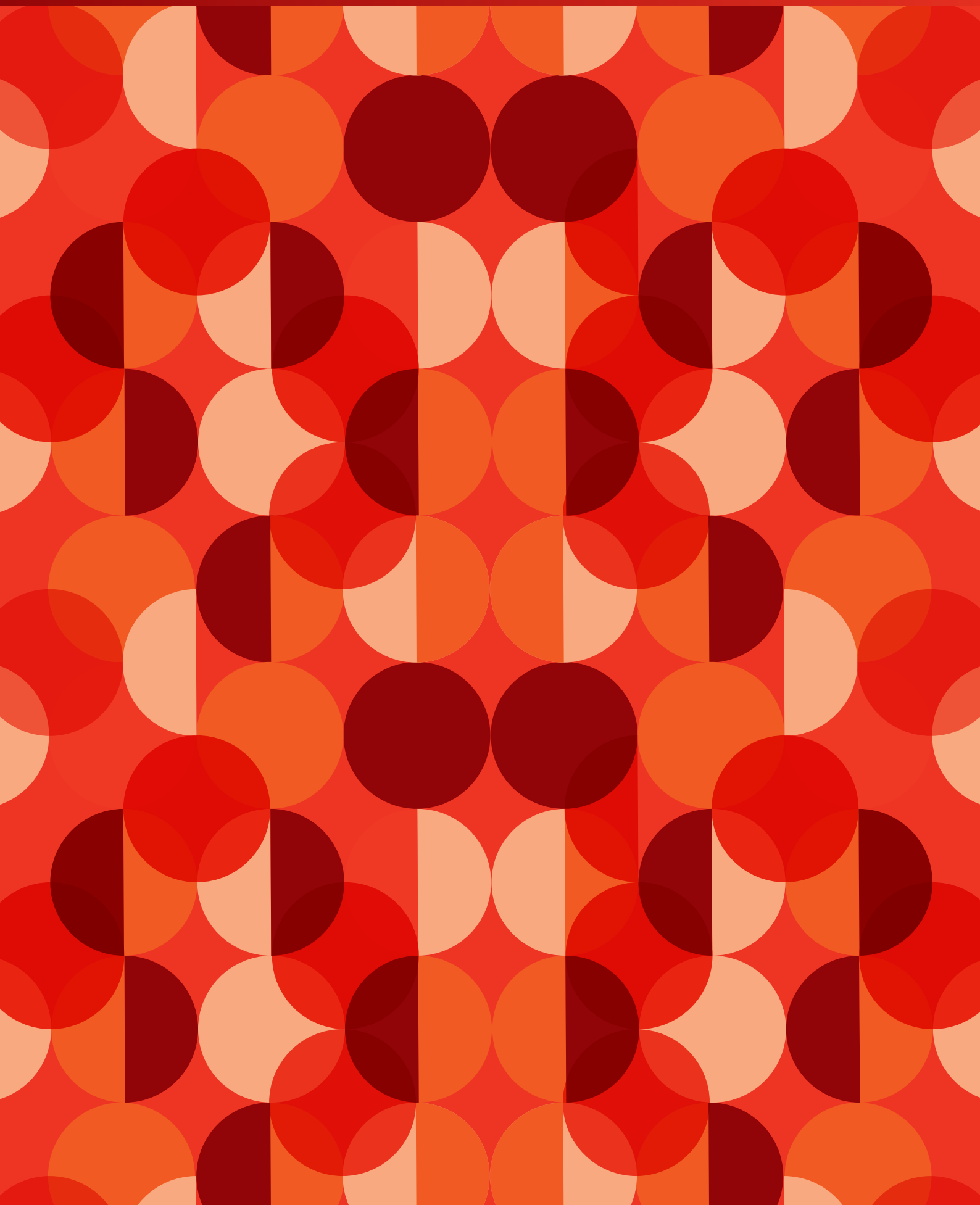


Consolidated annual financial  
statements and directors' report  
for the year ended 30 June 2016

QIC



# 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 2016.

## Directors

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

Mr D R Luke

Mr B C Bowton

Mr G B Murdoch

Ms G M Pemberton

Mr A E King

Mr P A Gallagher

Mr J C Battams (appointed: 1 October 2015)

Ms A J P Staines (appointed: 1 October 2015)

Mr S J P Dunne (appointed: 12 May 2016)

Mr M L Newman AC (resigned: 30 September 2015)

## 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>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Dividends provided for and declared	<b>62,424</b>	56,488

## Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$62.4 million (2015: \$70.6 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:

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

On 1 July 2015 a wholly-owned subsidiary of QIC Limited, QIC US Management, Inc., incorporated a wholly-owned subsidiary QIC Properties US, Inc. The subsidiary's activities consist of providing property management services in the United States. It is limited by shares and incorporated and domiciled in the United States.

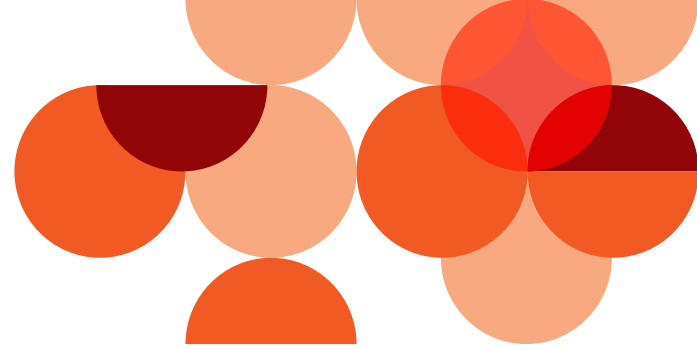
On 15 January 2016 a wholly-owned subsidiary of QIC Limited, QIC (US) Investment Services Inc., incorporated a wholly-owned subsidiary QIC US Private Equity, LLC. The subsidiary's activities consist of providing investment management services in the United States. It is limited by shares and incorporated and domiciled in the United States.

On 9 May 2016 a wholly-owned subsidiary of QIC Limited, QIC (US) Investment Services Inc., incorporated a wholly-owned subsidiary QIC US Shopping Centre Fund No. 1 GP LLC. The subsidiary's activities consist of providing investment management services in the United States. It is limited by shares and incorporated and domiciled in the United States.

On 28 July 2015 QIC Limited withdrew and replaced the eligible undertaking dated 25 June 2014 with QIC Private Capital Pty Ltd. QIC Limited irrevocably agreed to pay QIC Private Capital Pty Ltd an amount up to \$3.0 million (2015: \$14 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

On 27 June 2016 QIC Limited withdrew and replaced the eligible undertaking dated 25 June 2014 with QIC Infrastructure Management No.2 Pty Ltd. QIC Limited irrevocably agreed to pay QIC Infrastructure Management No.2 Pty Ltd an amount up to \$1.0 million (2015: \$0.15 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

On 27 June 2016 QIC Limited withdrew and replaced the eligible undertaking dated 25 June 2014 with QIC Investments No.1 Pty Ltd. QIC Limited irrevocably agreed to pay QIC Investments No.1 Pty Ltd an amount up to \$3.0 million (2015: \$2.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.



## Matters subsequent to the end of the financial year

No other matters or circumstances has arisen since 30 June 2016 that has significant affected, or may significant affect, the group's operations, the results of those operations, or the group's state of affairs in future financial years.

## Likely developments and expected results of operations

There are no likely developments or expected results of operations of the group which are likely to materially affect the financial statements of the year ended 30 June 2016.

## 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 previously the company secretary.

## 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 2016, and the numbers of meetings attended by each director were:

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

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) = The responsibilities of the Audit & Risk Committee were divided between the newly-created Audit Committee and Risk Committee at the end of 2015

(2) = Mr Luke attended meetings of the Audit & Risk Committee, Audit Committee and Risk Committee in an ex-officio capacity

(3) = Term ended 30 September 2015

(4) = Appointed 1 October 2015

(5) = Appointed 12 May 2016

# Directors' report

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

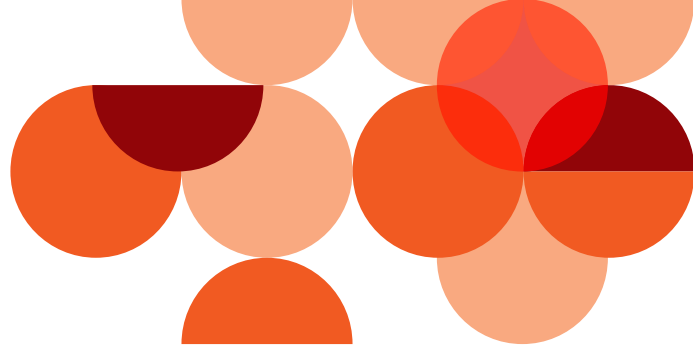
This report is made in accordance with a resolution of directors.



Mr D R Luke  
**Chairman**

Brisbane  
29 August 2016

# Auditor's Independence Declaration



To the directors of QIC Limited

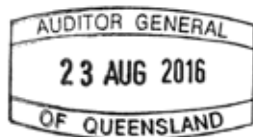
This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

## *Independence Declaration*

As lead auditor for the audit of QIC Limited for the year ended 30 June 2016, 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

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# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue from continuing operations	B1	336,198	322,898
Gain on financial assets at fair value through profit or loss		87	1,016
Foreign exchange gains		–	189
<b>Total revenue and other income</b>		<b>336,285</b>	<b>324,103</b>
Employee benefits expense		180,874	159,245
Professional services		17,053	18,780
Operating lease costs		11,983	11,580
Travel		7,601	5,712
Depreciation and amortisation expense	C6, C7	5,860	6,364
Computer operating costs		4,148	4,334
Staff development and recruitment		3,390	2,833
Information and research services		2,884	2,491
Product and mandate services		2,056	2,652
Insurance		1,869	1,973
Communication expenses		1,845	1,094
Auditors' remuneration	G2	450	390
Foreign exchange losses		118	–
Net loss on disposal of property, plant and equipment		36	9
Other expenses		7,893	6,713
<b>Total expenses</b>		<b>248,060</b>	<b>224,170</b>
Share of profit/(loss) from associates		47	(36)
<b>Profit before income tax</b>		<b>88,272</b>	<b>99,897</b>
Income tax expense	B2	25,848	29,287
<b>Profit after income tax</b>		<b>62,424</b>	<b>70,610</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	A5	(238)	173
Loss on revaluation foreign exchange contracts		–	3
<b>Other comprehensive income for the year (net of tax)</b>		<b>(238)</b>	<b>176</b>
<b>Total comprehensive income for the year attributable to owners</b>		<b>62,186</b>	<b>70,786</b>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 11 to 42.

# Consolidated statement of financial position

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1	4,492	3,084
Receivables	C3	131,545	106,741
Income tax receivable	B2	500	–
Financial assets at fair value through profit or loss	C4	111,228	142,896
Prepayments		3,389	3,959
<b>Total current assets</b>		<b>251,154</b>	256,680
<b>Non-current assets</b>			
Financial assets at fair value through profit and loss	C4	52,096	41,228
Property, plant and equipment	C6	12,977	15,031
Intangible assets	C7	8,414	5,673
Deferred tax assets	B2	38,871	21,270
Other financial assets	C5	5,207	5,088
<b>Total non-current assets</b>		<b>117,565</b>	88,290
<b>Total assets</b>		<b>368,719</b>	344,970
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C8	27,339	18,957
Income tax payable	B2	18,897	25,730
Dividends	E2	62,424	56,488
Employee benefits	D1	81,850	75,245
Provisions		743	743
Deferred revenue	B1	10,800	6,909
<b>Total current liabilities</b>		<b>202,053</b>	184,072
<b>Non-current liabilities</b>			
Employee benefits	D1	32,178	25,546
Provisions		1,573	2,199
<b>Total non-current liabilities</b>		<b>33,751</b>	27,745
<b>Total liabilities</b>		<b>235,804</b>	211,817
<b>Net assets</b>		<b>132,915</b>	133,153
<b>EQUITY</b>			
Contributed equity	E1	37,475	37,475
Other reserves		–	238
Retained earnings	E3	95,440	95,440
Capital and reserves attributable to owners of QIC Limited		132,915	133,153
<b>Total equity</b>		<b>132,915</b>	133,153

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 11 to 42.



# Consolidated statement of changes in equity

For the year ended 30 June 2016

	Notes	Attributable to owners of QIC Limited			Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2014</b>		37,475	62	81,318	118,855
Profit after income tax		–	–	70,610	70,610
Other comprehensive income		–	176	–	176
<b>Total comprehensive income for the year</b>		–	<b>176</b>	<b>70,610</b>	<b>70,786</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	E2	–	–	(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>
<b>Balance at 1 July 2015</b>		37,475	238	95,440	133,153
Profit after income tax		–	–	62,424	62,424
Other comprehensive income		–	(238)	–	(238)
<b>Total comprehensive income for the year</b>		–	<b>(238)</b>	<b>62,424</b>	<b>62,186</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	E2	–	–	(62,424)	(62,424)
<b>Balance at 30 June 2016</b>		<b>37,475</b>	–	<b>95,440</b>	<b>132,915</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 11 to 42.

# Consolidated statement of cash flows

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		363,621	328,113
Payments to suppliers and employees		(272,334)	(266,709)
Distributions received		2,048	4,339
Fair value gains (losses) on cash and cash equivalents		240	(429)
Interest received		82	294
Income taxes paid		(50,782)	(22,424)
<b>Net cash provided by operating activities</b>	C2	<b>42,875</b>	43,184
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	C6	(2,109)	(1,328)
Payments for intangibles	C7	(4,536)	(2,094)
Payments for financial assets at fair value through profit or loss		(25,831)	(11,030)
Payments for other financial assets		–	(5,000)
Proceeds from sale of financial assets at fair value through profit or loss		9,159	10,571
Distributions received		890	1,216
Proceeds from sale of property, plant and equipment		6	–
Dividends received		51	87
Interest received		87	–
<b>Net cash used in investing activities</b>		<b>(22,283)</b>	(7,578)
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	E2	(56,488)	(69,680)
<b>Net cash used in financing activities</b>		<b>(56,488)</b>	(69,680)
<b>Net decrease in cash and cash equivalents</b>		<b>(35,896)</b>	(34,074)
Cash and cash equivalents at the beginning of the financial year		131,529	165,688
Effects of exchange rate changes on cash and cash equivalents		53	(85)
<b>Cash and cash equivalents at end of year</b>	C1	<b>95,686</b>	131,529

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 11 to 42.

# Notes to the consolidated financial statements

30 June 2016

## A Basis of Preparation

### A1 Reporting entity

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

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

QIC Limited  
Level 5 Central Plaza Two  
66 Eagle Street  
Brisbane QLD 4000

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

### A2 Basis of accounting and measurement

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

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

The financial statements were authorised for issue by the directors on 29 August 2016. The directors have the power to amend and reissue the financial statements.

### A3 Principles of consolidation

The financial statements incorporate the assets and liabilities of all subsidiaries of QIC Limited ('group' or 'parent entity') as at 30 June 2016 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 deconsolidated 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.

The financial information for the parent entity is disclosed in note F1.

### A4 Functional and presentation currency

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

### A5 Foreign currency translation

#### (i) Transactions and balances

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 profit and loss and other comprehensive income.

#### (ii) Group companies

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

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

### A6 Accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise 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 the following notes:

Accounting estimates and judgements	Note	Page
Revenue recognition	B1	13
Income taxes	B2	16
Employee benefits	D1	30

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.

# Notes to the consolidated financial statements

30 June 2016

## B Performance for the Year

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

### B1 Revenue

	2016 \$'000	2015 \$'000
<b>From continuing operations</b>		
Management, performance and other fees	311,679	299,508
Product administration fees – Related parties	15,835	14,026
Distribution income	2,945	5,555
Interest income	177	290
Dividend income	51	86
Other revenue	5,511	3,433
<b>Total revenue from continuing operations</b>	<b>336,198</b>	<b>322,898</b>

#### Recognition and measurement

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

Revenue is recognised on the following basis:

##### (i) Management, performance and other fees

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

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 disclosed.

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 there may be a future outflow of economic benefits from the group. A liability is recognised as deferred revenue and a reduction in revenue recorded.

##### (ii) Product administration fees – Related parties

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

##### (iii) Dividend income

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

##### (iv) Distribution income

Distributions are recognised on an entitlements basis. Further details on the investments from which distribution income has been derived are disclosed in Note C4.

##### (v) 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.

##### (vi) Other revenue

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

##### (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 revenue and expenses in relation to product and client related costs of \$59.4 million (2015: \$41.6 million) where QIC principally acts as agent.

# Notes to the consolidated financial statements

30 June 2016

## B Performance for the Year (continued)

### B1 Revenue (continued)

#### Key estimates and judgements

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

Some performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. If the performance criteria are not met over the performance period, no performance fee is receivable.

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved over the performance periods for some performance fee arrangements. 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. Revenue is not recognised where the performance criteria is subject to uncertain future events outside the control of the group. While the achievement of criteria is uncertain, management's judgement is that an inflow of economic benefits is probable, and a contingent asset exists. However, due to the significant degree of uncertainty, at 30 June 2016 it is not practicable to estimate the financial effect of the contingent asset.

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

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 2016, a liability of \$10.8 million (2015: \$6.9 million) is recognised as unearned revenue. At reporting date, based on variables assessed, the potential performance fee clawback liability may range from nil to \$67.4 million (2015: nil to \$36.7 million).

# Notes to the consolidated financial statements

30 June 2016

## B Performance for the Year (continued)

### B2 Taxation

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

	2016 \$'000	2015 \$'000
Profit before income tax	88,272	99,897
Tax expense at the Australian tax rate of 30.0% (2015: 30.0%)	26,482	29,969
Non-deductible entertainment	67	69
Non-deductible sundry items	298	156
Effect of tax rates in foreign jurisdictions	(37)	(35)
Tax offset for franked dividends and foreign income	(265)	(223)
Adjustments for current tax of prior periods	(697)	(649)
Income tax expense	25,848	29,287
Current tax	43,743	39,516
Deferred tax	(17,601)	(9,788)
Adjustments for current tax of prior periods	(294)	(441)
	25,848	29,287

#### Adjustments for current tax of prior periods

The 2015 income tax return included a research and development tax claim of \$1.0 million. This claim was not included in the 2015 financial statements. The taxation effect of the research and development claim is included in the adjustments for current tax of prior periods.

The 2010 income tax return of the group was amended during the prior 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 prior 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.

#### Income tax receivable

Income tax receivable in foreign jurisdictions is not able to be offset against income tax payable in Australia. The US entities within the group are in an income tax receivable position and this has been recorded separately.

# Notes to the consolidated financial statements

30 June 2016

## B Performance for the Year (continued)

### B2 Taxation (continued)

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

2016 \$'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	26,614	6,877	33,491	33,491	–
Property, plant and equipment	1,090	88	1,178	1,178	–
Other	1,473	(209)	1,264	1,919	(655)
Performance fees	(7,907)	10,845	2,938	2,938	–
<b>Tax assets/(liabilities) before set-off</b>	<b>21,270</b>	<b>17,601</b>	<b>38,871</b>	<b>39,526</b>	<b>(655)</b>
Set-off DTL against DTA	–	–	–	(655)	655
<b>Net tax assets</b>	<b>21,270</b>	<b>17,601</b>	<b>38,871</b>	<b>38,871</b>	<b>–</b>

2015 \$'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	24,210	2,404	26,614	26,614	–
Property, plant and equipment	880	210	1,090	1,090	–
Other	2,557	(1,084)	1,473	1,473	–
Performance fees	(16,165)	8,258	(7,907)	–	(7,907)
<b>Tax assets/(liabilities) before set-off</b>	<b>11,482</b>	<b>9,788</b>	<b>21,270</b>	<b>29,177</b>	<b>(7,907)</b>
Set-off DTL against DTA	–	–	–	(7,907)	7,907
<b>Net tax assets</b>	<b>11,482</b>	<b>9,788</b>	<b>21,270</b>	<b>21,270</b>	<b>–</b>

### Recognition and measurement

#### (i) Current tax – 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.

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

# Notes to the consolidated financial statements

30 June 2016

## B Performance for the Year (continued)

### B2 Taxation (continued)

#### Recognition and measurement (continued)

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- taxable temporary differences related to 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 measured at the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

##### (iii) 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 (e.g. 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 as deferred tax assets.

##### (iv) Tax consolidation legislation

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

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

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

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

##### (v) 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.

##### (vi) Transfer duty

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

## Key estimates and judgements

### (i) Income taxes

The group is subject to the National Tax Equivalents Regime in Australia and income taxes in other jurisdictions where it has foreign operations. Significant judgement is required in determining the 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) Recovery of deferred tax assets

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



# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities

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

### C1 Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank and in hand	4,492	3,084

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

	Notes	2016 \$'000	2015 \$'000
Cash and cash equivalents		4,492	3,084
Investment in QIC Cash Enhanced Fund	C4	91,194	128,445
Balances per consolidated statement of cash flows		95,686	131,529

### Recognition and measurement

#### (i) 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. These investments are readily able to be converted to cash on call and are highly liquid.

#### (ii) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash and cash equivalents was 1.66% (2015: 2.03%). The group's exposure to liquidity risk is discussed in Note C11(c).

#### (iii) Amounts held in trust

An amount of \$2.9 million (2015: \$0.2 million) was recognised in cash and cash equivalents as at 30 June 2016. These monies are recovered funds held on behalf of QIC clients in its capacity as trustee.

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C2 Reconciliation of cash flow from operating activities

	<b>2016</b> <b>\$'000</b>	2015 \$'000
Profit after income tax	<b>62,424</b>	70,610
Distribution income reinvested	<b>(890)</b>	(1,216)
(Gain)/loss on financial assets at fair value through profit or loss	<b>151</b>	(1,445)
Fair value gains on other assets	<b>(98)</b>	(48)
Interest income reinvested	<b>(93)</b>	–
Depreciation and amortisation	<b>5,860</b>	6,364
Net loss on disposal of non-current assets	<b>30</b>	9
Net exchange differences	<b>(230)</b>	–
Change in operating assets and liabilities:		
Net change in receivables	<b>(24,798)</b>	(27,676)
Net change in prepayments	<b>570</b>	(57)
Net change in deferred tax assets	<b>(17,601)</b>	(9,788)
Net change in payables	<b>8,381</b>	(5,706)
Net change in provisions	<b>(626)</b>	(21,613)
Net change in employee benefits	<b>13,237</b>	10,195
Net change in income tax receivable	<b>(500)</b>	–
Net change in income tax payable	<b>(6,833)</b>	16,652
Net change in deferred income	<b>3,891</b>	6,903
Net cash provided by operating activities	<b>42,875</b>	43,184

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C3 Receivables

	2016 \$'000	2015 \$'000
Management, performance and other fees receivable	131,545	106,741

#### Recognition and measurement

##### (i) Trade and other 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.

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

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

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 2016 (2015: \$nil).

As at 30 June 2016, trade receivables of \$4.5 million (2015: \$2.1 million) 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
2016	127,048	838	2,667	992
2015	104,646	846	758	491

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.

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C4 Financial assets at fair value through profit or loss

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

2016 \$'000	QIC Cash Enhanced Fund	QIC Growth Fund	QIC Global Infrastructure Fund	QIC Direct Opportunities Fund	Other investments – QIC products	Total financial assets at FVTPL
Carrying amount	128,445	37,732	–	1,432	16,515	184,124
Revaluations <sup>(i)</sup>	240	23	(107)	179	(246)	89
Distributions reinvested	2,048	470	–	–	420	2,938
Subscriptions	334,489	–	8,722	3,508	13,601	360,320
Redemptions	(374,028)	–	–	(2,119)	(8,000)	(384,147)
<b>Carrying amount as at 30 June 2016</b>	<b>91,194</b>	<b>38,225</b>	<b>8,615</b>	<b>3,000</b>	<b>22,290</b>	<b>163,324</b>
<b>Current financial assets at FVTPL</b>	<b>91,194</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,034</b>	<b>111,228</b>
<b>Non-current financial assets at FVTPL</b>	<b>–</b>	<b>38,225</b>	<b>8,615</b>	<b>3,000</b>	<b>2,256</b>	<b>52,096</b>

(i) Revaluations both realised and unrealised

2015 \$'000	QIC Cash Enhanced Fund	QIC Growth Fund	QIC Global Infrastructure Fund	QIC Direct Opportunities Fund	Other investments – QIC products	Total financial assets at FVTPL
Carrying amount	158,999	35,608	–	–	18,187	212,794
Revaluations <sup>(i)</sup>	(429)	1,194	–	76	185	1,026
Distributions reinvested	4,339	930	–	–	286	5,555
Subscriptions	423,412	–	–	1,356	9,644	434,412
Redemptions	(457,876)	–	–	–	(11,787)	(469,663)
<b>Carrying amount as at 30 June 2015</b>	<b>128,445</b>	<b>37,732</b>	<b>–</b>	<b>1,432</b>	<b>16,515</b>	<b>184,124</b>
<b>Current financial assets at FVTPL</b>	<b>128,445</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,451</b>	<b>142,896</b>
<b>Non-current financial assets at FVTPL</b>	<b>–</b>	<b>37,732</b>	<b>–</b>	<b>1,432</b>	<b>2,064</b>	<b>41,228</b>

(i) Revaluations both realised and unrealised

Changes in fair values of financial assets at FVTPL are recorded in the consolidated statement of profit or loss.

### Recognition and measurement

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.

The group's holding in financial assets held at FVTPL is limited to units in unit trusts managed by the group. The fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on observable market data for underlying investments held by the trust. Accordingly, the group and parent entity classify financial assets at FVTPL as level 2.

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C5 Other financial assets

	2016 \$'000	2015 \$'000
<b>Non-current assets</b>		
Monies held in escrow	5,071	5,000
Other financial assets	136	88
	<b>5,207</b>	<b>5,088</b>

Investment funds were also held in an escrow account to fund capital calls to the Golden Reef Infrastructure Trust. This money is restricted for use under the terms of the agreement.

### C6 Property, plant and equipment

	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Assets in the course of construction \$'000	Total \$'000
<b>2016</b>				
Carrying amount as at 1 July 2015	12,702	2,329	–	15,031
Additions	999	841	269	2,109
Disposals at net book value	(2)	(34)	–	(36)
Depreciation expense	(2,816)	(1,249)	–	(4,065)
Net foreign currency exchange differences in net book value	(56)	(6)	–	(62)
<b>Closing net book value at 30 June 2016</b>	<b>10,827</b>	<b>1,881</b>	<b>269</b>	<b>12,977</b>
Cost	28,094	9,991	269	38,354
Accumulated depreciation	(17,267)	(8,110)	–	(25,377)
<b>Net book amount</b>	<b>10,827</b>	<b>1,881</b>	<b>269</b>	<b>12,977</b>
<b>2015</b>				
Carrying amount as at 1 July 2014	14,908	2,609	–	17,517
Additions	453	875	–	1,328
Disposals at net book value	(33)	(24)	–	(57)
Depreciation expense	(2,711)	(1,179)	–	(3,890)
Net foreign currency exchange differences in net book value	85	48	–	133
<b>Closing net book value at 30 June 2015</b>	<b>12,702</b>	<b>2,329</b>	<b>–</b>	<b>15,031</b>
Cost	28,314	9,531	–	37,845
Accumulated depreciation	(15,612)	(7,202)	–	(22,814)
<b>Net book amount</b>	<b>12,702</b>	<b>2,329</b>	<b>–</b>	<b>15,031</b>

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C6 Property, plant and equipment (continued)

#### Recognition and measurement

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

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

Items of property, plant and equipment with a cost in excess of \$1,000 (2015: \$1,000) are capitalised in the year of acquisition.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount 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.

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

### C7 Intangible assets

	Computer software \$'000	Intangible assets in the course of construction \$'000	Total \$'000
<b>2016</b>			
Carrying amount as at 1 July 2015	5,340	333	5,673
Additions	58	4,478	4,536
Amortisation charge	(1,795)	–	(1,795)
Reclassifications at net book value <sup>(i)</sup>	347	(347)	–
<b>Closing net book value at 30 June 2016</b>	<b>3,950</b>	<b>4,464</b>	<b>8,414</b>
Cost	21,192	4,464	25,656
Accumulated amortisation	(17,242)	–	(17,242)
<b>Net book amount</b>	<b>3,950</b>	<b>4,464</b>	<b>8,414</b>
<b>2015</b>			
Carrying amount as at 1 July 2014	5,262	791	6,053
Additions	72	2,022	2,094
Amortisation charge	(2,474)	–	(2,474)
Reclassifications at net book value <sup>(i)</sup>	2,480	(2,480)	–
<b>Closing net book value at 30 June 2015</b>	<b>5,340</b>	<b>333</b>	<b>5,673</b>
Cost	21,485	333	21,818
Accumulated amortisation	(16,145)	–	(16,145)
<b>Net book amount</b>	<b>5,340</b>	<b>333</b>	<b>5,673</b>

(i) Refers to the reclassification of software from work in progress to Intangible assets

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C7 Intangible assets (continued)

#### Recognition and measurement

##### *(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.

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

Computer Software	3 – 6 years
-------------------	-------------

Software maintenance costs are expensed as incurred.

Expenditure, including that on internally generated assets, is only recognised as an asset when the company 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.

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 (2015: \$100,000). Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

##### *(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 6 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 6 years.

##### *(iv) Impairment of assets*

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

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C8 Payables

	2016 \$'000	2015 \$'000
<b>Trade and other payables</b>		
Accrued expenses	17,476	13,672
Accounts payable	9,863	5,285
	<b>27,339</b>	18,957

#### Recognition and measurement

##### (i) Trade and other payables

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

##### (ii) Fair value

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

### C9 Contingent liabilities

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

##### (i) Trustee obligations

As at 30 June 2016, QIC Limited or its controlled entities were trustee of 136 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trust. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trust against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deed. As at 30 June 2016, total assets exceed total liabilities in each of the Trusts.

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.

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

Funds managed by the group in a trustee capacity in either trusts or discrete portfolios totalled \$75.8 billion at 30 June 2016 (2015: \$73.8 billion). These figures exclude cross holdings between trusts.

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



# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C10 Commitments

#### (i) Capital commitments

There are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the group.

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

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

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

	2016 \$'000	2015 \$'000
Within one year	12,561	12,207
Later than one year but not later than five years	20,419	32,168
Later than five years	51	28
	<b>33,031</b>	<b>44,403</b>

The group has sublet some leased office space. At 30 June 2016, the total of future minimum sublease payments expected to be received under non-cancellable subleases was \$5.1 million (2015: \$7.3 million).

#### Recognition and measurement

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

### C11 Financial risk management

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

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

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

#### (a) Market risk

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

#### (i) Foreign exchange risk

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

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

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

#### Sensitivity

The sensitivity of the group's financial instruments held at 30 June 2016 (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.

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C11 Financial risk management (continued)

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

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

##### Sensitivity

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

Consolidated entity	Impact on post-tax profit	
	2016 \$'000	2015 \$'000
QIC Growth Fund – increase 9% (2015: 9%)	3,447	3,401
QIC Growth Fund – decrease 9% (2015: 10%)	(3,447)	(3,779)
QIC Global Infrastructure Fund – increase 10% (2015: N/A)	862	–
QIC Global Infrastructure Fund – decrease 10% (2015: N/A)	(862)	–
QIC Direct Opportunities Fund – increase 18% (2015: 15%)	555	215
QIC Direct Opportunities Fund – decrease 18% (2015: 14%)	(555)	(201)
GFI Absolute Return Bond Fund – increase 6% (2015: 5%)	125	103
GFI Absolute Return Bond Fund – decrease 6% (2015: 3%)	(125)	62
QIC Private Equity Fund No. 4 – USD – increase 20% (2015: N/A)	22	–
QIC Private Equity Fund No. 4 – USD – decrease 20% (2015: N/A)	(22)	–
QIC Private Equity Fund No. 4 – EUR – increase 20% (2015: N/A)	13	–
QIC Private Equity Fund No. 4 – EUR – decrease 20% (2015: N/A)	(13)	–
QIC Private Equity Fund No. 4 – AUD – increase 10% (2015: N/A)	1	–
QIC Private Equity Fund No. 4 – AUD – decrease 10% (2015: N/A)	(1)	–

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 FVTPL held at 30 June 2016 (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 2016.

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

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C11 Financial risk management (continued)

#### **(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 \$304.6 million (2015: \$298.9 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 C9). Such guarantees are provided in limited circumstances.

#### **(c) Liquidity risk**

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

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

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

#### **(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 on page 28.

# Notes to the consolidated financial statements

30 June 2016

## C Assets and Liabilities (continued)

### C11 Financial risk management (continued)

#### Fair value measurements At 30 June 2016

	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>					
Financial assets at FVTPL					
Unlisted unit trusts	C4	–	163,324	–	163,324
Monies held in escrow account	C5	5,071	–	–	5,071
<b>Total financial assets</b>		<b>5,071</b>	<b>163,324</b>	<b>–</b>	<b>168,395</b>

#### 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 FVTPL					
Unlisted unit trusts	C4	–	184,124	–	184,124
Monies held in escrow account	C5	5,000	–	–	5,000
<b>Total financial assets</b>		<b>5,000</b>	<b>184,124</b>	<b>–</b>	<b>189,124</b>

The group has nil financial liabilities measured at fair value both for the current and prior financial year.

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.

**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.

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

# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits

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

### D1 Employee benefits

	2016 \$'000	2015 \$'000
Payable	22,343	18,655
Provision	59,507	56,590
<b>Total current employee benefits</b>	<b>81,850</b>	75,245
Provision	32,178	25,546
<b>Total non-current employee benefits</b>	<b>32,178</b>	25,546

### Recognition and measurement

#### (i) Employee benefits

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

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

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

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

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

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

Short-term employee benefits include salaries, annual leave, paid sick leave, at risk performance and retention compensation and any non-monetary benefits provided such as cars or car parking.

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

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

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

# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits (continued)

### D1 Employee benefits (continued)

#### Recognition and measurement (continued)

##### *(iv) Post-employment benefits*

Post-employment benefits include superannuation contributions.

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

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

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

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

## Key estimates and judgements

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

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

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

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

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

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

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

# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits (continued)

### D2 Key management personnel

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

Key management personnel include both directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the group.

#### (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
B C Bowton <sup>(2)</sup>	Director (reappointed 12 December 2013)	3 years	30 September 2016
G B Murdoch <sup>(3)</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 M Pemberton <sup>(1)</sup>	Director (appointed 12 December 2013)	3 years	30 September 2016
P A Gallagher <sup>(4)</sup>	Director (appointed 11 December 2014)	3 years	30 September 2017
A J P Staines <sup>(5)</sup>	Director (appointed 1 October 2015)	3 years	30 September 2018
J C Battams <sup>(5)</sup>	Director (appointed 1 October 2015)	3 years	30 September 2018
S J P Dunne <sup>(6)</sup>	Director (appointed 12 May 2016)	2 years	30 September 2018
M L Newman AC	Director (term ended 30 September 2015)	1 years	30 September 2015
D E Usasz	Director (term ended 30 September 2014)	3 years	30 September 2014

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 2013. Term of appointment: from 12 December 2013 to 30 September 2016, 2 years, 9 months and 18 days.

(3) 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.

(4) Term of appointment: from 11 December 2014 to 30 September 2017, 2 years, 9 months and 20 days.

(5) Term of appointment: from 1 October 2015 to 30 September 2018, 2 years, 11 months.

(6) Term of appointment: from 12 May 2016 to 30 September 2018, 2 years, 4 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
B J Delaney	Executive Director, Strategy, Clients and Global Markets	Open term
M D 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
A C Ryder	Chief Investment Officer (to 19 February 2016)	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 R Leitch occupied the position of Executive Adviser, which did not meet the definition of key management personnel, until his resignation on 30 June 2015.

# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits (continued)

### D2 Key management personnel (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.

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

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

##### (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

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

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

	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>7,774</b>	9,225
Long-term benefits	<b>2,236</b>	1,552
Post-employment benefits	<b>371</b>	372
Termination benefits	<b>150</b>	319
	<b>10,531</b>	11,468

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



# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits (continued)

### D2 Key management personnel (continued)

(v) Remuneration of directors

Directors	Name	Position	Board of Board Committees			Short-term	Post-	Total
			QIC	Board	Subsidiary	employee	Employment	
			QIC	Board	Subsidiary	Total	Super	Total
			\$	\$	\$	\$	\$	\$
<b>Reporting Period</b>	<b>1 July 2015 – 30 June 2016</b>							
D R Luke <sup>(1)</sup>	Chairman		161,995	–	–	161,995	15,795	177,790
B C Bowton <sup>(2)</sup>	Director		67,911	13,807	10,052	91,770	8,718	100,488
G B Murdoch <sup>(3)</sup>	Director		67,911	22,578	–	90,489	8,596	99,085
G M Pemberton <sup>(1)</sup>	Director		67,911	25,737	–	93,648	8,897	102,545
A E King <sup>(1)</sup>	Director		67,911	10,052	10,052	88,015	8,361	96,376
P A Gallagher <sup>(4)</sup>	Director		67,912	19,430	–	87,342	–	87,342
J C Battams <sup>(5)</sup>	Director		50,933	7,510	2,373	60,816	5,778	66,594
A J P Staines <sup>(5)</sup>	Director		50,933	7,510	–	58,443	5,552	63,995
S J P Dunne <sup>(6)</sup>	Director		9,310	–	–	9,310	884	10,194
M L Newman AC <sup>(7)</sup>	Director		16,978	2,513	–	19,491	1,852	21,343
P W Forbes <sup>(8)</sup>	Director		–	–	67,911	67,911	6,452	74,363
A C J Solway <sup>(8)</sup>	Director		–	–	56,585	56,585	5,697	62,282
P J Higgs <sup>(9)</sup>	Director		–	–	56,585	56,585	5,697	62,282
<b>Total remuneration</b>			<b>629,705</b>	<b>109,137</b>	<b>203,558</b>	<b>942,400</b>	<b>82,279</b>	<b>1,024,679</b>
<b>Previous Period</b>	<b>1 July 2014 – 30 June 2015</b>							
D R Luke <sup>(1)</sup>	Chairman		161,377	–	–	161,377	15,734	177,111
M L Newman AC <sup>(7)</sup>	Director		67,652	10,014	–	77,666	7,378	85,044
B C Bowton <sup>(2)</sup>	Director		67,652	10,014	7,615	85,281	8,102	93,383
G B Murdoch <sup>(3)</sup>	Director		67,652	15,022	–	82,674	7,854	90,528
G M Pemberton <sup>(1)</sup>	Director		67,652	20,027	–	87,679	8,330	96,009
A E King <sup>(1)</sup>	Director		67,652	10,014	7,615	85,281	8,102	93,383
P A Gallagher <sup>(4)</sup>	Director		37,790	5,593	–	43,383	–	43,383
D E Usasz <sup>(10)</sup>	Director		22,281	6,596	–	28,877	2,743	31,620
P W Forbes <sup>(8)</sup>	Director		–	–	67,652	67,652	6,427	74,079
A C J Solway <sup>(8)</sup>	Director		–	–	56,585	56,585	5,727	62,312
P J Higgs <sup>(9)</sup>	Director		–	–	13,100	13,100	1,431	14,531
<b>Total remuneration</b>			<b>559,708</b>	<b>77,280</b>	<b>152,567</b>	<b>789,555</b>	<b>71,828</b>	<b>861,383</b>

Notes:

(1) Appointed 12 December 2013.  
 (2) Reappointed 12 December 2013. Previous term ended 30 September 2013.  
 (3) Reappointed 2 October 2014. Previous term ended 30 September 2014.  
 (4) Appointed 11 December 2014.  
 (5) Appointed 1 October 2015.

(6) Appointed 12 May 2016.  
 (7) Term ended 30 September 2015.  
 (8) Director of QIC Limited subsidiary companies only.  
 (9) Appointed 14 April 2015 and Director of QIC Limited subsidiary companies only.  
 (10) Term ended 30 September 2014.

# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits (continued)

### D2 Key management personnel (continued)

Senior executives	Name	Position	Short-term employee benefits		Post-employee benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
			Salary and fees	Non-monetary benefits	Super	Annual and long service leave		
			\$	\$	\$	\$	\$	\$
<b>Reporting Period</b>	<b>1 July 2015 – 30 June 2016</b>							
	D J Frawley	Chief Executive	706,374	8,101	35,525	1,786	–	751,786
	C M Blake <sup>(1)</sup>	Executive Director, Finance	298,134	23,819	90,547	245	–	412,745
	D E Clarke <sup>(2)</sup>	Executive Director, Risk, Legal and Tax	393,192	–	19,308	17,253	–	429,753
	A C Ryder	Chief Investment Officer	310,979	–	58,664	(14,014)	150,000	505,629
	B J Delaney <sup>(3)</sup>	Executive Director, Strategy, Clients and Global Markets	534,038	10,962	35,000	4,959	–	584,959
	M D McDonald <sup>(4)</sup>	Executive Director, Operations and Technology	380,692	–	19,308	23,394	–	423,394
	G A Jackson <sup>(5)</sup>	Executive Director, Human Resources	258,461	11,539	30,000	2,352	–	302,352
	<b>Total remuneration</b>		<b>2,881,870</b>	<b>54,421</b>	<b>288,352</b>	<b>35,975</b>	<b>150,000</b>	<b>3,410,618</b>

# Notes to the consolidated financial statements

30 June 2016

## D Employee Benefits (continued)

### D2 Key management personnel (continued)

Senior executives	Name	Position	Short-term employee benefits		Post-employee benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
			Salary and fees	Non-monetary benefits	Super	Annual and long service leave		
			\$	\$	\$	\$	\$	\$
	Previous Period	1 July 2014 – 30 June 2015						
	D J Frawley	Chief Executive	702,379	12,621	35,000	16,914	–	766,914
	C M Blake <sup>(1)</sup>	Executive Director, Finance	286,786	35,167	90,547	(9,389)	–	403,111
	D E Clarke <sup>(2)</sup>	Executive Director, Risk, Legal and Tax	393,716	–	18,784	6,724	–	419,224
	A C Ryder	Chief Investment Officer	483,516	–	91,484	39,481	–	614,481
	B J Delaney <sup>(3)</sup>	Executive Director, Strategy, Clients and Global Markets	522,220	–	27,780	3,754	–	553,754
	M D McDonald <sup>(4)</sup>	Executive Director, Operations and Technology	128,638	–	4,696	1,744	–	135,078
	G A Jackson <sup>(5)</sup>	Executive Director, Human Resources	93,763	–	6,237	7,114	–	107,114
	P R Leitch <sup>(6)</sup>	Chief Operating Officer	311,258	13,486	25,881	(30,664)	318,974	638,935
	<b>Total remuneration</b>		<b>2,922,276</b>	<b>61,274</b>	<b>300,409</b>	<b>35,678</b>	<b>318,974</b>	<b>3,638,611</b>

Notes:

(1) Title changed 2 March 2015. Prior to this date Mrs C M Blake was in the role of Chief Financial Officer.

(2) Title changed 2 March 2015. Prior to this date Mr D E Clarke was in the role of Chief Risk Officer.

(3) Title changed 2 March 2015. Prior to this date Mr B J Delaney was in the role of Chief of Global Clients and Marketing.

(4) Appointed 2 March 2015. Prior to this date Mr M D 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 G A 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 Leitch occupied the position of Executive Adviser, which did not meet the definition of key management personnel, until his resignation on 30 June 2015.

#### (vi) Total performance and retention remuneration

	2016	2015
Aggregate amounts for performance and retention of employees (\$'000)	70,886	65,995
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided (\$'000)	153,556	143,708
Number of employees who receive payments for performance and retention purposes	543	482

# Notes to the consolidated financial statements

30 June 2016

## E Capital Structure

This section provides information relating to the group capital structure.

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

### E1 Issued capital

	<b>2016</b> <b>Shares</b>	2015 Shares	<b>2016</b> <b>\$'000</b>	2015 \$'000
Ordinary shares	<b>30,300,000</b>	30,300,000	<b>37,475</b>	37,475

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

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

#### (ii) Risk management

The group's capital management objectives are to:

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

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

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

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.

### E2 Dividends

#### (i) Ordinary shares

	<b>2016</b> <b>\$'000</b>	2015 \$'000
Final dividend for the year ended 30 June 2016 of 100% (2015: 80%) of consolidated profit after income tax	<b>62,424</b>	56,488

#### Recognition and measurement

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

The dividend declared by the parent entity represents 100% (2015: 80%) 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.

### E3 Retained earnings

Movements in retained earnings were as follows:

	<b>2016</b> <b>\$'000</b>	2015 \$'000
Balance as at 1 July	<b>95,440</b>	81,318
Profit after income tax	<b>62,424</b>	70,610
Dividends	<b>(62,424)</b>	(56,488)
Balance as at 30 June	<b>95,440</b>	95,440

# Notes to the consolidated financial statements

30 June 2016

## F Group Structure

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

### F1 Parent entity disclosures

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

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

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

	2016 \$'000	2015 \$'000
<b>Balance sheet</b>		
Current assets	251,403	250,781
Non-current assets	91,089	91,079
Total assets	342,492	341,860
Current liabilities	205,422	206,366
Non-current liabilities	15,686	14,056
Total liabilities	221,108	220,422
<b>Shareholders' equity</b>		
Issued capital	37,475	37,475
<b>Reserves</b>		
Foreign currency translation	–	54
Retained earnings	83,909	83,909
Total equity	121,384	121,438
Profit after income tax	62,424	70,630

# Notes to the consolidated financial statements

30 June 2016

## F Group Structure (continued)

### F1 Parent entity disclosures (continued)

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

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

Entity	Agreement date	2016	2015
QIC Retail Pty Ltd	27 February 2015	\$3.5 million	\$3.5 million
QIC Private Capital Pty Ltd	28 July 2015	\$3.0 million	\$14.0 million
QIC Infrastructure Management No. 2 Pty Ltd	27 June 2016	\$1.0 million	\$0.15 million
QIC Investments No. 1 Pty Ltd	27 June 2016	\$3.0 million	\$2.0 million
QIC Investments No. 3 Pty Ltd	25 June 2014	\$0.15 million	\$0.15 million

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

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

Entity	Agreement date	2016	2015
QIC European Investment Services Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC (UK) Management Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC US Management, Inc	15 May 2013	USD 5.0 million	USD 5.0 million
QIC Investments No. 1 Pty Ltd	16 July 2013	AUD 8.0 million	AUD 8.0 million

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.

#### *(iii) Guarantees*

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

The parent entity has a guarantee with QIC US Management Inc. Under this agreement the parent entity has agreed to supply funding of up to \$1.0 million.

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

As at 30 June 2016, there are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the parent entity.

# Notes to the consolidated financial statements

30 June 2016

## F Group Structure (continued)

### F1 Parent entity disclosures (continued)

#### (v) Transactions with controlled entities

The following transactions occurred with QIC subsidiaries. Transactions with state government entities and QIC investment entities are disclosed at a consolidated level, refer note F3:

	<b>30 June 2016</b>	30 June 2015
	<b>\$</b>	<b>\$</b>
Service fees received from controlled entities	<b>66,847,769</b>	57,130,639
Service fees paid to controlled entities	<b>34,575,545</b>	23,785,122
Amounts paid by subsidiaries under the tax sharing and funding agreement	<b>29,176,413</b>	24,844,949
Dividend revenue	<b>63,981,776</b>	63,252,488
Current receivables (loans to controlled entities)	<b>921,820</b>	2,846,774
Current receivables (tax funding arrangement)	<b>26,699,275</b>	14,034,742
Current receivables (dividend revenue)	<b>63,981,776</b>	63,252,488
Current payables (loans from controlled entities)	<b>82,444,956</b>	88,205,328

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.

### F2 Controlled entities

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2016 %	2015 %
QIC (UK) Management Limited	United Kingdom	Ordinary	<b>100</b>	100
QIC European Investment Services Limited	United Kingdom	Ordinary	<b>100</b>	100
QIC Global Infrastructure (US), Inc.*	United States	Ordinary	<b>100</b>	100
QIC GRE Management (US), Inc.*	United States	Ordinary	<b>100</b>	100
QIC Infrastructure Management No.2 Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Investments No. 1 Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Private Capital Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Properties Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC Properties US, Inc.*	United States	Ordinary	<b>100</b>	–
QIC Retail Pty Ltd	Australia	Ordinary	<b>100</b>	100
QIC US Investment Services Inc.*	United States	Ordinary	<b>100</b>	100
QIC US Management, Inc.	United States	Ordinary	<b>100</b>	100
QIC US Private Equity, LLC*	United States	Ordinary	<b>100</b>	–
QIC US Shopping Centre Fund No.1 GP LLC*	United States	Ordinary	<b>100</b>	–

\* Subsidiary of QIC US Management, Inc.

# Notes to the consolidated financial statements

30 June 2016

## F Group Structure (continued)

### F3 Related party information

#### (i) Transactions with shareholding Ministers

As a Queensland Government owned corporation (GOC), QIC's shareholding Ministers are the Honourable Anastacia Palaszczuk MP, Premier and Minister for the Arts and the Honourable Curtis Pitt MP, Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport.

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

#### (ii) 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.

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

The following transactions occurred with related parties:

2016 \$	State of Queensland	QTC	Other related entities
Investment management and performance fees	17,287,846	82,538,161	127,413,227
Purchase of goods and services	6,788,960	–	–
Payment of income tax	47,449,848	–	–
Payment of dividends	56,488,000	–	–
Current receivables	1,665,188	40,990,964	33,711,917
Current payables	270,116	–	–
Dividends payable	62,423,528	–	–
Income tax payable	18,799,480	–	–

2015 \$	State of Queensland	QTC	Other related entities
Investment management and performance fees	19,307,876	83,015,861	105,903,723
Purchase of goods and services	6,443,854	–	–
Payment of income tax	21,680,826	–	–
Payment of dividends	69,679,568	–	–
Current receivables	1,730,908	38,634,460	24,860,602
Current payables	–	6,419,968	–
Dividends payable	56,488,000	–	–
Income tax payable	24,759,849	–	–

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

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

#### (v) Terms and conditions

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.



# Notes to the consolidated financial statements

30 June 2016

## G Other

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

### G1 Subsequent events

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 significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

### G2 Remuneration of auditors

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

	2016 \$	2015 \$
<i>Queensland Audit Office</i>		
Audit and review of financial reports	304,184	294,801
Audit of regulatory returns	25,100	21,000
<i>KPMG</i>		
Audit and review of financial reports	120,265	73,802
<b>Total remuneration for audit services</b>	<b>449,549</b>	<b>389,603</b>

### G3 New accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

# Notes to the consolidated financial statements

30 June 2016

## G4 Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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. This standard is effective for annual reporting period beginning on or after 1 January 2018 with early adoption permitted.

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 this standard will impact the financial statements of the group.

### (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 111 which covers construction contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, 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.

### (iii) AASB 16 Leases

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

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

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

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

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

The group has not yet quantified the impact on the statement of comprehensive income or the statement of financial position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

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.

# Directors' declaration

30 June 2016

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 42 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and
  
- (b) there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Note A2 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  
29 August 2016

# 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 at 30 June 2016, consolidated statement of profit or loss and other 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 group 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 A2, 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 –

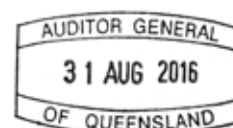
- (a) the financial report of QIC Limited is in accordance with the *Corporations Act 2001*, including -
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in note A2.

### 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



