

QIC Limited

ABN 95 942 373 762

**Annual financial statements and directors' report
for the year ended 30 June 2012**

Directors' report

The directors present their report together with the financial report of QIC Limited (the 'parent entity') and the consolidated entity ('the Group') for the year ended 30 June 2012.

Directors

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

P F Young AM (Chairman)
K D MacDonald (Deputy Chairman)
B C Bowton
L T Gearing
B K Morris
M L Newman AC

D E Usasz and G B Murdoch were appointed as directors on 10 November 2011 and continue in office at the date of this report.

D H Harrison was a director from the beginning of the financial year until his resignation on 30 September 2011.

Please refer to the annual report for details regarding directors' qualifications, experience and special responsibilities.

Principal activities

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

Operating result

The profit for the Group, after related income tax expense, amounts to \$26.7 million (2011: \$34.1 million).

Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the annual report.

Significant changes in the state of affairs

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

On 10 October 2011 a wholly-owned subsidiary of QIC Limited, QIC European Investment Services Limited was incorporated. The subsidiary's activities consist of providing investment advisory and execution services in the United Kingdom. The subsidiary is limited by shares and incorporated and domiciled in the United Kingdom.

On 15 November 2011 two wholly-owned subsidiaries of QIC US Management, Inc. were incorporated. These are QIC Global Real Estate (US), Inc. and QIC GRE Management (US), Inc. The subsidiaries' activities consist of providing investment management services in the United States. The subsidiaries are limited by shares and incorporated and domiciled in the United States.

On 3 February 2012 a wholly-owned subsidiary of QIC US Management, Inc., QIC (US) Investment Services Inc. was incorporated. The subsidiary's activities consist of providing investment advisory services in the United States. The subsidiary is limited by shares and incorporated and domiciled in the United States.

On 20 March 2012 ownership of QIC US Management, Inc. was transferred from QIC Private Capital Pty Ltd to QIC Limited.

On 29 June 2012 D F McTaggart resigned as Chief Executive of QIC Limited, the Group's parent entity. Effective 2 July 2012 D J Frawley was appointed as Chief Executive of QIC Limited.

During the year, three Australian subsidiaries were granted an Australian Financial Services License and one overseas subsidiary was granted a United Kingdom Financial Services Authority License and one overseas entity was registered as an investment advisor in the United States.

The Group is in the process of outsourcing a number of investment support activities to Northern Trust. Northern Trust will commence providing these services in 2012-2013.

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 30 June 2012 that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Dividends

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

	2012	2011
	\$'000	\$'000
Dividends provided for and declared	<u>16,022</u>	<u>20,461</u>

Likely developments and expected results of operations

Further information on likely developments in the operations of the Group have been included in the annual report.

Company secretary

Ms C G Fitzsimon is the company secretary. Ms Fitzsimon is a Chartered Secretary with over twenty years experience. She is a member of Chartered Secretaries Australia, past Chairman of the Queensland Council of Chartered Secretaries Australia and Member of the Australian Institute of Company Directors.

Meetings of directors

The number of meetings of the parent entity's board of directors and of each board committee held during the year ended 30 June 2012 and the number of meetings attended by each director were:

Committee Meetings

	Board Meetings		Audit & Risk		HR & Remuneration	
	A	B	A	B	A	B
P F Young AM	6	7	-	-	6	6
K D MacDonald	6	7	7	7	6	6
B C Bowton	6	7	7	7	-	-
L T Gearing	7	7	7	7	-	-
D H Harrison ⁽¹⁾	2	3	-	-	2	2
B K Morris	7	7	7	7	-	-
G B Murdoch ⁽³⁾	4	4	2	3	-	-
M L Newman AC	6	7	-	-	6	6
D E Usasz ⁽²⁾	4	4	-	-	3	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

(1) Resigned 30 September 2011.

(2) Appointed as a director on 10 November 2011 and appointed to the HR & Remuneration Committee on 30 November 2011.

(3) Appointed as a director on 10 November 2011 and appointed to the Audit & Risk Committee on 30 November 2011.

Insurance of officers

During the financial year, QIC Limited paid a premium of \$313,335 (2011: \$313,140) in respect of an insurance contract to indemnify the directors and officers of the Group. Officers indemnified include the company secretary and the senior executives 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 legislation

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.

Auditor's independence declaration

The auditor's independence declaration as required under s.307C of the *Corporations Act 2001* is attached.

Parent entity financial statements

The parent entity is of a kind referred to in Class Order 10/654, issued by the Australian Securities and Investments Commission. In accordance with that Class Order, the parent entity financial statements have been included in the financial report.

Rounding of amounts

The parent entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission. In accordance with that Class Order, amounts in the directors' report and financial report have been rounded to the nearest thousand dollars.

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



P F Young AM
Chairman

Brisbane
29 August 2012

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 2012, 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.

This declaration is in respect of QIC Limited and the entities it controlled during the period.



A GREAVES FCA FCPA
Auditor-General of Queensland



QIC Limited ABN 95 942 373 762
Annual report - 30 June 2012

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This financial report covers both the separate financial statements of QIC Limited as an individual entity and the financial statements of the consolidated entity consisting of QIC Limited and its subsidiaries. The financial report is presented in Australian dollars.

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

Level 5 Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

The financial report was authorised for issue by the directors on 29 August 2012. QIC Limited has the power to amend and reissue the financial report.

QIC Limited
Income statements
For the year ended 30 June 2012

		Consolidated		Parent entity	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
	Notes				
Revenue	3	259,090	241,838	157,470	156,285
Employee benefits expense		(146,102)	(131,290)	(64,638)	(68,405)
Professional services		(25,327)	(22,904)	(18,366)	(16,559)
Operating lease costs	4	(10,838)	(10,322)	(10,050)	(9,605)
Depreciation and amortisation	4	(8,334)	(6,711)	(8,240)	(6,613)
Travel		(4,536)	(3,375)	(1,903)	(1,694)
Computer operating costs		(3,859)	(3,554)	(3,671)	(3,418)
Information and research services		(3,122)	(3,305)	(3,023)	(3,208)
Staff development and recruitment		(2,713)	(1,909)	(1,552)	(1,214)
Insurance		(1,683)	(1,666)	(1,171)	(1,141)
Communication expenses		(1,297)	(1,231)	(914)	(921)
Auditors' remuneration	25	(489)	(398)	(252)	(223)
Foreign exchange losses	4	-	(34)	(3)	(157)
Net loss on disposal of property, plant and equipment		(72)	(33)	(72)	(33)
Service fees		-	-	(10,005)	(2,642)
Other expenses		(12,150)	(5,745)	(10,260)	(4,403)
Expenses		(220,522)	(192,477)	(134,120)	(120,236)
Profit before income tax		38,568	49,361	23,350	36,049
Income tax (expense)/benefit	5	(11,865)	(15,259)	3,362	(1,972)
Net profit after tax for the year	21(b)	26,703	34,102	26,712	34,077
Net Profit after tax is attributable to:					
Owners of QIC Limited	21(b)	26,703	34,102	26,712	34,077

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

The above income statements should be read in conjunction with the accompanying notes.

QIC Limited
Statements of comprehensive income
For the year ended 30 June 2012

		Consolidated		Parent entity	
	Notes	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Net profit after tax for the year		26,703	34,102	26,712	34,077
Other comprehensive income					
Gain/(loss) on revaluation - gross: foreign exchange contracts	21(a)	24	(24)	24	(24)
Exchange differences on translation of foreign operations	21(a)	5	(23)	-	-
Other comprehensive income for the year, net of tax		29	(47)	24	(24)
Total comprehensive income for the year		26,732	34,055	26,736	34,053
Total comprehensive income for the year is attributable to:					
Owners of QIC Limited		26,732	34,055	26,736	34,053

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

QIC Limited
Statements of financial position
As at 30 June 2012

		Consolidated		Parent entity	
	Notes	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	1,658	593	295	503
Receivables	7	58,380	50,832	76,593	61,486
Financial assets at fair value through profit or loss	8	176,063	160,869	176,063	160,869
Other current assets	9	4,845	5,122	4,405	4,778
Total current assets		<u>240,946</u>	<u>217,416</u>	<u>257,356</u>	<u>227,636</u>
Non-current assets					
Financial assets at fair value through profit or loss	10	3,155	3,154	3,155	3,154
Property, plant and equipment	11	18,048	20,359	17,574	19,873
Deferred tax assets	12	24,959	21,605	15,285	12,978
Intangible assets	13	12,801	13,905	12,801	13,905
Other assets	14	6	5	562	5
Total non-current assets		<u>58,969</u>	<u>59,028</u>	<u>49,377</u>	<u>49,915</u>
Total assets		<u>299,915</u>	<u>276,444</u>	<u>306,733</u>	<u>277,551</u>
LIABILITIES					
Current liabilities					
Payables	15	77,291	74,094	118,460	101,287
Provisions	16	14,850	12,830	9,393	7,318
Current tax liabilities	17	4,479	8,602	4,120	8,474
Total current liabilities		<u>96,620</u>	<u>95,526</u>	<u>131,973</u>	<u>117,079</u>
Non-current liabilities					
Deferred tax liabilities	18	58	50	11	19
Provisions	19	92,188	80,529	75,300	71,718
Total non-current liabilities		<u>92,246</u>	<u>80,579</u>	<u>75,311</u>	<u>71,737</u>
Total liabilities		<u>188,866</u>	<u>176,105</u>	<u>207,284</u>	<u>188,816</u>
Net assets		<u>111,049</u>	<u>100,339</u>	<u>99,449</u>	<u>88,735</u>
EQUITY					
Contributed equity	20	37,475	37,475	37,475	37,475
Reserves	21(a)	(18)	(47)	-	(24)
Retained profits	21(b)	73,592	62,911	61,974	51,284
Total equity		<u>111,049</u>	<u>100,339</u>	<u>99,449</u>	<u>88,735</u>

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

QIC Limited
Statements of changes in equity
For the year ended 30 June 2012

	Notes	Consolidated		Parent entity	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total equity at the beginning of the financial year		<u>100,339</u>	<u>86,745</u>	<u>88,735</u>	<u>75,143</u>
Total comprehensive income for the year		<u>26,732</u>	<u>34,055</u>	<u>26,736</u>	<u>34,053</u>
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	22	<u>(16,022)</u>	<u>(20,461)</u>	<u>(16,022)</u>	<u>(20,461)</u>
Total equity at the end of the financial year		<u>111,049</u>	<u>100,339</u>	<u>99,449</u>	<u>88,735</u>

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

QIC Limited
Statements of cash flows
For the year ended 30 June 2012

		Consolidated		Parent entity	
		2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Notes					
Cash flows from operating activities					
		240,015	230,786	99,001	113,525
		(187,146)	(167,365)	(91,395)	(85,886)
		7,562	7,033	7,562	7,033
		(89)	1,015	(89)	1,015
		-	-	30,642	21,958
		52	68	52	68
		(18,687)	(18,629)	(18,999)	(18,893)
		-	-	14,140	14,120
		41,707	52,908	40,914	52,940
31					
Cash flows from investing activities					
		(1,819)	(944)	(1,743)	(1,023)
		(3,168)	(6,409)	(3,168)	(6,409)
		(1)	(2)	(1)	(2)
		1	1	1	1
		-	3,200	-	3,200
		-	-	(556)	-
		(4,987)	(4,154)	(5,467)	(4,233)
Cash flows from financing activities					
		(20,461)	(13,151)	(20,461)	(13,151)
		(20,461)	(13,151)	(20,461)	(13,151)
Net increase in cash and cash equivalents					
		16,259	35,603	14,986	35,556
		161,462	125,859	161,372	125,816
		177,721	161,462	176,358	161,372
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The above statements of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

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

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Interpretations), the provisions of the *Government Owned Corporations Act 1993* and the *Corporations Act 2001*. The company is a for profit company.

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of QIC Limited ('parent entity') as at 30 June 2012. Subsidiaries for the year then ended are disclosed in note 29. QIC Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding representing more than 50% of the voting rights.

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

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

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

(ii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding representing between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements at fair value and in the consolidated financial statements using the equity method of accounting.

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

(iii) Joint ventures

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

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

The results and financial position of all the Group entities 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 for each income 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)
- all resulting exchange differences are recognised in the statements of comprehensive income.

(d) Revenue recognition

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

Management and performance fees are recognised on an accruals basis at agreed rates, net of the amounts of goods and services tax payable. All other revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates, returns, trade allowances and duties and taxes paid.

Performance fees and rebates are recognised as revenue when they can be reliably measured and the inflow or outflow of economic benefits is considered to be probable.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

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

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

1 Summary of significant accounting policies (continued)

(f) Income tax

(i) Income tax equivalents

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Tax consolidation legislation

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

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

In addition to its own current and deferred tax amounts, QIC Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

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

Any difference between the amounts assumed and amounts receivable or payable under the tax funding arrangement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) 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.

(iv) Stamp duty

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

1 Summary of significant accounting policies (continued)

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight line basis over the period of the lease.

(h) Acquisition of assets

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.

Where settlement of any part of 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 Commonwealth Government securities at balance date.

Items of property, plant and equipment with a cost, or other value, in excess of \$1,000 (2011: \$1,000) are capitalised in the year of acquisition.

Internal and external costs directly incurred in the purchase or development of computer applications, including subsequent upgrades and enhancements, are capitalised where the costs exceed \$100,000 (2011: \$100,000). Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

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

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying 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 there are separately identifiable cash flows (cash generating units).

(j) 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.

The Group undertakes certain trustee transactions. As the Group acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in note 6.

(k) Receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible 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 2012 (2011: \$nil).

(l) Investments and other financial assets

The Group classifies its investments as financial assets at fair value through profit or loss and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

1 Summary of significant accounting policies (continued)

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

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated on acquisition. A financial asset is designated if there exists the possibility it will be sold in the short term or the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either cash assets or are expected to be realised within 12 months of the balance date.

Investment funds were held in the QIC Cash Enhanced Fund during the financial year. The QIC Cash Enhanced Fund invests in short term cash and fixed interest securities, which it records on a fair value basis. The annualised rate of return on the investment in the QIC Cash Enhanced Fund was 5.11% (2011: 6.39%).

Investment funds were also held in the QIC Growth Fund. The QIC Growth Fund invests in Australian cash, equities, fixed interest and property and international fixed interest and equities. The annualised rate of return on the investment in the QIC Growth Fund was 0.33% (2011: 15.80%). Investments held by the QIC Growth Fund are recorded on a fair value basis.

Deferred long term staff incentive amounts were held in the QIC Cash Fund, QIC GFI Alpha Fund and QIC Growth Fund during the financial year. The QIC Cash Fund invests in short term cash securities, which it records on a fair value basis. The QIC GFI Alpha Fund invests in cash and fixed interest securities, which it records on a fair value basis. The annualised return on these investments were: QIC Cash Fund 3.62% (2011: nil), QIC GFI Alpha Fund 11.00% (2011: nil) and QIC Growth Fund 6.50% (2011: nil).

(ii) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

(m) Property, plant and equipment

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. Depreciation rates and methods are reviewed at least annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

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

Computer equipment	3 - 4 years
Office equipment, furniture and fittings	3 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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 the carrying amount. These are included in the income statements. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(n) Intangible assets

(i) Computer software

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

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

These assets are amortised on a straight line basis over their estimated useful lives, which are between 3 and 5 years. Software maintenance costs are expensed as incurred.

1 Summary of significant accounting policies (continued)

(ii) Development costs

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

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.

(o) Payables

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

(p) Provisions

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

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

(q) Employee benefits

(i) Short-term obligations

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

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

A liability for payments for performance, attraction and retention, annual leave and redundancies is measured at the amount expected to be paid when settled and, is included in employee benefits payable. The liability is classified as either short-term or long term obligations depending on when it is expected to be settled.

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

(ii) Long-term obligations

Long service leave benefits have been measured at the present value of the estimated future cash outflows resulting from services rendered by employees at balance date. Provisions for employee benefits which are not expected to be settled within 12 months are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liability. In determining the provision, consideration has been given to future increases in salary rates and prior experience with staff departures. Related on-costs have also been included.

(iii) Retirement benefit obligations

The Group contributes to superannuation funds for the purpose of providing benefits for employees and their dependants 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 statements of financial position, as the liability is held on a Whole of Government basis and reported in the Whole of Government financial statements prepared in accordance with *AASB 1049 Whole of Government and General Government Sector Financial Reporting*.

1 Summary of significant accounting policies (continued)

(r) Derivatives and hedging activities

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

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

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the hedging reserve. Movements in the hedging reserve in shareholders' equity are shown in note 21. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the statements of comprehensive income.

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

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

(s) Contributed equity

Ordinary shares are classified as equity.

(t) Dividends

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

The dividend declared by the parent entity represents 60% (2011: 60%) of consolidated operating profit after tax. This reflects the requirements of the *Government Owned Corporations Act 1993* and Queensland Treasury policies, which state that the annual dividend declared by a government owned corporation must be calculated on a Group basis.

(u) Rounding of amounts and comparatives

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

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments*, and *AASB 2007-11 Amendments to Australian Accounting Standards arising from AASB 9* and *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 addresses the classification and measurement of financial assets and is unlikely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group does not expect that any adjustments will be necessary as a result of applying the revised rules.

1 Summary of significant accounting policies (continued)

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group has conducted a high level review and does not expect to consolidate any special purpose entities on adoption of this standard.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group's investment in the joint venture partnership will be classified as a joint venture under the new rules. AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their effective date. They will be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

(iv) AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the financial statements or the notes to the financial statements in the current period.

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.

2 Critical accounting estimates and judgements

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

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

(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 the 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) Provisions

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

(iii) Accrued revenue

Revenue has been accrued in respect of investment performance fees outstanding but not yet invoiced at the end of the financial year. Some of the investment performance fees accrued involve significant judgement about the likely outcome of client negotiations and estimated future cash flows. Accrued revenue is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably. The accrued revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

3 Revenue

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Management, performance and other fees	221,098	201,486	65,554	71,669
Dividends from controlled entities	-	-	35,430	30,642
Service fees from controlled entities	-	-	26,433	21,645
Product administration fees	20,561	18,742	18,131	16,478
Investment income	7,620	7,413	7,620	7,413
Administration fees	6,139	5,643	2,331	2,126
Interest	49	66	49	66
Fair value gains/(losses) on financial assets at fair value through profit or loss (note 8 & 10)	(147)	1,087	(147)	1,087
Other	3,770	7,401	2,069	5,159
	<u>259,090</u>	<u>241,838</u>	<u>157,470</u>	<u>156,285</u>

Management and performance fees arise from fiduciary activities relating to the provision of investment management services.

4 Expenses

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Office equipment, furniture and fittings	2,586	2,538	2,496	2,440
Computer equipment	1,476	1,405	1,472	1,405
Total depreciation	<u>4,062</u>	<u>3,943</u>	<u>3,968</u>	<u>3,845</u>
<i>Amortisation</i>				
Computer software	4,272	2,768	4,272	2,768
Total amortisation	<u>4,272</u>	<u>2,768</u>	<u>4,272</u>	<u>2,768</u>
Total depreciation and amortisation	<u>8,334</u>	<u>6,711</u>	<u>8,240</u>	<u>6,613</u>
<i>Rental expense relating to operating leases</i>				
Minimum lease payments	10,838	10,322	10,050	9,605
Total rental expense relating to operating leases	<u>10,838</u>	<u>10,322</u>	<u>10,050</u>	<u>9,605</u>
<i>Foreign exchange gains and losses</i>				
Net foreign exchange losses	-	(34)	(3)	(157)
Net foreign exchange losses recognised in profit before income tax for the year (as either other income or expense)	-	(34)	(3)	(157)

5 Income tax expense/(benefit)

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense/(benefit)				
Current tax	15,202	17,516	14,630	17,382
Deferred tax	(3,353)	(2,257)	(2,322)	(2,460)
Compensation received from tax consolidated group entities	-	-	(15,691)	(12,950)
Current tax of prior periods	16	-	21	-
	<u>11,865</u>	<u>15,259</u>	<u>(3,362)</u>	<u>1,972</u>

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	<u>38,568</u>	<u>49,361</u>	<u>23,350</u>	<u>36,049</u>
Tax expense at the Australian tax rate of 30% (2011: 30%)	11,570	14,808	7,005	10,815
Tax effect of amounts which are not deductible in calculating taxable income:				
Non-deductible sundry items	241	275	117	179
Non-deductible revaluation of subsidiary loan	-	143	-	47
Non-deductible entertainment	<u>81</u>	<u>60</u>	<u>65</u>	<u>50</u>
	<u>11,892</u>	<u>15,286</u>	<u>7,187</u>	<u>11,091</u>
Difference in overseas tax rates	(10)	(21)	-	-
Tax offset for franked dividends and foreign income	(17)	(6)	(17)	(6)
Non-assessable dividend income upon consolidation	<u>-</u>	<u>-</u>	<u>(10,532)</u>	<u>(9,113)</u>
	<u>(27)</u>	<u>(27)</u>	<u>(10,549)</u>	<u>(9,119)</u>
Income tax expense/(benefit)	<u>11,865</u>	<u>15,259</u>	<u>(3,362)</u>	<u>1,972</u>

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(c) Income tax recognised in other comprehensive income				
Hedging reserve (note 12)	<u>7</u>	<u>(7)</u>	<u>7</u>	<u>(7)</u>
	<u>7</u>	<u>(7)</u>	<u>7</u>	<u>(7)</u>

5 Income tax expense/(benefit) (continued)

(d) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly-owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement (see note 28(e)).

6 Current assets - Cash and cash equivalents

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	<u>1,658</u>	<u>593</u>	<u>295</u>	<u>503</u>

(a) Reconciliation to cash at the end of the year

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	1,658	593	295	503
Current assets at fair value through profit or loss (note 8)	<u>176,063</u>	<u>160,869</u>	<u>176,063</u>	<u>160,869</u>
Balances per statements of cash flows	<u>177,721</u>	<u>161,462</u>	<u>176,358</u>	<u>161,372</u>

(b) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash and cash equivalents was 2.93% (2011: 3.80%).

(c) Amounts held in trust

An amount of \$27,621 (2011: \$nil) was recognised in cash and cash equivalents as at 30 June 2012. These monies are for the sole purpose of seeking recovery of funds involving the Group as a plaintiff and in its capacity as trustee.

7 Current assets - Receivables

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
Management, performance and other fees receivable	<u>58,380</u>	<u>50,832</u>	<u>31,587</u>	<u>22,575</u>
Net related party receivables				
Receivable from controlled entities	-	-	133	378
Dividends due from controlled entities	<u>-</u>	<u>-</u>	<u>35,430</u>	<u>30,642</u>
	<u>-</u>	<u>-</u>	<u>35,563</u>	<u>31,020</u>
Tax sharing arrangement				
Tax related amounts receivable from controlled entities	<u>-</u>	<u>-</u>	<u>9,443</u>	<u>7,891</u>
	<u>58,380</u>	<u>50,832</u>	<u>76,593</u>	<u>61,486</u>

These are non-interest bearing.

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

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
At beginning of year	160,869	125,272	160,869	125,272
Revaluation (realised and unrealised)	(90)	1,015	(90)	1,015
Distributions reinvested	7,562	7,033	7,562	7,033
Additions (subscriptions)	253,643	394,219	253,643	394,219
Disposals (redemptions)	(245,921)	(366,670)	(245,921)	(366,670)
At end of year	<u>176,063</u>	<u>160,869</u>	<u>176,063</u>	<u>160,869</u>

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Investment in QIC Cash Enhanced Fund and other QIC products	<u>176,063</u>	<u>160,869</u>	<u>176,063</u>	<u>160,869</u>

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

9 Current assets - Other current assets

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Prepayments	<u>4,845</u>	<u>5,122</u>	<u>4,405</u>	<u>4,778</u>

10 Non-current assets - Financial assets at fair value through profit or loss

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
At beginning of year	3,154	2,701	3,154	2,701
Revaluations (realised and unrealised)	(57)	72	(57)	72
Distributions reinvested	<u>58</u>	<u>381</u>	<u>58</u>	<u>381</u>
At end of year	<u>3,155</u>	<u>3,154</u>	<u>3,155</u>	<u>3,154</u>

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Investment in QIC Growth Fund	<u>3,155</u>	<u>3,154</u>	<u>3,155</u>	<u>3,154</u>

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

11 Non-current assets - Property, plant and equipment

Consolidated 2011	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Year ended 30 June 2011			
Opening net book amount	19,767	3,470	23,237
Exchange differences	(82)	(2)	(84)
Additions	384	788	1,172
Disposals	(21)	(2)	(23)
Depreciation charge (note 4)	(2,538)	(1,405)	(3,943)
Closing net book amount	<u>17,510</u>	<u>2,849</u>	<u>20,359</u>
At 30 June 2011			
Cost	23,582	10,280	33,862
Accumulated depreciation	<u>(6,072)</u>	<u>(7,431)</u>	<u>(13,503)</u>
Net book amount	<u>17,510</u>	<u>2,849</u>	<u>20,359</u>
	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Consolidated 2012			
Year ended 30 June 2012			
Opening net book amount	17,510	2,849	20,359
Exchange differences	6	-	6
Additions	935	884	1,819
Disposals	(68)	(6)	(74)
Depreciation charge (note 4)	<u>(2,586)</u>	<u>(1,476)</u>	<u>(4,062)</u>
Closing net book amount	<u>15,797</u>	<u>2,251</u>	<u>18,048</u>
At 30 June 2012			
Cost	24,103	10,246	34,349
Accumulated depreciation	<u>(8,306)</u>	<u>(7,995)</u>	<u>(16,301)</u>
Net book amount	<u>15,797</u>	<u>2,251</u>	<u>18,048</u>

11 Non-current assets - Property, plant and equipment (continued)

Parent 2011	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Year ended 30 June 2011			
Opening net book amount	19,112	3,461	22,573
Additions	378	790	1,168
Disposals	(21)	(2)	(23)
Depreciation charge (note 4)	<u>(2,440)</u>	<u>(1,405)</u>	<u>(3,845)</u>
Closing net book amount	<u>17,029</u>	<u>2,844</u>	<u>19,873</u>

At 30 June 2011			
Cost	22,740	10,270	33,010
Accumulated depreciation	<u>(5,711)</u>	<u>(7,426)</u>	<u>(13,137)</u>
Net book amount	<u>17,029</u>	<u>2,844</u>	<u>19,873</u>

Parent 2012	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Year ended 30 June 2012			
Opening net book amount	17,029	2,844	19,873
Additions	870	873	1,743
Disposals	(68)	(6)	(74)
Depreciation charge (note 4)	<u>(2,496)</u>	<u>(1,472)</u>	<u>(3,968)</u>
Closing net book amount	<u>15,335</u>	<u>2,239</u>	<u>17,574</u>

At 30 June 2012			
Cost	23,190	10,224	33,414
Accumulated depreciation	<u>(7,855)</u>	<u>(7,985)</u>	<u>(15,840)</u>
Net book amount	<u>15,335</u>	<u>2,239</u>	<u>17,574</u>

Assets in the course of construction - property, plant and equipment

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment assets that are in the course of construction:

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Office equipment, furniture and fittings	<u>136</u>	-	<u>136</u>	-
Total assets in the course of construction	<u>136</u>	-	<u>136</u>	-

12 Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Employee benefits provided for or payable	19,017	17,641	9,786	9,339
Capital project related costs	2,009	1,347	2,007	1,346
Lease incentives	1,321	654	1,321	654
Capital tax losses	909	909	909	909
Depreciation and amortisation	801	169	775	151
Accrued expenses	220	331	125	268
Cash flow hedges (note 5)	-	7	-	7
Sundry items	682	547	362	304
Net deferred tax assets	<u>24,959</u>	<u>21,605</u>	<u>15,285</u>	<u>12,978</u>
Deferred tax assets to be recovered within 12 months	12,217	16,291	7,895	9,624
Deferred tax assets to be recovered after more than 12 months	<u>12,742</u>	<u>5,314</u>	<u>7,390</u>	<u>3,354</u>
	<u>24,959</u>	<u>21,605</u>	<u>15,285</u>	<u>12,978</u>

13 Non-current assets - Intangible assets

Consolidated and Parent 2011

	Notes	Computer software \$'000	Total \$'000
Year ended 30 June 2011			
Opening net book amount		10,419	10,419
Additions		6,264	6,264
Disposals		(10)	(10)
Amortisation charge	4	<u>(2,768)</u>	<u>(2,768)</u>
Closing net book amount		<u>13,905</u>	<u>13,905</u>

At 30 June 2011

Cost		33,223	33,223
Accumulated amortisation		<u>(19,318)</u>	<u>(19,318)</u>
Net book amount		<u>13,905</u>	<u>13,905</u>

Consolidated and Parent 2012

	Notes	Computer software \$'000	Total \$'000
Year ended 30 June 2012			
Opening net book amount		13,905	13,905
Additions		3,168	3,168
Disposals		-	-
Amortisation charge	4	<u>(4,272)</u>	<u>(4,272)</u>
Closing net book amount		<u>12,801</u>	<u>12,801</u>

At 30 June 2012

Cost		36,139	36,139
Accumulated amortisation		<u>(23,338)</u>	<u>(23,338)</u>
Net book amount		<u>12,801</u>	<u>12,801</u>

Assets in the course of construction - intangible assets

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

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Intangible assets	<u>2,903</u>	<u>531</u>	<u>2,903</u>	<u>531</u>
Total assets in the course of construction	<u>2,903</u>	<u>531</u>	<u>2,903</u>	<u>531</u>

14 Non-current assets - Other assets

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Shares in subsidiaries(note 29)	1	1	557	1
Interests in joint venture partnerships	5	4	5	4
	<u>6</u>	<u>5</u>	<u>562</u>	<u>5</u>

15 Current liabilities - Payables

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Employee benefits payable	49,384	44,221	17,422	18,630
Accounts payable	6,211	4,903	3,754	3,902
Accrued expenses	5,674	4,509	4,479	3,558
Dividends	16,022	20,461	16,022	20,461
Amounts due to controlled entities	-	-	76,783	54,736
	<u>77,291</u>	<u>74,094</u>	<u>118,460</u>	<u>101,287</u>

These are non-interest bearing.

16 Current liabilities - Provisions

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Employee benefits	12,800	12,062	7,343	6,550
Other provisions	2,050	768	2,050	768
	<u>14,850</u>	<u>12,830</u>	<u>9,393</u>	<u>7,318</u>

16 Current liabilities - Provisions (continued)

(a) Movements in provisions

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

	Other provisions \$'000	Total \$'000
Consolidated and Parent 2012		
Current		
Carrying amount at start of year	768	768
Amounts used during the period	(550)	(550)
Amounts moved from non-current	<u>1,832</u>	<u>1,832</u>
Carrying amount at end of year	<u>2,050</u>	<u>2,050</u>

	Other provisions \$'000	Total \$'000
Consolidated and Parent 2011		
Current		
Carrying amount at start of year	5,146	5,146
Amounts used during the period	(5,146)	(5,146)
Amounts moved from non-current	<u>768</u>	<u>768</u>
Carrying amount at end of year	<u>768</u>	<u>768</u>

The current provision for employee benefits includes accrued annual leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The current provision amount reflects leave that is expected to be taken or paid within the next 12 months.

17 Current liabilities - Current tax liabilities

	Consolidated 2012 \$'000	2011 \$'000	Parent entity 2012 \$'000	2011 \$'000
Income tax payable	<u>4,479</u>	<u>8,602</u>	<u>4,120</u>	<u>8,474</u>

18 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:				
Capital allowances	24	29	-	-
Depreciation and amortisation	21	-	-	-
Unrealised foreign exchange gains	11	19	11	18
Prepayments	2	1	-	-
Receivables	-	1	-	1
Net deferred tax liabilities	<u>58</u>	<u>50</u>	<u>11</u>	<u>19</u>
Deferred tax liabilities to be settled within 12 months	26	31	-	1
Deferred tax liabilities to be settled after more than 12 months	<u>32</u>	<u>19</u>	<u>11</u>	<u>18</u>
	<u>58</u>	<u>50</u>	<u>11</u>	<u>19</u>

19 Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Employee benefits	25,292	14,534	8,609	5,968
Provisions to associated entities	64,337	64,337	-	-
Provision to controlled entity	-	-	64,337	64,337
Other provisions	2,559	1,658	2,354	1,413
	<u>92,188</u>	<u>80,529</u>	<u>75,300</u>	<u>71,718</u>

(a) Movements in provisions

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

	Provisions to associated entities \$'000	Other provisions \$'000	Total \$'000
Consolidated - 2012			
Non-current			
Carrying amount at start of year	64,337	1,658	65,995
Amounts used during the period	-	(40)	(40)
Additional provisions recognised	-	2,773	2,773
Amounts moved to current	-	(1,832)	(1,832)
Carrying amount at end of year	<u>64,337</u>	<u>2,559</u>	<u>66,896</u>

	Provisions to associated entities \$'000	Other provisions \$'000	Total \$'000
Consolidated - 2011			
Non-current			
Carrying amount at start of year	64,337	2,518	66,855
Amounts used during the period	-	(92)	(92)
Amounts moved to current	-	(768)	(768)
Carrying amount at end of year	<u>64,337</u>	<u>1,658</u>	<u>65,995</u>

19 Non-current liabilities - Provisions (continued)

	Provision to controlled entity \$'000	Other provisions \$'000	Total \$'000
Parent entity - 2012			
Non-current			
Carrying amount at start of year	64,337	1,413	65,750
Additional provisions recognised	-	2,773	2,773
Amounts moved to current	-	(1,832)	(1,832)
Carrying amount at end of year	<u>64,337</u>	<u>2,354</u>	<u>66,691</u>

	Provision to controlled entity \$'000	Other provisions \$'000	Total \$'000
Parent entity - 2011			
Non-current			
Carrying amount at start of year	64,337	2,181	66,518
Amounts moved to current	-	(768)	(768)
Carrying amount at end of year	<u>64,337</u>	<u>1,413</u>	<u>65,750</u>

In December 2008, the Group received a mid-term instalment of a performance fee of \$64.3 million net of GST. As this instalment is fully refundable if specified performance criteria are not met over the term of the particular fund, the amount has been recorded as a non-current provision in the statements of financial position (refer to Note 26(d)).

The non-current provision for employee benefits reflects the net present value of long service leave conditional entitlements where employees have not yet completed the required service period.

20 Contributed equity

	Parent		Parent	
	2012	2011	2012	2011
	No. of Shares	No. of Shares	\$'000	\$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>30,300,000</u>	<u>30,300,000</u>	<u>37,475</u>	<u>37,475</u>

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$'000
1 July 2010	Opening balance	<u>30,300,000</u>	\$1.24	<u>37,475</u>
30 June 2011	Closing balance	30,300,000	\$1.24	37,475
1 July 2011	Opening balance	<u>30,300,000</u>	\$1.24	<u>37,475</u>
30 June 2012	Closing balance	<u>30,300,000</u>	\$1.24	<u>37,475</u>

(c) Capital risk management

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

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

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

The parent entity and Group are 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 parent entity and Group do not undertake borrowings or hold debt.

21 Reserves and retained earnings

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(a) Reserves				
Hedging reserve	-	(24)	-	(24)
Foreign currency translation reserve	(18)	(23)	-	-
	<u>(18)</u>	<u>(47)</u>	<u>-</u>	<u>(24)</u>

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Movements:				
<i>Hedging reserve - cash flow hedges</i>				
Balance 1 July	(24)	-	(24)	-
Gain (loss) on revaluation - gross: foreign exchange contracts	24	(24)	24	(24)
Balance 30 June	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>(24)</u>

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Movements:				
<i>Foreign currency translation reserve</i>				
Balance 1 July	(23)	-	-	-
Currency translation differences arising during the year	5	(23)	-	-
Balance 30 June	<u>(18)</u>	<u>(23)</u>	<u>-</u>	<u>-</u>

(b) Retained earnings

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balance 1 July	62,911	49,270	51,284	37,668
Net profit after tax for the year	26,703	34,102	26,712	34,077
Dividends	(16,022)	(20,461)	(16,022)	(20,461)
Balance 30 June	<u>73,592</u>	<u>62,911</u>	<u>61,974</u>	<u>51,284</u>

(c) Nature and purpose of reserves

(i) Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(r). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount will be reclassified to profit or loss when the net investment is disposed of.

22 Dividends

Parent entity	
2012	2011
\$'000	\$'000

(a) Ordinary shares

Final dividend for the year ended 30 June 2012 of 52 cents (2011:67 cents) per share being 60% (2011: 60%) of consolidated operating profit after tax recognised as a payable (note 15)

16,022 20,461

23 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.

The Group and the parent entity hold the following financial assets and liabilities:

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash assets	1,658	593	295	503
Receivables	58,380	50,832	76,593	61,486
Financial assets at fair value through profit or loss	<u>179,218</u>	<u>164,023</u>	<u>179,218</u>	<u>164,023</u>
	<u>239,256</u>	<u>215,448</u>	<u>256,106</u>	<u>226,012</u>
Financial liabilities				
Payables	<u>77,291</u>	<u>74,094</u>	<u>118,460</u>	<u>101,287</u>
	<u>77,291</u>	<u>74,094</u>	<u>118,460</u>	<u>101,287</u>

(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

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds (GBP) and United States dollars (USD).

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

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

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

23 Financial risk management (continued)

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

	2012		2011	
	GBP £'000	USD \$'000	GBP £'000	USD \$'000
Cash assets	716	44	28	34
Receivables	478	971	566	140
Payables	(282)	(27)	(264)	(17)
Net exposure	<u>912</u>	<u>988</u>	<u>330</u>	<u>157</u>

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	2012		2011	
	GBP £'000	USD \$'000	GBP £'000	USD \$'000
Receivables	-	-	250	136
Payables	(34)	(893)	-	-
Net exposure	<u>(34)</u>	<u>(893)</u>	<u>250</u>	<u>136</u>

Foreign currency sensitivity

The sensitivity of the Group's financial instruments held at 30 June 2012 (and in the prior year) to movements in the British pound and United States dollar with all other variables held constant has been assessed and is not material. The Group's exposure to other foreign exchange movements is not material.

(ii) Price risk

The Group is exposed to price risk. This arises from investments in unit trusts held by the Group and classified in the statements of financial position as financial assets at fair value through profit or loss. The Group is not exposed to any other price risk. Price risk incorporates market risk, interest rate risk and foreign exchange risk in respect of investments in unit trusts.

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 assets 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.

Based on the non-current financial assets at fair value through profit or loss held at 30 June 2012, had the unit price increased by 9% (2011: 14%) with all other variables held constant, the Group's profit for the year would have been \$283,449 higher (2011: \$440,770). Conversely, if the unit price had decreased by 10% (2011: 14%), this would have decreased Group profit for the year by \$314,943 (2011: \$440,770).

A sensitivity analysis was conducted on the impact of a movement in the unit price of the company's investments in current financial assets at fair value through the profit or loss held at 30 June 2012 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

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

23 Financial risk management (continued)

(b) Credit risk

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 in 000's at the reporting date for the group is \$239,256 (2011: \$215,448) and the parent is \$256,106 (2011: \$226,012).

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

Credit risk further arises in relation to financial guarantees given to certain parties (see note 26 Contingencies). Such guarantees are provided in limited circumstances.

The following details an ageing analysis of trade receivables.

	Within trading terms \$'000	Days overdue		
		31 - 60 \$'000	61 - 90 \$'000	Over 90 \$'000
Consolidated				
2012	52,522	4,671	1,139	48
2011	48,760	460	1,271	341
	Within trading terms \$'000	Days overdue		
		31 - 60 \$'000	61 - 90 \$'000	Over 90 \$'000
Parent entity				
2012	25,729	4,671	1,139	48
2011	20,503	460	1,271	341

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.

23 Financial risk management (continued)

(c) Liquidity risk

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

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

The following table details the parent entity's and Group's remaining contractual maturity for its financial liabilities, on an undiscounted basis.

Consolidated	2012			2011		
	Less than 1 year \$'000	> 1 year \$'000	Total \$'000	Less than 1 year \$'000	> 1 year \$'000	Total \$'000
Payables	77,291	-	77,291	74,094	-	74,094
Parent entity						
	2012			2011		
	Less than 1 year \$'000	> 1 year \$'000	Total \$'000	Less than 1 year \$'000	> 1 year \$'000	Total \$'000
Payables	118,460	-	118,460	101,287	-	101,287

(d) Fair value measurements

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

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

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

24 Key management personnel and remuneration

Key management personnel disclosures are made in accordance with the *Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations* 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 years, except where indicated otherwise below:

Director	Position	Term	Expiry date
P F Young AM	Chairman	3 years	30 September 2012
K D MacDonald	Deputy Chairman	3 years	30 September 2013
B K Morris	Director	3 years	30 September 2012
B C Bowton	Director	2 years	30 September 2013
L T Gearing	Director	2 years	30 September 2013
M L Newman AC	Director	3 years	30 September 2014
G B Murdoch	Director (appointed 10 November 2011)	3 years ⁽¹⁾	30 September 2014
D E Usasz	Director (appointed 10 November 2011)	3 years ⁽¹⁾	30 September 2014
D H Harrison	Director (resigned 30 September 2011)	3 years	30 September 2011

Notes:

(1) Term of appointment: from 10 November 2011 to 30 September 2014, 2 years, 10 months and 20 days.

(b) Senior Executives

Senior executives are appointed by the QIC Board. The Chief Executive is also 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 F McTaggart	Chief Executive (resigned 29 June 2012)	Open term
D J Frawley	Chief Executive (appointed 2 July 2012)	Open term
A C Ryder	Chief Investment Officer (appointed 1 December 2011)	Open term
C M Blake	Chief Financial Officer (appointed 31 January 2011)	Open term
W G Jordaan	Chief Operating Officer (appointed 6 December 2010)	Open term
D J Addis	Managing Director, Corporate Strategy (appointed 31 January 2011)	Open term
P R Leitch	Managing Director, Human Resources and Corporate Communications	Open term
D E Clarke	Managing Director, Organisational Risk, Legal and Tax	Open term
H M McNeillage	Head of Funds Management (resigned 28 November 2011)	Open term
M A Pennisi	Managing Director, Corporate Strategy (resigned 5 November 2010)	Open term
R A Hines	Chief Financial and Operating Officer (resigned 6 December 2010)	Open term

(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.

24 Key management personnel and remuneration (continued)

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 interests.

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

Fixed remuneration is calculated on a 'total cost' basis, including the cost of employee benefits such as motor vehicles, superannuation and car parking, together with fringe benefits tax applicable to those benefits. Fixed remuneration levels are targeted between the market median and 75th percentile, taking into consideration relevant market trends.

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

(iii) 'At risk' performance and retention compensation

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

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

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

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

- Financial performance, including profitability and revenue growth
- Client and market, including client satisfaction and retention and investment performance
- Process and governance, including risk and systems management and business improvements
- Talent and culture, including employee engagement, capability management and team work

(d) Remuneration of key management personnel

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Short-term employee benefits	6,248	5,698	6,103	5,592
Long-term employee benefits	939	67	939	67
Post-employment benefits	373	311	363	307
Termination benefits	457	135	457	135
Total	<u>8,017</u>	<u>6,211</u>	<u>7,862</u>	<u>6,101</u>

24 Key management personnel and remuneration (continued)

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

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

(e) Remuneration of directors

Directors		Board and Board Committees			Total Directors' fees	Post employment	
Name	Position	QIC Board	Board Committees	Subsidiary Boards		Super	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reporting Period	1 July 2011 - 30 June 2012						
P F Young AM	Chairman	159	-	-	159	14	173
K D MacDonald	Deputy Chairman	67	25	10	102	35	137
B K Morris	Director	67	15	-	82	7	89
B C Bowton	Director	67	10	-	77	7	84
L T Gearing	Director	67	10	-	77	7	84
M L Newman AC	Director	67	10	-	77	7	84
G B Murdoch ⁽²⁾	Director	43	6	-	49	4	53
D E Usasz ⁽²⁾	Director	43	6	-	49	4	53
D H Harrison ⁽¹⁾	Director	16	2	-	18	2	20
P Forbes ⁽³⁾	Director	-	-	67	67	6	73
P R Jenkins ⁽³⁾	Director	-	-	67	67	-	67
A C J Solway ⁽⁴⁾	Director	-	-	14	14	3	17
Total remuneration	1 July 2011 - 30 June 2012	596	84	158	838	96	934
Previous Period	1 July 2010 - 30 June 2011						
P F Young AM	Chairman	154	-	-	154	14	168
K D MacDonald	Deputy Chairman	41	24	10	75	-	75
B K Morris	Director	42	21	-	63	6	69
B C Bowton	Director	65	9	-	74	7	81
L T Gearing	Director	65	16	-	81	7	88
M L Newman AC	Director	65	9	-	74	7	81
D H Harrison ⁽¹⁾	Director	42	17	-	59	5	64
P Forbes ⁽³⁾	Director	-	-	42	42	4	46
P R Jenkins ⁽³⁾	Director	-	-	65	65	-	65
Total remuneration	1 July 2010 - 30 June 2011	474	96	117	687	50	737

Notes:

(1) Retired 30 September 2011. (2) Appointed 10 November 2011. (3) Director of QIC Limited subsidiary companies only. (4) Director of QIC Limited subsidiary company only and appointed on 30 March 2012.

24 Key management personnel and remuneration (continued)

(f) Remuneration of senior executives

Base consists of base salary package and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the income statements and are influenced by annual leave and long service leave taken.

Senior executives		Primary		Post-employment	Termination benefits	Total remuneration (excluding at-risk performance incentive)
Name	Position	Base \$'000	Non-monetary benefits \$'000	\$'000	\$'000	\$'000
Reporting Period	1 July 2011 - 30 June 2012					
D F McTaggart ⁽¹⁾	Chief Executive	548	56	50	174	828
A C Ryder ⁽²⁾	Chief Investment Officer	405	-	55	-	460
C M Blake	Chief Financial Officer	271	17	33	-	321
W G Jordaan	Chief Operating Officer	293	-	16	-	309
D J Addis	MD, Corporate Strategy	334	10	16	-	360
P R Leitch	MD, Human Resources and Corporate Communications	264	11	47	-	322
D E Clarke	MD, Organisational Risk, Legal and Tax	322	1	16	-	339
H M McNeillage ⁽³⁾	Heads of Funds Management	179	-	44	283	506
Total remuneration	1 July 2011 - 30 June 2012	2,616	95	277	457	3,445
Previous Period	1 July 2010 - 30 June 2011					
D F McTaggart	Chief Executive	566	29	51	-	646
D E Clarke	MD, Organisational Risk and Legal	310	-	15	-	325
C M Blake ⁽⁴⁾	Chief Financial Officer	122	-	9	-	131
W G Jordaan ⁽⁷⁾	Chief Operating Officer	198	-	10	-	208
H M McNeillage ⁽³⁾	Heads of Funds Management	471	2	74	-	547
D J Addis ⁽⁸⁾	MD, Corporate Strategy	147	4	8	-	159
P R Leitch	MD, Human Resources	268	-	46	-	314
M A Pennisi ⁽⁵⁾	MD, Corporate Strategy	133	5	18	-	156
R A Hines ⁽⁶⁾	Chief Financial and Operating Officer	114	-	30	135	279
Total remuneration	1 July 2010 - 30 June 2011	2,329	40	261	135	2,765

Notes:

(1) Retired 29 June 2012 (2) Appointed 1 December 2011. Prior to this date Mr Ryder was in the role of Managing Director, Strategy, which did not satisfy the definition of key management personnel. (3) Appointed 1 January 2010 and resigned 28 November 2011 (4) Appointed 31 January 2011. Prior to this date Ms Blake was in the role of Group Financial Controller, which did not satisfy the definition of key management personnel. (5) Resigned 5 November 2010. (6) Resigned 6 December 2010. (7) Appointed 6 December 2010. (8) Appointed 31 January 2011.

If a person is appointed to a key management role part-way through the financial year, the table above includes remuneration for the period they are performing the role which satisfies the definition of key management personnel.

(g) Total performance and retention remuneration

	Consolidated	
	2012	2011
Aggregate amounts for performance and retention of employees (\$'000)	57,092	45,603
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided (\$'000)	107,810	93,661
Number of employees who receive payments for performance and retention purposes	267	264

25 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the external auditors.

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$	\$	\$	\$
(a) Audit services				
<i>Queensland Audit Office</i>				
Audit and review of financial reports	405,038	370,003	251,742	223,156
<i>KPMG</i>				
Audit and review of financial reports	84,244	28,369	-	-
Total remuneration for audit services	<u>489,282</u>	<u>398,372</u>	<u>251,742</u>	<u>223,156</u>

26 Contingencies

(a) Trustee obligations

As at 30 June 2012, QIC Limited or its controlled entities were trustee of:

Canberra Centre (No. 2) Investment Trust	QIC Global Strategy Trust No. 2A	QIC Office Property Fund
Canberra Centre Investment Trust	QIC Global Strategy Trust No. 2B	QIC Ports Trust No. 1A
Eastland Shopping Centre Trust	QIC Grand Central Trust	QIC Ports Trust No. 1B
General Fund No. 2	QIC Growth Fund	QIC Ports Trust No. 2
Innovis Investments Australia Fund	QIC Hedged International Equities Fund	QIC PPP Trust
Martin Place Property Trust	QIC Helensvale Trust	QIC Private Equity Fund No. 1
Melton Property Trust	QIC High Duration Bonds Trust	QIC Private Equity Fund No. 2
Noosa Civic Trust	QIC Industrial Trust	QIC Private Equity Fund No. 3
QIC 141 Queen Street Trust	QIC Infrastructure Mandate No.1 Trust	QIC Property Fund
QIC 80 Collins Street Trust	QIC Infrastructure Mandate No.1A Trust	QIC Retail (No. 2) Fund
QIC Active Small Companies Fund	QIC Infrastructure Mandate No. 2 Trust	QIC Ringwood Trust
QIC Alternative Beta Fund	QIC Infrastructure Mandate No. 2A Trust	QIC Robina Trust
QIC Asia Diversified Property Fund	QIC Infrastructure Mandate No. 2B Trust	QIC Section 63 Trust
QIC Asia Property Fund	QIC International Equities Absolute Return Fund	QIC Shopping Centre Fund
QIC Asia Retail Property Fund	QIC International Equities Fund	QIC Stable Fund
QIC Australian Equities Fund	QIC International Property Development Trust	QIC Strategy Fund No. 2
QIC Australian Equities Special Purpose Fund	QIC International Property Fund	QIC Strategy Fund No. 3
QIC Australian Fixed Interest Fund	QIC January 1999 Trust	QIC Tollroads Fund No 1
QIC Australian Venture Capital Fund	QIC Logan Hyperdome (No. 2) Trust	QIC Tollroads Fund No 2
QIC Brisbane Airport Infrastructure Trust	QIC Logan Hyperdome Trust	QIC Tollroad Investment Fund No. 1
QIC Cash Enhanced Fund	QIC March 2001 Trust	QIC Treasury Infrastructure Fund
QIC Cash Fund	QIC Merry Hill (Jersey) Trust No. 1	QIC Treasury Infrastructure Fund No. 1
QIC Castle Towers Trust	QIC Merry Hill (Jersey) Trust No. 2	QIC Treasury Infrastructure Fund No. 2
QIC Colonial Centre Trust	QIC Merry Hill (Jersey) Trust No. 3	QIC UK Retail Fund
QIC Coomera Trust	QIC Merry Hill (Jersey) Trust No. 4	QIC US Infrastructure Fund No. 1
QIC CRCHUM Trust	QIC Merry Hill (Jersey) Trust No. 5	QIC US Infrastructure Fund No. 2
QIC Diversified Australian Equities Fund	QIC Merry Hill (Jersey) Trust No. 6	QIC US Infrastructure Fund No. 3
QIC Diversified Fixed Interest Fund	QIC Merry Hill (Jersey) Trust No. 7	QIC US Power Trust No. 1
QIC Diversified Infrastructure Fund No. 1	QIC Merry Hill Retail Trust	QIC US Power Trust No. 2
QIC Diversified Infrastructure Fund No. 2	QIC MLC Centre Trust	QIC Westpoint Trust
QIC Europe Retail Fund	QIC North America Diversified Property Fund	QLQ Trust No. 1
QIC Global Credit Fund	QIC North America Property Fund	QLQ Trust No. 2
QIC Global Credit Opportunities Fund	QIC North Asia Property Fund	QLQ Trust No. 3
QIC GFI Alpha Fund	QIC NZ Power Trust No. 1	Queensland BioCapital Fund No. 1
QIC GFI Inflation Plus Fund	QIC NZ Power Trust No. 2	Queensland BioCapital Fund No. 2
QIC Global Listed Real Estate Fund	QIC NZ Power Trust No. 3	Queensland Investment Trust No. 2
QIC Global Strategy Trust No. 2	QIC NZ Power Trust No. 4	Watergardens Trust

In their capacity as trustee, the parent entity and its controlled entities are potentially liable for liabilities of the Trusts. However, under the Trust Deeds, the parent entity or its controlled entities are entitled to be indemnified out of the assets of the Trusts against any losses or outgoings sustained in their role as trustee, provided the trustee has acted within the terms of the Trust Deeds. As at 30 June 2012, total assets exceed total liabilities in the Trusts.

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

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

Funds managed by the Group in a trustee capacity in either trusts or discrete portfolios totalled \$64.7 billion at 30 June 2012 (2011: \$60.2 billion). These figures exclude cross holdings between Trusts.

26 Contingencies (continued)

(b) Subsidiary and associate undertakings

In accordance with an eligible undertaking dated 27 February 2006, QIC Limited irrevocably agrees to pay QIC Retail Pty Ltd an amount up to \$8.0 million (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 27 February 2006, QIC Limited irrevocably agrees to pay QIC Properties Pty Ltd an amount up to \$5.0 million (in aggregate) on written demand pursuant to an application for an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 27 November 2006, QIC Limited irrevocably agrees to pay QIC Private Capital Pty Ltd an amount up to \$10.0 million (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with a letter of guarantee dated 30 June 2010, QIC Limited irrevocably agrees to pay QIC (UK) Management Limited an amount up to \$10.0 million (in aggregate) on written demand.

In accordance with an eligible undertaking dated 29 March 2011, QIC Limited irrevocably agrees to pay QIC Infrastructure Management No. 2 Pty Ltd an amount up to \$5.0 million (in aggregate) on written demand pursuant to an application for an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 29 March 2011, QIC Limited irrevocably agrees to pay QIC Investments No. 1 Pty Ltd an amount up to \$5.0 million (in aggregate) on written demand pursuant to an application for an Australian Financial Services Licence.

QIC Limited has provided an undertaking to adequately fund a subsidiary, Queensland BioCapital Funds Pty Ltd, to ensure that it can pay its expenses as and when they become due and payable.

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

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

In accordance with an eligible undertaking dated 29 March 2012, QIC Limited irrevocably agrees to pay QIC Investments No. 3 Pty Ltd an amount up to \$50,000 (in aggregate) on written demand pursuant to an application for an Australian Financial Services Licence.

In accordance with a GBP loan facility agreement dated 16 April 2012, QIC Limited agrees to pay QIC European Investment Services Limited an amount up to GBP 20.0 million (in aggregate) on written demand.

In accordance with a GBP loan facility agreement dated 16 April 2012, QIC Limited agrees to pay QIC (UK) Management Limited an amount up to GBP 20.0 million (in aggregate) on written demand.

In accordance with a USD loan facility agreement dated 16 April 2012, QIC Limited agrees to pay QIC US Management, Inc. an amount up to USD 20.0 million (in aggregate) on written demand.

(c) Litigation

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

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

26 Contingencies (continued)

(d) Performance fees

A performance fee is potentially payable by the QIC Shopping Centre Fund to the Group where certain performance criteria are achieved over a 12 year period ending in October 2014. If the performance criteria are not met over the entire 12 year period, no performance fee is payable.

As at 30 June 2012, based on performance to date, management's judgement is that there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 12 year period. Achievement of these targets is influenced by a number of factors over which the Group has no control, including the underlying performance of the commercial property market, movements in interest rates and other risk factors.

On this basis, the amount of the performance fee cannot yet be reliably measured and the inflow of economic benefits is not yet considered to be probable. Accordingly, the performance fee has not been recognised as income by the Group for the year ended 30 June 2012.

27 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Payable:				
Within one year	624	624	624	624
Later than one year but not later than five years	1,248	1,872	1,248	1,872
Later than five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,872</u>	<u>2,496</u>	<u>1,872</u>	<u>2,496</u>

(b) Operating lease commitments

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

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	9,825	10,564	9,117	10,175
Later than one year but not later than five years	40,290	38,555	37,641	37,000
Later than five years	<u>13,659</u>	<u>23,894</u>	<u>13,574</u>	<u>23,658</u>
	<u>63,774</u>	<u>73,013</u>	<u>60,332</u>	<u>70,833</u>

28 Related party transactions

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 29.

(c) Other transactions with key management personnel

Aggregate amounts are presented below for transactions with key management personnel of QIC Limited and the consolidated entity.

(i) Directors of QIC Limited

The Chairman, Mr P F Young AM is a director of the Great Barrier Reef Foundation. During the year, QIC Limited provided a donation to the Great Barrier Reef Foundation. This transaction occurred at arm's length and was not material.

The Chairman, Mr P F Young AM is a director of Fairfax Media Limited. QIC Limited subscribes to publications provided by Fairfax Media Publications Limited. These transactions occur on normal commercial terms and conditions.

The Chairman, Mr P F Young AM is a member of the Queensland Art Gallery Board of Trustees. QIC Limited provides investment management services to the Queensland Art Gallery Foundation. These transactions occur on normal commercial terms and conditions.

The Deputy Chairman, Mr K D MacDonald, was a former partner of Allens Arthur Robinson until 31 December 2007 and is now a consultant employed by Allens Linklaters (previously Allens Arthur Robinson). Allens Linklaters has provided legal services to QIC Limited and certain of its subsidiaries. These transactions occur on normal commercial terms and conditions.

The Deputy Chairman, Mr K D MacDonald, was a director of Q Invest Limited until 6 August 2010. QIC Limited held 50% of the shares in Q Invest Limited until 6 August 2010. During the year, QIC Limited provided investment management services to Q Invest Limited. These services were provided free of charge. During the year, QIC Limited also provided accounting, payroll and information technology services to Q Invest Limited. These services were provided on a cost recovery basis.

A director, Mr M L Newman AC is an advisor to the MMC Group. QIC Limited has utilised the consulting services of companies within the MMC Group. These transactions occur on normal commercial terms and conditions.

A director, Mr M L Newman AC is a patron of the Committee for Economic Development of Australia (CEDA). QIC Limited subscribes to publications provided by CEDA. These transactions occur on normal commercial terms and conditions.

A director, Ms B K Morris is a former member of the Australian Advisory Council of Parsons Brinckerhoff. QIC Limited has utilised the consulting services of Parsons Brinckerhoff Australia Pty Ltd. These transactions occur on normal commercial terms and conditions.

A director, Mr G B Murdoch is a senator and adjunct professor of the University of Queensland. QIC Limited subscribes to membership and other services provided by the University of Queensland. These transactions occur on normal commercial terms and conditions.

A former director, Mr D H Harrison is a director of BAC Holdings Limited. QIC Limited receives directors' fees in relation to services provided to BAC Holdings Limited. These transactions occur on normal commercial terms and conditions.

(ii) Executives of the Group

Dr D F McTaggart, the former Chief Executive, was Governor of the Queensland Community Foundation until 31 May 2012. QIC Limited provides sponsorship to the Queensland Community Foundation.

Dr D F McTaggart was a director of Q Invest Limited until 6 August 2010. QIC Limited received directors' fees from Q Invest Limited. Details of other transactions undertaken with Q Invest Limited are outlined in the previous section.

28 Related party transactions (continued)

Dr D F McTaggart is a director of Telesso Technologies Limited. Trusts for which QIC Limited subsidiaries are trustee hold shares in Telesso Technologies Limited. QIC Limited receives directors' fees in relation to Dr D F McTaggart's services.

Dr D F McTaggart was a director of the Committee for Economic Development of Australia (CEDA) until 7 March 2012. QIC Limited subscribes to publications provided by CEDA. These transactions occur on normal commercial terms and conditions.

Dr D F McTaggart was appointed as a Commissioner on the Queensland Public Service Commission of Audit on 27 April 2012. While Dr D F McTaggart was the Chief Executive of QIC Limited the fees for his services to the Commission of Audit were remitted to QIC Limited. These transactions occurred on normal commercial terms and conditions.

Mr A C Ryder is a director and chair of Medical and Professional Funds Management Pty Ltd. Mr A C Ryder receives directors' fees in relation to this appointment. QIC Limited provides investment management services to Medical and Professional Funds Management Pty Ltd. These transactions occur on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with key management personnel of QIC Limited and the consolidated entity, are listed below.

	2012	2011
	\$'000	\$'000
<i>Amounts recognised as revenue</i>		
Directors' fees	143	145
Management and performance fees	43	1,679
Information technology services	-	711
Accounting and payroll services	-	341
Consulting services	15	4
	<u>201</u>	<u>2,880</u>

	2012	2011
	\$'000	\$'000
<i>Amounts recognised as expenses</i>		
Professional services	1,208	1,912
Sponsorships	74	73
Donations	13	13
Subscriptions	29	11
	<u>1,324</u>	<u>2,009</u>

28 Related party transactions (continued)

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Sales of goods and services</i>				
Service fees from controlled entities	-	-	26,433	21,645
Administration fees from associates	-	1,157	-	1,157
Directors' fees from associates	50	52	50	52
Investment management and performance fees from other related parties - State of Queensland	8,535	6,655	8,535	6,655
Investment management and performance fees from other related parties - Queensland Treasury	90,002	88,167	63,000	45,180
Other goods and services from other related parties - State of Queensland	253	113	253	73
Other goods and services from other related parties - Queensland Treasury	100	174	-	-
	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Purchases of goods</i>				
Purchase of goods and services from other related parties - State of Queensland	6,284	5,947	4,085	3,802
Service fees paid to controlled entities	-	-	10,005	2,642
<i>Payment of income tax</i>				
Other related parties - State of Queensland	18,999	18,893	18,999	18,893
<i>Payment of dividends</i>				
Other related parties - Queensland Treasury	20,461	13,151	20,461	13,151
<i>Tax consolidation legislation</i>				
Amounts payable by subsidiaries under the tax sharing and funding agreement	-	-	14,140	14,120
<i>Dividend revenue</i>				
Controlled entities	-	-	35,430	30,642
<i>Superannuation contributions</i>				
Contributions to superannuation funds on behalf of employees - QSuper	6,632	6,972	3,508	3,791

28 Related party transactions (continued)

(e) Outstanding balances arising from sales/purchases of goods and services

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

	Consolidated		Parent entity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Current receivables (sales of goods and services)</i>				
Controlled entities	-	-	133	378
Other related parties - State of Queensland	773	630	773	630
Other related parties - Queensland Treasury	18,279	18,955	5,680	5,605
<i>Current receivables (tax sharing agreement)</i>				
Wholly-owned tax consolidated entities	-	-	9,443	7,891
<i>Current receivables (dividend revenue)</i>				
Controlled entities	-	-	35,430	30,642
<i>Current payables (purchases of goods and services)</i>				
Controlled entities	-	-	76,783	54,736
Other related parties - State of Queensland	462	356	218	262
<i>Current payables (payment of dividends)</i>				
Other related parties - Queensland Treasury	16,022	20,461	16,022	20,461
<i>Non-current provisions</i>				
Controlled entities	-	-	64,337	64,337
Associated entities	64,337	64,337	-	-

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

(f) Terms and conditions

Outstanding balances are unsecured, at call, non interest bearing and are repayable in cash.

Details of loan facility agreements with related parties are detailed in note 26(b).

29 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2012 %	2011 %
Canberra Centre Investments Pty Ltd	Australia	Ordinary	100	100
Eastland Property Holdings Pty Ltd	Australia	Ordinary	100	100
Pacific Echo Pty Limited	Australia	Ordinary	100	100
Innovis Investments Pty Ltd	Australia	Ordinary	50	50
Martin Place Management Limited	Australia	Ordinary	100	50
QBF No. 1 Pty Ltd	Australia	Ordinary	100	100
QBF No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC (UK) Management Limited ^(a)	United Kingdom	Ordinary	100	100
QIC Asia Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC Coomera Pty Ltd	Australia	Ordinary	100	100
QIC Developments Pty Ltd	Australia	Ordinary	100	100
QIC European Investment Services Limited ^(a)	United Kingdom	Ordinary	100	-
QIC Global Real Estate (US), Inc ^(b)	United States	Ordinary	100	-
QIC GRE Management (US), Inc ^(b)	United States	Ordinary	100	-
QIC Helensvale Pty Ltd	Australia	Ordinary	100	100
QIC Hi Yield Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 3 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 4 Pty Ltd	Australia	Ordinary	100	100
QIC International Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC Investments No.1 Pty Ltd	Australia	Ordinary	100	100
QIC Investments No.2 Pty Ltd	Australia	Ordinary	100	100
QIC Investments No.3 Pty Ltd	Australia	Ordinary	100	100
QIC Logan Hyperdome Pty Ltd	Australia	Ordinary	100	100
QIC Merry Hill Pty Ltd	Australia	Ordinary	100	100
QIC Noosa Civic Pty Ltd	Australia	Ordinary	100	-
QIC North America Investments Pty Ltd	Australia	Ordinary	100	100
QIC North Asia Real Estate Investment Pty Ltd	Australia	Ordinary	100	100
QIC Private Capital Pty Ltd ^(a)	Australia	Ordinary	100	100
QIC Properties Pty Ltd ^(a)	Australia	Ordinary	100	100
QIC Property Investments (Jersey) No. 1 Limited	Jersey	Ordinary	100	100
QIC Property Investments (Jersey) No. 2 Limited	Jersey	Ordinary	100	100
QIC Property Management Pty Ltd	Australia	Ordinary	100	100
QIC Real Estate Funds Pty Ltd	Australia	Ordinary	100	100
QIC Real Estate Pty Ltd	Australia	Ordinary	100	100
QIC Retail Pty Ltd ^(a)	Australia	Ordinary	100	100
QIC Retail (No. 2) Pty Ltd	Australia	Ordinary	100	100
QIC Ringwood Pty Ltd	Australia	Ordinary	100	100
QIC Robina Pty Ltd	Australia	Ordinary	100	100
QIC Strategy No. 1 Pty Ltd	Australia	Ordinary	100	100
QIC Strategy No. 1A Pty Ltd	Australia	Ordinary	100	100
QIC Strategy No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC Strategy No. 2A Pty Ltd	Australia	Ordinary	100	100
QIC Toowoomba Pty Ltd	Australia	Ordinary	100	100
QIC (US) Investment Services, Inc ^(b)	United States	Ordinary	100	-
QIC US Management, Inc ^(a)	United States	Ordinary	100	100
QIC Westpoint Pty Ltd	Australia	Ordinary	100	100
QPC Investments No. 1 Pty Ltd	Australia	Ordinary	100	100
Queensland BioCapital Funds Pty Ltd ^(a)	Australia	Ordinary	100	100
Watergardens Pty Limited	Australia	Ordinary	100	100

29 Subsidiaries (continued)

- (a) Subsidiaries that are referred to in this financial report as the Group or the consolidated entity. All other entities listed had no transactions and were effectively dormant during the current and prior years.
- (b) Subsidiary of QIC US Management, Inc.

30 Events occurring after the reporting date

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

31 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Net profit after tax for the year	26,703	34,102	26,712	34,077
Distribution income reinvested	(58)	(381)	(58)	(381)
Fair value gains on non-current financial assets at fair value through profit or loss	57	(72)	57	(72)
Depreciation and amortisation	8,334	6,711	8,240	6,613
Net loss on disposal of non-current assets	72	33	72	33
Change in operating assets and liabilities:				
(Increase) decrease in receivables	(7,548)	3,807	(15,107)	9,408
Decrease in other current assets	277	1,448	373	956
Increase in deferred tax assets	(3,354)	(1,665)	(2,307)	(2,374)
Increase in payables	7,660	7,836	21,637	4,905
Increase in provisions	13,679	3,178	5,657	1,372
Decrease in current tax liabilities	(4,123)	(1,497)	(4,354)	(1,510)
Decrease (increase) in deferred tax liabilities	8	(592)	(8)	(87)
Net cash inflow from operating activities	<u>41,707</u>	<u>52,908</u>	<u>40,914</u>	<u>52,940</u>

Directors' declaration

In the directors' opinion:

- (1) the financial statements and notes set out on pages 6 to 54, are in accordance with the *Corporations Act 2001* and
 - (a) comply with Australian Accounting Standards and Interpretations;
 - (b) are in accordance with the *Corporations Regulations 2001*;
 - (c) give a true and fair view of the financial position of the parent entity's and consolidated group's financial position as at 30 June 2012 and of their performance for the financial year ended on that date;
 - (d) the financial report complies with International Financial Reporting Standards as disclosed in note 1(a); and
- (2) there are reasonable grounds to believe that the parent entity will be able to pay its debts as and when they become due and payable.

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



P F Young AM
Chairman



B K Morris
Chair of the Audit & Risk Committee

Brisbane
29 August 2012

INDEPENDENT AUDITOR'S REPORT

To the members of QIC Limited

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of QIC Limited and the consolidated entity for the year ended 30 June 2012. Where the financial report is included on QIC Limited's website the company's directors are responsible for the integrity of QIC Limited's website and I have not been engaged to report on the integrity of QIC Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of QIC Limited, which comprises the statements of financial position as at 30 June 2012, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 only be removed 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.

**Independent Audit Report
To the members of QIC Limited (continued)**

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2012 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 Reporting Standards as disclosed in Note 1(a).



A M GREAVES FCA FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane