIC Merry Hill Retail Trust	QIC US Power Trust No. 1
QIC Cash Fund	QIC MH (Jersey) Trust No 1	QIC US Power Trust No. 2
QIC Castle Towers Trust	QIC MH (Jersey) Trust No 2	QIC US Regional Mall Fund No. 1
QIC CM Trust	QIC MH (Jersey) Trust No 3	QIC Westpoint Trust
QIC Colonial Centre Trust	QIC MH (Jersey) Trust No 4	QLQ Real Property Holding Trust
QIC Coomera Trust	QIC MH (Jersey) Trust No 5	QLQ Trust No. 2
QIC CRCHUM Trust	QIC MH (Jersey) Trust No 6	QLQ Trust No. 3
QIC Direct Opportunities Fund	QIC MH (Jersey) Trust No 7	QMH Property Trust
QIC Diversified Australian Equities Fund	QIC MLC Centre Trust	QS 1 MH Trust
QIC Diversified Fixed Interest Fund	QIC North America Diversified Property Fund	QS 2 DPI Trust
QIC Diversified Infrastructure Fund No. 1	QIC North America Property Fund	QS 3 63G Trust
QIC Diversified Infrastructure Fund No. 2	QIC North Asia Property Fund	QS Property Trust No.1
QIC Europe Retail Fund	QIC NZ Power Trust No. 2	Queensland BioCapital Fund No. 1
QIC GFI Alpha Fund	QIC NZ Power Trust No. 3	Queensland BioCapital Fund No. 2
QIC GFI Inflation Plus Fund	QIC NZ Power Trust No. 4	Queensland Investment Trust No. 2
QIC Global Credit Fund	QIC Office Property Fund	Watergardens Trust
QIC Global Credit Opportunities Fund	QIC Ports Trust No. 1A	

In its capacity as trustee, the group is potentially liable for liabilities of the trusts. However, under the Trust Deeds, the group 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 Deeds. As at 30 June 2015, total assets exceed total liabilities in the trusts.

## 20 Contingencies (continued)

### (a) Contingent liabilities (continued)

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).

The directors have assessed the recoverable amounts of the assets of the trusts and concluded that the trusts have excess assets over liabilities and accordingly the group has not recorded any liability in its financial statements.

Funds managed by the group in a trustee capacity in either trusts or discrete portfolios totalled \$73.8 billion at 30 June 2015 (2014: \$70.6 billion). These figures exclude cross holdings between trusts.

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

In accordance with an eligible undertaking dated 27 February 2015, QIC Limited irrevocably agrees to pay QIC Retail Pty Ltd an amount up to \$3.5 million (2014: \$3.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Private Capital Pty Ltd an amount up to \$14.0 million (2014: \$14.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence. Subsequent to end of financial year, the Australian Securities and Investment Commission approved QIC Limited to withdraw and replace the eligible undertaking dated 25 June 2014 with QIC Private Capital Pty Ltd. On 27 July 2015 QIC Limited irrevocably agreed to pay QIC Private Capital Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

QIC Limited formally rescinded effective 23 June 2014 the letter of guarantee dated 30 June 2010 to QIC (UK) Management Limited to pay an amount up to \$10.0 million (in aggregate) on written demand. This was replaced by a letter of support.

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Infrastructure Management No. 2 Pty Ltd an amount up to \$150,000 (2014: \$150,000) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Investments No. 1 Pty Ltd an amount up to \$2.0 million (2014: \$2.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

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.

In accordance with the QIC (UK) Management Limited lease of 21 Holborn Viaduct, London, QIC Limited irrevocably agrees to pay the lessor any outstanding rent and make good on any damages to the premises for the term of the lease, expiring 1 February 2017.

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Investments No. 3 Pty Ltd an amount up to \$150,000 (2014: \$150,000) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with a GBP loan facility agreement dated 15 May 2013, QIC Limited agrees to pay or receive from QIC European Investment Services Limited an amount up to GBP 5.0 million (in aggregate) on written demand.

In accordance with a GBP loan facility agreement dated 15 May 2013, QIC Limited agrees to pay or receive from QIC (UK) Management Limited an amount up to GBP 5.0 million (in aggregate) on written demand.

In accordance with a USD loan facility agreement dated 15 May 2013, QIC Limited agrees to pay or receive from QIC US Management, Inc. an amount up to USD 5.0 million (in aggregate) on written demand.

In accordance with a loan facility agreement dated 16 July 2013, QIC Investments No.1 Pty Ltd agrees to pay or receive from QIC Limited an amount up to \$8.0 million (in aggregate) on written demand.

## 20 Contingencies (continued)

### (a) Contingent liabilities (continued)

In accordance with a USD loan facility agreement dated 21 January 2015, QIC Limited agrees to pay or receive from QIC GRE Management (US), Inc. an amount up to USD 2.0 million (in aggregate) on written demand.

In accordance with a USD loan facility agreement dated 21 January 2015, QIC Limited agrees to pay or receive from QIC (US) Investment Services Inc. an amount up to USD 2.0 million (in aggregate) on written demand.

In accordance with a USD loan facility agreement dated 24 June 2015, QIC Limited agrees to pay or receive from QIC Global Infrastructure (US), Inc. an amount up to USD 0.25 million (in aggregate) on written demand.

#### (iii) Litigation

Litigation is in progress involving the parent entity and certain of its controlled entities, in their capacity as trustee, in relation to disputes pertaining to property, leasing and management activities. The parent entity and its controlled entities are pursuing and/or defending the actions. It is not possible to reliably estimate the financial effects, if any.

The company is defending an action brought against it as the trustee of a trust which has since been vested. The proceedings are in their early stages and any potential liability is not considered material. The company has joined a motion for the matter to be dismissed.

### (b) Contingent assets

#### (i) Performance fees

##### US Real Estate Investment Trusts (REITs)

A contingent asset has been identified in respect of performance fees receivable at 31 December 2015.

A performance fee is potentially payable by the US REITs to the group where certain performance criteria are achieved over a 12 month period ending in December 2015. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 12 month period. Achievement of these targets is influenced by a number of factors over which the group has limited control, including the underlying performance of the US commercial property market, movements in interest rates and other risk factors.

Although the amount of the performance fees can be reliably measured, the inflow of economic benefits is not yet considered to be probable. Accordingly no performance fees has been accrued for the period 1 January 2015 to 30 June 2015 by the group.

In the prior year, a contingent asset was recognised in respect of performance fee receivable at 31 December 2014. During the current year, performance fee of \$5.2 million were recognised in relation to the period ended 31 December 2014.

At 30 June the estimated amount of the contingent asset is \$1.5 million.

##### Private Equity Funds

A contingent asset has been identified in respect of performance fees receivable at 31 December 2015.

Performance fees are potentially receivable by the group in relation to the Private Equity Funds where certain performance criteria are achieved over a 12 month period ending in December 2015. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 12 month period. Achievement of these targets is influenced by a number of factors over which the group has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors.

The amount of the performance fees cannot be reliably measured. Accordingly no performance fees have been accrued for the period 1 January 2015 to 30 June 2015 by the group.

## 21 Commitments

### (a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated entity	
	2015	2014
	\$'000	\$'000
Within one year	-	624

### (b) 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.

	Consolidated entity	
	2015	2014
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	12,207	11,384
Later than one year but not later than five years	32,168	39,381
Later than five years	28	1,203
	44,403	51,968

The group has sublet some leased office space. At 30 June 2015, the total of future minimum sublease payments expected to be received under non-cancellable subleases was \$7.3 million (2014: \$9.6 million).

## 22 Related party transactions

### (a) Parent entity

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

### (b) Subsidiaries

Interests in subsidiaries are set out in note 23(a).

### (c) Transactions with key management personnel

#### *Directors of QIC Limited and Executives of the Group*

From time to time, the group 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.

## 22 Related party transactions (continued)

### (d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity	
	30 June 2015 \$'000	30 June 2014 \$'000
<b>Sales of goods and services</b>		
Investment management and performance fees - State of Queensland	19,308	15,259
Investment management and performance fees - Queensland Treasury Corporation	98,225	88,874
Investment management and performance fees rebate - Queensland Treasury Corporation	(15,209)	(13,339)
Investment management and performance fees - Queensland Motorways Limited	-	6,207
<b>Purchases of goods and services</b>		
State of Queensland	6,444	6,003
<b>Payment of income tax</b>		
Queensland Treasury	21,681	11,331
<b>Payment of dividends</b>		
Queensland Treasury	69,680	30,909

The group provides asset management services and administration services to QIC investment entities where QIC or a subsidiary is trustee or manager. These transactions are provided in the normal course of business and on normal commercial terms and conditions. These fees for services are included in note 3 and amount to \$105.9 million (2014: \$115.3 million).

The group held investments in unit trusts which are also managed by the parent or controlled entities. These investments are disclosed in note 8 and note 9.

### (e) Outstanding balances

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

	Consolidated entity	
	2015 \$'000	2014 \$'000
<b>Current receivables (sales of goods and services)</b>		
Queensland Treasury Corporation	38,634	19,111
Associated entities	24,860	9,710
State of Queensland	1,740	1,499
<b>Current payables (purchases of goods and services)</b>		
Queensland Treasury Corporation	6,420	5,197
State of Queensland	-	139
<b>Current payables (payment of dividends)</b>		
Queensland Treasury	56,488	69,680
<b>Current provisions</b>		
Associated entities	-	20,722

## **22 Related party transactions (continued)**

### **(e) Outstanding balances (continued)**

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

### **(f) Terms and conditions**

There are no fixed terms for the repayment of loans between entities in the group and are interest free. Outstanding balances are unsecured and are repayable in cash.

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

## 23 Subsidiaries

The financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
Canberra Centre Investments Pty Ltd	Australia	Ordinary	100	100
Claremont Retail Company Pty Ltd	Australia	Ordinary	50	50
Eastland Property Holdings Pty Ltd	Australia	Ordinary	100	100
Innovis Investments Pty Ltd	Australia	Ordinary	50	50
Martin Place Management Pty Ltd	Australia	Ordinary	100	100
Pacific Echo Pty Limited	Australia	Ordinary	100	100
QBF No. 1 Pty Ltd	Australia	Ordinary	100	100
QBF No. 2 Pty Ltd	Australia	Ordinary	100	100
QGIF General Partner Sarl	Luxembourg	Ordinary	100	-
QIC (UK) Management Limited *	United Kingdom	Ordinary	100	100
QIC Asia Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC CM Pty Ltd	Australia	Ordinary	100	100
QIC Coomera Pty Ltd	Australia	Ordinary	100	100
QIC Developments Pty Ltd	Australia	Ordinary	100	100
QIC European Investment Services Limited *	United Kingdom	Ordinary	100	100
QIC Global Infrastructure (US), Inc. **	United States	Ordinary	100	100
QIC GRE Management (US), Inc. **	United States	Ordinary	100	100
QIC Helensvale Pty Ltd	Australia	Ordinary	100	100
QIC Hi-Yield Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 3 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 4 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	100	100
QIC Initial Unitholder Pty Ltd	Australia	Ordinary	100	100
QIC International Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC Investments No. 1 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 Logan Hyperdome (No. 2) Pty Ltd	Australia	Ordinary	100	100
QIC Logan Hyperdome Pty Ltd	Australia	Ordinary	100	100
QIC Merrifield Pty Ltd	Australia	Ordinary	100	100
QIC Merry Hill Pty. Ltd.	Australia	Ordinary	100	100
QIC Noosa Civic Pty Ltd	Australia	Ordinary	100	100
QIC North America Investments Pty Ltd	Australia	Ordinary	100	100
QIC North Asia Real Estate Investment Pty Ltd	Australia	Ordinary	100	100
QIC Private Capital Pty Ltd *	Australia	Ordinary	100	100
QIC Properties Pty Ltd *	Australia	Ordinary	100	100
QIC Property Investments (Jersey) No 1 Limited	Jersey	Ordinary	100	100
QIC Property Management Pty Ltd	Australia	Ordinary	100	100
QIC Real Estate Pty Ltd	Australia	Ordinary	100	100
QIC Retail (No. 2) Pty Ltd	Australia	Ordinary	100	100
QIC Retail Pty Ltd *	Australia	Ordinary	100	100
QIC Ringwood Pty Ltd	Australia	Ordinary	100	100
QIC Robina Pty Ltd	Australia	Ordinary	100	100
QIC Toowoomba Pty Ltd	Australia	Ordinary	100	100
QIC UK No1 Holding Limited	United Kingdom	Ordinary	100	-
QIC US Investment Services Inc **	United States	Ordinary	100	100
QIC US Management, Inc. *	United States	Ordinary	100	100
QIC Westpoint Pty Ltd	Australia	Ordinary	100	100
QPC Investments No. 1 Pty Ltd	Australia	Ordinary	100	100
Queensland BioCapital Funds Pty Ltd	Australia	Ordinary	100	100
TIF3 Pty Ltd	Australia	Ordinary	100	100
Watergardens Pty Limited	Australia	Ordinary	100	100

\*Subsidiaries that are referred to in this financial report as the group or the consolidated entity. All other entities listed had no transactions and were effectively dormant during the current and prior years.

\*\*Subsidiary of QIC US Management, Inc.



## 24 Events occurring after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, to affect significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

## 25 Cash flow information

	<b>Consolidated entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit for the period	<b>70,610</b>	69,680
Distribution income reinvested	<b>(1,216)</b>	(1,745)
Fair value gains on financial assets at fair value through profit or loss	<b>(1,131)</b>	(897)
Depreciation and amortisation	<b>6,364</b>	10,928
Net loss on disposal of non-current assets	<b>9</b>	32
Fair value gains on other assets	<b>(48)</b>	(86)
Net gain on sale of financial assets at fair value through profit or loss	<b>(314)</b>	(465)
Change in operating assets and liabilities:		
Net change in receivables	<b>(27,733)</b>	(7,453)
Net change in deferred tax assets	<b>(2,044)</b>	(3,468)
Net change in payables	<b>(45,758)</b>	18,175
Net change in provisions	<b>28,634</b>	(38,429)
Net change in current tax liabilities	<b>16,652</b>	8,988
Net change in deferred tax liabilities	<b>(7,744)</b>	11,917
Net change in deferred income	<b>6,903</b>	6
Net cash inflow from operating activities	<b>43,184</b>	67,183



## 26 Parent entity financial information

### (a) Summary financial information

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

	2015 \$'000	2014 \$'000
<b>Balance sheet</b>		
Current assets	250,781	292,409
Non-current assets	91,079	74,099
<b>Total assets</b>	<b>341,860</b>	<b>366,508</b>
Current liabilities	206,366	233,700
Non-current liabilities	14,056	25,569
<b>Total liabilities</b>	<b>220,422</b>	<b>259,269</b>
<b>Shareholders' equity</b>		
Issued capital	37,475	37,475
Reserves		
Hedging reserve	-	(3)
Foreign currency translation reserve	54	-
Retained earnings	83,909	69,767
<b>Total equity</b>	<b>121,438</b>	<b>107,239</b>
 Net profit after tax for the year	 70,630	 69,672
Total comprehensive income	-	(3)
<b>Total comprehensive income for the year</b>	<b>70,630</b>	<b>69,669</b>

### (b) Contingent liabilities of the parent entity

Refer to Note 20 for contingent liabilities of the parent entity.

### (c) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2015, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

### (d) Transactions with other related parties

The following transactions occurred with QIC subsidiaries. Transactions with state government entities and QIC investment entities are disclosed at a consolidated level, refer note 22:

	2015 \$'000	2014 \$'000
<b>Sales of goods and services</b>		
Service fees from controlled entities	57,131	73,888
<b>Purchases of goods and services</b>		
Service fees paid to controlled entities	23,785	12,917
<b>Tax consolidation legislation</b>		
Amounts paid by subsidiaries under the tax sharing and funding agreement	24,845	15,663
<b>Dividend revenue</b>		
Controlled entities	63,252	52,676

## 26 Parent entity financial information (continued)

### (e) Outstanding balances

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

	2015 \$'000	2014 \$'000
<b><i>Current receivables (sales of goods and services)</i></b>		
Controlled entities	2,847	109
<b><i>Current receivables (tax funding agreement)</i></b>		
Wholly-owned tax consolidated entities	14,035	16,936
<b><i>Current receivables (dividend revenue)</i></b>		
Controlled entities	63,252	52,676
<b><i>Current payables (purchases of goods and services)</i></b>		
Controlled entities	88,205	94,216
<b><i>Current provisions</i></b>		
Controlled entities	-	20,722

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

### (f) Terms and conditions

Details of the loan facility agreements and eligible undertakings provided to related parties are disclosed in note 20(a)(ii).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 53 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 parent and consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

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



Mr D R Luke  
Chairman

Brisbane  
25 August 2015

## INDEPENDENT AUDITOR'S REPORT

### To the members of QIC Limited

#### Report on the Financial Report

I have audited the accompanying financial report of QIC Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, notes comprising of summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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

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

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

*Opinion*

In my opinion -

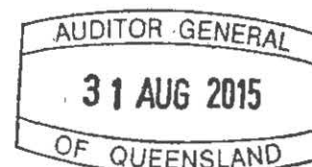
- (a) the financial report of QIC Limited is in accordance with the *Corporations Act 2001*, including -
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

**Other Matters - Electronic Presentation of the Audited Financial Report**

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



A M GREAVES FCA FCPA  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane