

QIC Limited

ABN 95 942 373 762

**Annual financial statements and directors' report
for the year ended 30 June 2014**

Directors' Report

The directors present their report on the consolidated entity (referred to hereafter as the group) consisting of QIC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

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

Mr M L Newman AC
 Mr D E Usasz
 Mr G B Murdoch

Mr P F Young AM was a director from the beginning of the financial year until his resignation on 21 November 2013.

Mr D R Luke, Mr A E King and Ms G M Pemberton were appointed as directors on 12 December 2013 and continue in office at the date of this report.

Mr B C Bowton was re-appointed as a director on 12 December 2013 and continues in office at the date of this report. Mr B C Bowton's previous term had ended on 30 September 2013.

Mr K D MacDonald and Ms L T Gearing were directors from the beginning of the financial year until their retirement on 30 September 2013.

Principal activities

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

Dividends

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

	2014 \$'000	2013 \$'000
Dividends provided for and declared	<u>69,680</u>	<u>30,909</u>

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to \$69.7 million (2013: \$38.6 million).

Significant changes in the state of affairs

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

Effective 12 December 2013, Mr D R Luke was appointed as Chairman of the parent, QIC Limited.

On 1 May 2014, QIC Limited divested its Australian Small Companies business. The investment team joined Brisbane-based global investment solutions provider Channel Capital.

The Australian Securities and Investments Commission approved QIC Limited to withdraw and replace the following eligible undertakings dated 5 February 2013. On 25 June 2014 QIC Limited irrevocably agreed to pay the following entities up to the following amounts on written demand pursuant to an Australian Financial Services Licence.

- QIC Private Capital Pty Ltd an amount up to \$14.0 million (2013: \$8.0 million) (in aggregate)
- QIC Investments No.1 Pty Ltd an amount up to \$2.0 million (2013: \$50,000) (in aggregate)
- QIC Investments No.3 Pty Ltd an amount up to \$150,000 (2013: \$50,000) (in aggregate)
- QIC Infrastructure Management No.2 Pty Ltd an amount up to \$150,000 (2013: \$50,000) (in aggregate)

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 30 June 2014 that have significantly affected, or may significantly affect, the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Company secretary

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

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit and Risk		HR and Remuneration	
	A	B	A	B	A	B
Mr D R Luke ⁽¹⁾	4	4	-	-	6	6
Mr B C Bowton ⁽⁴⁾	8	9	4	5	-	-
Mr M L Newman AC	9	10	-	-	8	9
Mr D E Usasz	10	10	2	2	8	9
Mr G B Murdoch	7	10	5	5	-	-
Mr A E King ⁽¹⁾	4	4	-	-	5	6
Ms G M Pemberton ⁽¹⁾	4	4	2	2	4	6
Mr P F Young AM ⁽²⁾	5	6	-	-	3	3
Mr K D MacDonald ⁽³⁾	5	5	2	3	3	3
Ms L T Gearing ⁽³⁾	5	5	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 during the year

(1) = Appointed 12 December 2013

(2) = Resigned 21 November 2013

(3) = Resigned 30 September 2013

(4) = Term ended 30 September 2013, re-appointed 12 December 2013

Insurance of officers

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

Environmental regulation

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

Shares under option

No options over issued shares or interests in the company or controlled entities were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts

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

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

A handwritten signature in black ink, appearing to read 'D R Luke', with a long, sweeping horizontal stroke extending to the right.

Mr D R Luke
Chairman

Brisbane
29 August 2014

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 2014, I declare that, to the best of my knowledge and belief, there have been -

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



A M GREAVES FCA FCPA
Auditor-General of Queensland



QIC Limited ABN 95 942 373 762
Annual report - 30 June 2014

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

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

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

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

The financial statements were authorised for issue by the directors on 29 August 2014. The directors have the power to amend and reissue the financial statements.

QIC Limited
Statements of profit or loss
For the year ended 30 June 2014

		Consolidated entity		Parent entity	
	Notes	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000
Revenue	4	312,803	258,665	214,012	159,142
Other income	5(a)	1,526	808	1,585	808
Employee benefits expense		(146,142)	(147,237)	(68,372)	(64,323)
Professional services		(13,348)	(12,247)	(9,930)	(9,143)
Operating lease costs		(11,779)	(10,959)	(10,889)	(10,120)
Product and mandate services		(11,297)	(3,932)	(11,036)	(3,774)
Depreciation and amortisation	5(b)	(10,928)	(7,953)	(10,773)	(7,805)
Travel		(4,489)	(4,744)	(1,673)	(1,800)
Computer operating costs		(3,624)	(3,825)	(3,387)	(3,552)
Information and research services		(2,606)	(2,876)	(2,292)	(2,770)
Staff development and recruitment		(2,275)	(2,347)	(1,465)	(1,349)
Insurance		(1,845)	(1,833)	(1,800)	(1,293)
Communication expenses		(1,254)	(1,393)	(897)	(921)
Auditors' remuneration	27	(421)	(410)	(239)	(208)
Net loss on disposal of property, plant and equipment		(38)	(427)	(39)	(427)
Foreign exchange losses	5(b)	-	(109)	-	(46)
Service fees		-	-	(12,917)	(10,833)
Other expenses		(5,705)	(5,029)	(3,935)	(3,217)
Expenses		(215,751)	(205,321)	(139,644)	(121,581)
Share of profit from associates		86	-	86	-
Profit before income tax		98,664	54,152	76,039	38,369
Income tax (expense) benefit	6	(28,984)	(15,517)	(6,367)	341
Net profit after tax for the year	23(b)	69,680	38,635	69,672	38,710
Net profit after tax is attributable to:					
Owners of QIC Limited	23(b)	69,680	38,635	69,672	38,710

All revenue is from continuing operations. Queensland BioCapital Funds Pty Ltd (a subsidiary of QIC Limited) ceased operations on 31 October 2012. This had nil impact on net profit after tax for the prior year. There are no discontinued operations.

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

QIC Limited
Statements of other comprehensive income
For the year ended 30 June 2014

	Notes	Consolidated entity		Parent entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net profit after tax for the year		69,680	38,635	69,672	38,710
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Loss on revaluation - gross: foreign exchange contracts	23(a)	(3)	-	(3)	-
Exchange differences on translation of foreign operations	23(a)	(7)	90	-	-
Other comprehensive income for the year, net of tax		(10)	90	(3)	-
Total comprehensive income for the year		69,670	38,725	69,669	38,710
Total comprehensive income for the year is attributable to:					
Owners of QIC Limited		69,670	38,725	69,669	38,710
Total comprehensive income for the year attributable to owners of QIC Limited arises from:					
Continuing operations		69,670	38,725	69,669	38,710

All revenue is from continuing operations. Queensland BioCapital Funds Pty Ltd (a subsidiary of QIC Limited) ceased operations on 31 October 2012. This had nil impact on net profit after tax for the prior year. There are no discontinued operations.

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

QIC Limited
Statements of financial position
As at 30 June 2014

Statements of financial position

		Consolidated entity		Parent entity	
	Notes	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	6,689	5,676	5,164	4,276
Receivables	8	82,889	74,542	110,059	88,141
Financial assets at fair value through profit or loss	9	177,186	178,564	177,186	178,564
Total current assets		266,764	258,782	292,409	270,981
Non-current assets					
Receivables	10	78	972	78	972
Financial assets at fair value through profit and loss	11	35,608	3,614	35,608	3,614
Property, plant and equipment	12	17,517	16,267	17,096	15,784
Deferred tax assets	13	27,856	24,388	14,523	14,057
Intangible assets	14	6,053	10,513	6,053	10,513
Other assets	15	110	23	741	605
Total non-current assets		87,222	55,777	74,099	45,545
Total assets		353,986	314,559	366,508	316,526
LIABILITIES					
Current liabilities					
Payables	16	154,732	97,777	197,785	131,974
Provisions	17	31,419	12,034	27,093	6,414
Current tax liabilities	18	9,078	90	8,822	162
Deferred income	19	6	-	-	-
Total current liabilities		195,235	109,901	233,700	138,550
Non-current liabilities					
Deferred tax liabilities	20	16,374	4,457	13,676	4,434
Provisions	21	23,522	81,336	11,893	66,292
Total non-current liabilities		39,896	85,793	25,569	70,726
Total liabilities		235,131	195,694	259,269	209,276
Net assets		118,855	118,865	107,239	107,250
EQUITY					
Contributed equity	22	37,475	37,475	37,475	37,475
Other reserves	23(a)	62	72	(3)	-
Retained earnings	23(b)	81,318	81,318	69,767	69,775
Capital and reserves attributable to owners of QIC Limited		118,855	118,865	107,239	107,250
Total equity		118,855	118,865	107,239	107,250

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 2014

	Notes	Attributable to owners of QIC Limited			Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
Consolidated entity					
Balance at 1 July 2012		37,475	(18)	73,592	111,049
Profit for the year		-	-	38,635	38,635
Other comprehensive income		-	90	-	90
Total comprehensive income for the year		-	90	38,635	38,725
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(30,909)	(30,909)
Balance at 30 June 2013		37,475	72	81,318	118,865
Balance at 1 July 2013		37,475	72	81,318	118,865
Profit for the year		-	-	69,680	69,680
Other comprehensive income		-	(10)	-	(10)
Total comprehensive income for the year		-	(10)	69,680	69,670
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(69,680)	(69,680)
Balance at 30 June 2014		37,475	62	81,318	118,855

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

QIC Limited
Statements of changes in equity
For the year ended 30 June 2014
(continued)

Parent entity	Notes	Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2012		37,475	-	61,974	99,449
Profit for the year		-	-	38,710	38,710
Total comprehensive income for the year		-	-	38,710	38,710
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(30,909)	(30,909)
Balance at 30 June 2013		37,475	-	69,775	107,250
 Balance at 1 July 2013		 37,475	 -	 69,775	 107,250
Profit for the year		-	-	69,672	69,672
Other comprehensive income		-	(3)	-	(3)
Total comprehensive income for the year		-	(3)	69,672	69,669
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	24	-	-	(69,680)	(69,680)
Balance at 30 June 2014		37,475	(3)	69,767	107,239

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 2014

		Consolidated entity		Parent entity	
		2014	2013	2014	2013
	Notes	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers		321,872	240,723	154,694	118,971
Payments to suppliers and employees		(247,309)	(209,037)	(133,211)	(135,992)
Distributions received		3,875	5,547	3,875	5,547
Fair value gains (losses) on cash and cash equivalents		124	(457)	124	(458)
Dividends received		-	-	36,986	35,430
Interest received		168	86	168	86
Income taxes paid		(11,547)	(11,921)	(11,331)	(14,369)
Compensation received from tax consolidated group entities		-	-	15,663	15,648
Net cash inflow from operating activities	33	67,183	24,941	66,968	24,863
Cash flows from investing activities					
Payments for property, plant and equipment	12	(5,278)	(2,491)	(5,198)	(2,330)
Payments for intangibles	14	(2,465)	(1,823)	(2,465)	(1,823)
Payments for investment in joint venture partnerships		(1)	(1)	(1)	(1)
Proceeds from sale of property, plant and equipment		6	1	2	1
Payments for shares in subsidiaries		-	(16)	-	(42)
Payments for financial assets at fair value through profit or loss		(42,435)	(12,264)	(42,435)	(12,264)
Proceeds from sale of financial assets at fair value through profit or loss		11,173	7,226	11,173	7,226
Distributions received		1,745	1,030	1,745	1,030
Net cash outflow from investing activities		(37,255)	(8,338)	(37,179)	(8,203)
Cash flows from financing activities					
Dividends paid to shareholders	24	(30,909)	(16,022)	(30,909)	(16,022)
Net cash outflow from financing activities		(30,909)	(16,022)	(30,909)	(16,022)
Net (decrease) increase in cash and cash equivalents					
		(981)	581	(1,120)	638
Cash and cash equivalents at the beginning of the financial year		166,683	166,008	165,283	164,645
Effects of exchange rate changes on cash and cash equivalents		(14)	94	-	-
Cash and cash equivalents at end of year	7	165,688	166,683	164,163	165,283

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* and
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The standards only affected the disclosures in the notes to the financial statements, except for AASB 119 the impact of which is disclosed in Note 2.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The financial statements incorporate the assets and liabilities of all subsidiaries of QIC Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. QIC Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

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

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

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

(iv) Equity method

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

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

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

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of QIC Limited.

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 ('the functional currency'). These financial statements are presented in Australian dollars, which is QIC Limited's functional and presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

(d) Revenue recognition

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

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

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

(i) Investment management fees

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

(ii) Performance fees

Performance fees and rebates are recognised on an accruals basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group.

Performance fees are subject to specific criteria being met over the performance period. Revenue may not be recognised where the performance criteria is subject to uncertain future events outside the control of the group.

Where the achievement of criteria are uncertain a contingent asset will be recognised.

(iii) Service and administration fees

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

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(iv) Interest income

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

(v) Dividends

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

(vi) Trust recovery fee

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

(vii) Offsetting

Revenue and expenses are offset in the financial statements of the group where offsetting the transactions accurately reflects the substance of the transaction and where not offsetting would detract from the ability of users to clearly understand the nature of the transaction and operations of the group. The group has offset expenses paid on behalf of associated entities and clients with revenues receivable on behalf of associated entities and clients, in relation to product and client related costs where QIC principally acts as agent.

(e) Goods and Services Tax (GST)

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

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

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

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

(f) Income tax

(i) Income tax equivalents

As a State trading body under the *Income Tax Assessment Act 1997*, QIC Limited and its wholly-owned Australian controlled entities are exempt from the Commonwealth income tax. However, pursuant to the *Government Owned Corporations Act 1993* and the National Tax Equivalents Regime, the group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

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

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

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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) Investment allowances and similar tax incentives

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

(iii) Tax consolidation legislation

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 6.

(iv) Taxation of Financial Arrangements (TOFA)

Compliance with the TOFA legislation is mandatory for the tax consolidated group for tax years beginning on or after 1 July 2010. The group has, apart from the foreign exchange retranslation election in relation to qualifying foreign exchange accounts, accepted the default method of accruals or realisation and has not made the election regarding transitional financial arrangements or any other elective timing methods.

(v) Stamp duty

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

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1 Summary of significant accounting policies (continued)

(h) Cash and cash equivalents

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

Cash and cash equivalents include balances in relation to investments in the QIC Cash Enhanced Fund. These investments are readily able to be converted to cash on call and are highly liquid.

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 7.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. There were no impairment amounts at 30 June 2014 (2013: \$nil).

(k) Investments and other financial assets

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

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

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

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

Investment funds were held in the QIC Cash Enhanced Fund during the financial year. The QIC Cash Enhanced Fund invests in short term cash and fixed interest securities, which it records on a fair value basis. The annualised rate of return on the investment in the QIC Cash Enhanced Fund was 3.07% (2013: 4.27%).

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 10.86% (2013: 13.60%). Investments held by the QIC Growth Fund are recorded on a fair value basis.

1 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Deferred long term staff incentive amounts were held in the QIC Cash Fund, QIC GFI Alpha Fund and QIC Growth Fund during the financial year. The QIC Cash Fund invests in short term cash securities, which it records on a fair value basis. The QIC GFI Alpha Fund invests in cash and fixed interest securities, which it records on a fair value basis. The annualised return on these investments were QIC Cash Fund 2.67% (2013: 3.30%), QIC GFI Alpha Fund 6.79% (2013: 10.64%) and QIC Growth Fund 13.17% (2013: 14.74%).

(ii) Receivables

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

(l) Property, plant and equipment

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

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

Items of property, plant and equipment with a cost, or other value, in excess of \$1,000 (2013: \$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 (2013: \$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.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

All items of property, plant and equipment have limited useful lives and are depreciated using either the straight line method or diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed.

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

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

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

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

1 Summary of significant accounting policies (continued)

(m) Intangible assets

(i) Computer software

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

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

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

(ii) IT development costs

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

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

(iii) Research and development

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

(n) Payables

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

(o) Provisions

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

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

(p) Employee benefits

(i) Short-term obligations

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

1 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

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, retention 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 depending on when it is expected to be settled.

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

(ii) Long-term obligations

Annual leave and long service leave benefits have been measured at the present value of the estimated future cash outflows resulting from services rendered by employees at balance date. Provisions for employee benefits that are not expected to be settled within 12 months are discounted using the rates attaching to 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.

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

(iii) Retirement benefit obligations

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

In relation to contributions to the QSuper defined benefit plan, employer contributions for superannuation are as determined by the Treasurer on the advice of the State Actuary. No liability is shown for superannuation benefits in the 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*.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(q) Derivatives and hedging activities

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

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

1 Summary of significant accounting policies (continued)

(q) Derivatives and hedging activities (continued)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. Movements in the hedging reserve in shareholders' equity are shown in note 23. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

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

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

(r) Contributed equity

Ordinary shares are classified as equity.

(s) Dividends

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

The dividend declared by the parent entity represents 100% (2013: 80%) of consolidated operating profit after tax. This reflects the requirements of the *Government Owned Corporations Act 1993* and Queensland Treasury policies, which require the annual dividend declared by a government owned corporation to be calculated on a group basis.

(t) Rounding of amounts

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

(u) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.

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

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

1 Summary of significant accounting policies (continued)

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

- (ii) AASB 1031 *Materiality*, AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments, Part B Materiality* (effective 1 January 2014), and AASB 2014-1 *Amendments to Australian Accounting Standards, Part C Materiality* (effective 1 July 2014)

The AASB decided to withdraw AASB 1031. Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations). Part C of AASB 2014-1 deletes references to AASB 1031 in various other Australian Accounting Standards. Once all references to AASB 1031 have been deleted from all Australian Accounting Standards, AASB 1031 will be withdrawn. The adoption of the new rules will not impact the financial statements of the group. Early adoption is not permitted.

- (iii) AASB 2014-1 *Amendments to Australian Accounting Standards, Part A Annual Improvements 2010-2012 and 2011-2013 Cycles* (effective 1 July 2014)

Part A of AASB 2014-1 makes various amendments and editorial corrections to a number of Australian Accounting Standards. The adoption of the amendments will not impact the financial statements of the group.

- (iv) IFRS 15 *Revenue from Contracts with Customers*

The IASB issued IFRS 15 in May 2014 with an effective date of 1 January 2017. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 15 contains a single model that applies to revenue arising from contracts with customers. The model features a five step model analysis of transactions to determine whether, how much and when revenue is recognised.

The AASB's version of IFRS 15 is expected to supersede (to the extent relevant to the company) AASB 118 *Revenue*. The adoption of this standard will result in additional disclosures including additional information on performance obligations and judgements and estimates. The group is currently assessing the impact on revenue recognition and measurement, at this stage the group is unable to quantify the impact of this new standard. The group is likely to early adopt the standard in the year preceding its mandatory status.

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

2 Changes in accounting policies

As explained in note 1(a) above, the group has adopted a number of new or revised accounting standards this year. None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(a) Consolidated financial statements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation - Special Purpose Entities*.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

2 Changes in accounting policies (continued)

(b) Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* has changed the accounting policy for the group's annual leave obligations. As the group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. The measurement of these obligations has changed, as the entire obligation is now measured on a discounted basis. However the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

The new accounting policy was adopted on 1 July 2013 and has been applied to amounts recognised in the current period.

(c) Fair value measurement

AASB 13 *Fair Value Measurement* 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 apply to all of the group's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable', the amount of information disclosed has significantly increased. Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

(d) The group acting as agent - voluntary change in accounting policy

The financial report has been prepared on the basis of a retrospective application of a voluntary change in the accounting policy relating to revenue and the group acting as agent for trust related recoveries.

The group incurs a number of audit, custodian, administration and professional service fees on behalf of trusts for which it or one of its subsidiaries is trustee. AASB 118 *Revenue* provides that the group is acting as principal where the group is exposed to the significant risks and rewards associated with the sale of goods or the rendering of services. The primary responsibility for the acceptability of the services purchased by the group rests with the service provider. The latitude in setting prices and the credit risk associated with these services also rests with the service provider. The group recovers these third-party costs directly from the trusts and does not charge an additional margin or fee. Accordingly, in relation to these fees, the group is not acting as principal, but rather as an agent. Therefore, the recovery of these fees does not meet the definition of revenue.

The previous accounting policy was to recognise these costs as expenses and to recognise their subsequent expense and the recovery as revenue. The changed accounting policy results in the recovery being removed from the group's financial statements.

The new accounting policy was adopted on 1 July 2013 and has been applied retrospectively. Management judges that the change in policy will result in the financial report providing more relevant and no less reliable information because it leads to a more transparent treatment of product recoveries.

The impact of this change in accounting policy on the statements of profit or loss is a decrease in revenue of \$16.1 million (2013: \$15.1 million) and a corresponding decrease in expenses of \$16.1 million (2013: \$15.1 million). Overall there was a nil net effect on the profit results of the group in the current financial year (2013: Nil).

There is no impact on the statements of financial position and no material impact on the statements of cash flows.

3 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.

(a) Significant estimates and judgements

- Income taxes
- Provisions
- Accrued revenue

(i) Income taxes

The group is subject to the National Tax Equivalents Regime in Australia and income taxes in other jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on management's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(ii) Provisions

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

(iii) Accrued revenue

QIC Shopping Centre Fund

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. In December 2008, the group received a mid-term instalment of the performance fee of \$64.3 million net of rebate and GST. This has been recognised as a contingency, refer to note 28(b)(i). Under the applicable agreement if the performance criteria are not met over the entire 12 year period, no performance fee is payable.

There are a number of risk factors that impact the performance of the QIC Shopping Centre Fund, over which the parent entity has limited control, and these risks could lead to the performance fee criteria not being met. Achievement of these targets are influenced by a number of factors including changes in the competitive environment that may affect the performance of the properties held by the fund, rental and occupancy levels, movements in interest rates and other risk factors.

At year end, based on the performance to date, management's judgement is that there is a high degree of certainty that a performance fee will be achieved over the 12 year period and consequently the inflow of economic benefits is considered probable. Accordingly, a staged recognition approach has been adopted and a portion of the performance fee has been recognised as income by the group for the year ended 30 June 2014.

The amount recognised has been estimated following observations of historical and forecast full term performance fee calculations on a quarterly basis. A statistical analysis of the changes in performance fee over time has been undertaken, resulting in a reasonable data set to estimate how the performance fee may evolve from the current position to the vesting date.

At reporting date, based on variables assessed, the estimated performance fee at vesting date may range from \$43.6 million to \$52.0 million (2013: \$12.4 million to \$50.4 million).

3 Critical accounting estimates and judgements (continued)

(a) Significant estimates and judgements (continued)

US Real Estate Investment Trusts (REITs)

The parent entity operates a number of US REITs. A performance fee is potentially payable by the US REITs to the group where certain performance criteria are achieved over a 12 month calendar year ending in December 2014. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, management's judgement is that there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 2014 calendar year. Achievement of these targets is influenced by a number of factors over which the group has limited control, including the underlying performance of the US commercial property market, movements in interest rates and other risk factors.

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 for the period 1 January 2014 to 30 June 2014 has not been recognised as income by the group for the year ended 30 June 2014.

Other

All other 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. Performance fees are calculated in accordance with defined formula as set out in client agreements.

(b) Revision of useful lives of an intangible asset

During the year the estimated total useful life of an intangible asset was revised due to a new software replacement. The current software will be de-commissioned at the end of September 2014. The net effect of the changes in the current financial year was an increase in depreciation expense of the group of \$3.3 million.

4 Revenue

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
From continuing operations				
Management, performance and other fees	290,062	235,675	70,492	69,446
Dividends from controlled entities	-	-	52,676	36,986
Service fees from controlled entities	-	-	73,888	35,013
Product administration fees	7,246	7,086	7,168	6,927
Administration fees	6,068	6,410	1,127	2,103
Investment income	5,620	6,576	5,620	6,576
Interest	170	92	170	92
Other	3,637	2,826	2,871	1,999
	312,803	258,665	214,012	159,142

5 Other income and expense items

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

(a) Other income

	Notes	Consolidated entity		Parent entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Fair value gains on financial assets at fair value through profit or loss	9, 11	1,176	691	1,176	691
Net gain on sale of financial assets at fair value	9, 11	310	117	310	117
Foreign exchange gains		40	-	99	-
		1,526	808	1,585	808

(b) Profit before income tax includes the following specific expenses:

	Consolidated entity		Parent entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Depreciation</i>				
Office equipment, furniture and fittings	2,856	2,696	2,753	2,555
Computer equipment	1,147	1,172	1,095	1,165
Total depreciation	4,003	3,868	3,848	3,720
<i>Amortisation</i>				
Computer software	6,925	4,085	6,925	4,085
Total amortisation	6,925	4,085	6,925	4,085
Total depreciation and amortisation	10,928	7,953	10,773	7,805
<i>Foreign exchange losses</i>				
Foreign exchange losses	-	109	-	46
Net foreign exchange losses recognised in profit before income tax for the year	-	109	-	46

6 Income tax expense

(a) Income tax expense

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current tax	21,774	12,800	21,168	11,816
Deferred tax	8,391	4,970	8,777	5,651
Compensation received from tax consolidated group entities	-	-	(22,400)	(15,560)
Adjustments for current tax of prior periods	(1,181)	(2,253)	(1,178)	(2,248)
	28,984	15,517	6,367	(341)
Income tax expense/(benefit) is attributable to:				
Profit from continuing operations	28,984	15,517	6,367	(341)

The 2013 income tax return of the parent entity was amended during the year to include research and development tax claims. The taxation effect of the research and development claims of \$1.2 million is included in the adjustments for current tax of prior periods of both the parent entity and consolidated entity.

In the prior year, the 2012 income tax return was amended to include a research and development tax claim. The taxation effect of the research and development claims of \$2.2 million was included in the adjustments for current tax of prior periods of both the parent entity and consolidated entity.

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Profit from continuing operations before income tax expense	98,664	54,152	76,039	38,369
Tax expense at the Australian tax rate of 30% (2013 - 30%)	29,599	16,246	22,812	11,511
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Other assessable income	3,585	-	3,585	-
Other allowable deductions	(3,585)	-	(3,585)	-
Non-deductible entertainment	51	64	35	42
Non-(assessable) deductible sundry items	29	(33)	(295)	(225)
	29,679	16,277	22,552	11,328
Difference in overseas tax rates	(20)	38	-	-
Tax offset for franked dividends and foreign income	(190)	(29)	(190)	(29)
Non-assessable dividend income upon consolidation	-	-	(15,535)	(10,871)
Adjustments for current tax of prior periods	(485)	(769)	(460)	(769)
	(695)	(760)	(16,185)	(11,669)
Income tax expense (benefit)	28,984	15,517	6,367	(341)

6 Income tax expense (continued)

(c) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly-owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement (see note 30(e)).

7 Current assets - Cash and cash equivalents

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash at bank and in hand	6,689	5,676	5,164	4,276

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

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	6,689	5,676	5,164	4,276
Investments in QIC Cash Enhanced Fund (note 9)	158,999	161,007	158,999	161,007
Balances per statements of cash flows	165,688	166,683	164,163	165,283

(b) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash and cash equivalents was 1.98% (2013: 2.37%). The group's exposure to liquidity risk is discussed in Note 25.

(c) Amounts held in trust

An amount of \$4,221,213 (2013: \$761,678) was recognised in cash and cash equivalents as at 30 June 2014. These monies are for the sole purpose of seeking recovery of funds involving the group as a plaintiff and in its capacity as trustee.

8 Current assets - Receivables

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
Management, performance and other fees receivable	78,987	70,468	37,220	31,774
Related party receivables				
Net receivable from controlled entities	-	-	109	5,645
Dividends due from controlled entities	-	-	52,676	36,986
	-	-	52,785	42,631
Prepayments				
Prepayments	3,902	4,074	3,118	3,537
Tax sharing arrangement				
Tax related amounts receivable from controlled entities	-	-	16,936	10,199
	82,889	74,542	110,059	88,141

These are non-interest bearing. Information about the group's exposure to credit risk is disclosed in note 25.

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

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At beginning of year	178,564	176,063	178,564	176,063
Revaluation (realised and unrealised)	572	643	572	643
Distributions reinvested	4,540	6,282	4,540	6,282
Additions (subscriptions)	275,409	262,978	275,409	262,978
Disposals (redemptions)	(281,899)	(267,402)	(281,899)	(267,402)
At end of year	177,186	178,564	177,186	178,564
	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Current assets				
Investment in QIC Cash Enhanced Fund	158,999	161,007	158,999	161,007
Investments in other QIC products	18,187	17,557	18,187	17,557
	177,186	178,564	177,186	178,564

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

10 Non-current assets - Receivables

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Other receivables	78	972	78	972

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At beginning of year	3,614	3,155	3,614	3,155
Revaluations (realised and unrealised)	914	165	914	165
Distributions reinvested	1,080	294	1,080	294
Additions (subscriptions)	30,000	-	30,000	-
At end of year	35,608	3,614	35,608	3,614

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Investment in QIC Growth Fund	35,608	3,614	35,608	3,614

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

12 Non-current assets - Property, plant and equipment

	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Consolidated 2013			
At 1 July 2012			
Cost	24,103	10,246	34,349
Accumulated depreciation	(8,306)	(7,995)	(16,301)
Net book amount	15,797	2,251	18,048
Year ended 30 June 2013			
Opening net book amount	15,797	2,251	18,048
Exchange differences	30	3	33
Additions	1,726	765	2,491
Disposals	(432)	(5)	(437)
Depreciation charge (note 5(b))	(2,696)	(1,172)	(3,868)
Closing net book amount	14,425	1,842	16,267

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

	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Consolidated 2013			
At 30 June 2013			
Cost	24,981	9,961	34,942
Accumulated depreciation	(10,556)	(8,119)	(18,675)
Net book amount	14,425	1,842	16,267
	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Consolidated entity			
Year ended 30 June 2014			
Opening net book amount	14,425	1,842	16,267
Exchange differences	27	(2)	25
Additions	3,342	1,936	5,278
Disposals	(30)	(20)	(50)
Depreciation charge (note 5(b))	(2,856)	(1,147)	(4,003)
Closing net book amount	14,908	2,609	17,517
At 30 June 2014			
Cost	27,998	9,892	37,890
Accumulated depreciation	(13,090)	(7,283)	(20,373)
Net book amount	14,908	2,609	17,517
	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Parent entity			
At 1 July 2012			
Cost	23,190	10,224	33,414
Accumulated depreciation	(7,855)	(7,985)	(15,840)
Net book amount	15,335	2,239	17,574
Year ended 30 June 2013			
Opening net book amount	15,335	2,239	17,574
Additions	1,657	673	2,330
Disposals	(396)	(4)	(400)
Depreciation charge (note 5(b))	(2,555)	(1,165)	(3,720)
Closing net book amount	14,041	1,743	15,784
At 30 June 2013			
Cost	23,947	9,840	33,787
Accumulated depreciation	(9,906)	(8,097)	(18,003)
Net book amount	14,041	1,743	15,784

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

Parent entity	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
Year ended 30 June 2014			
Opening net book amount	14,041	1,743	15,784
Additions	3,342	1,856	5,198
Disposals	(30)	(8)	(38)
Depreciation charge (note 5(b))	(2,753)	(1,095)	(3,848)
Closing net book amount	14,600	2,496	17,096
At 30 June 2014			
Cost	26,895	9,706	36,601
Accumulated depreciation	(12,295)	(7,210)	(19,505)
Net book amount	14,600	2,496	17,096

Assets in the course of construction

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Office equipment, furniture and fittings	-	430	-	430
Total assets in the course of construction	-	430	-	430

13 Non-current assets - Deferred tax assets

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Employee benefits provided for or payable	24,210	20,426	11,086	10,391
Lease incentives	1,109	1,474	1,109	1,474
Depreciation and amortisation	923	103	902	81
Capital tax losses	909	909	909	909
Capital project related costs	524	1,189	367	948
Accrued expenses	121	122	92	89
Sundry items	60	165	58	165
	27,856	24,388	14,523	14,057

14 Non-current assets - Intangible assets

Consolidated and Parent	Computer software \$'000	Total \$'000
At 1 July 2012		
Cost	36,139	36,139
Accumulated amortisation	(23,338)	(23,338)
Net book amount	12,801	12,801
Year ended 30 June 2013		
Opening net book amount	12,801	12,801
Additions	1,823	1,823
Disposal	(26)	(26)
Amortisation charge (note 5(b))	(4,085)	(4,085)
Closing net book amount	10,513	10,513
At 30 June 2013		
Cost	29,280	29,280
Accumulated amortisation	(18,767)	(18,767)
Net book amount	10,513	10,513
Consolidated and Parent		
Year ended 30 June 2014		
Opening net book amount	10,513	10,513
Additions	2,465	2,465
Amortisation charge (note 5(b))	(6,925)	(6,925)
Closing net book amount	6,053	6,053
At 30 June 2014		
Cost	31,573	31,573
Accumulated amortisation	(25,520)	(25,520)
Net book amount	6,053	6,053

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 entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Intangible assets	791	129	791	129
Total assets in the course of construction	791	129	791	129

15 Non-current assets - Other assets

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Interests in associated entities	86	17	86	17
Interest in joint venture partnership	6	5	6	5
Shares in subsidiaries (note 31)	18	1	649	583
	110	23	741	605

16 Current liabilities - Payables

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Dividends	69,680	30,909	69,680	30,909
Employee benefits payable	60,210	54,713	22,728	18,982
Accrued expenses	15,752	5,741	4,110	3,416
Accounts payable	9,090	6,414	7,051	4,309
Amounts due to controlled entities	-	-	94,216	74,358
	154,732	97,777	197,785	131,974

These are non-interest bearing. Information about the group's risk exposure is provided in note 25.

17 Current liabilities - Provisions

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Provisions to associated entities	20,722	-	-	-
Employee benefits	9,824	10,778	5,498	5,158
Other provisions	873	1,256	873	1,256
Provisions to controlled entity	-	-	20,722	-
	31,419	12,034	27,093	6,414

(a) Movements in provisions

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

Consolidated entity 2014	Employee benefits \$'000	Provisions to associated entities \$'000	Other \$'000	Total \$'000
Carrying amount at the start of the year	10,778	-	1,256	12,034
Additional provisions recognised	7,167	-	-	7,167
Amounts used during the year	(9,441)	-	(1,222)	(10,663)
Amounts moved from non-current liabilities - Provisions	1,415	20,722	839	22,976
Amounts moved to payables	(95)	-	-	(95)
Carrying amount at end of year	9,824	20,722	873	31,419

Consolidated entity 2013	Employee benefits \$'000	Provisions to associated entities \$'000	Other \$'000	Total \$'000
Carrying amount at the start of the year	12,800	-	2,050	14,850
Additional provisions recognised	7,101	-	-	7,101
Amounts used during the year	(10,408)	-	(2,129)	(12,537)
Amounts moved from non-current liabilities - Provisions	1,285	-	1,335	2,620
Carrying amount at end of year	10,778	-	1,256	12,034

17 Current liabilities - Provisions (continued)

(a) Movements in provisions (continued)

Parent entity 2014	Employee benefits \$'000	Provisions to controlled entity \$'000	Other \$'000	Total \$'000
Carrying amount at the start of the year	5,158	-	1,256	6,414
Additional provisions recognised	4,110	-	-	4,110
Amounts used during the year	(5,190)	-	(1,222)	(6,412)
Amounts transferred from related parties	333	-	-	333
Amounts moved from non-current liabilities - Provisions	1,152	20,722	839	22,713
Amounts moved to payables	(65)	-	-	(65)
Carrying amount at end of year	5,498	20,722	873	27,093

Parent entity 2013	Employee benefits \$'000	Other \$'000	Total \$'000
Carrying amount at the start of the year	7,343	2,050	9,393
Additional provisions recognised	3,413	-	3,413
Amounts used during the year	(6,251)	(2,129)	(8,380)
Amounts transferred to related parties	(27)	-	(27)
Amounts moved from non-current liabilities - Provisions	680	1,335	2,015
Carrying amount at end of year	5,158	1,256	6,414

(b) Amounts not expected to be settled within 12 months

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Annual leave obligations expected to be settled after 12 months	423	735	229	349
	423	735	229	349

18 Current liabilities - Current tax payable

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Income tax payable	9,078	90	8,822	162

19 Current liabilities - Deferred income

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Deferred income	6	-	-	-
	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>

20 Non-current liabilities - Deferred tax liabilities

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Performance fees	15,737	3,706	13,084	3,706
Other receivables	428	727	428	728
Investments	164	-	164	-
Depreciation and amortisation	43	22	-	-
Prepayments	2	2	-	-
	<u>16,374</u>	<u>4,457</u>	<u>13,676</u>	<u>4,434</u>

21 Non-current liabilities - Provisions

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Provisions to associated entities	-	51,983	-	-
Employee benefits	20,562	25,521	9,068	10,651
Other provisions	2,960	3,832	2,825	3,658
Provisions to controlled entity	-	-	-	51,983
	<u>23,522</u>	<u>81,336</u>	<u>11,893</u>	<u>66,292</u>

(a) Movements in provisions

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

Consolidated entity	Employee	Provisions to		
2014	benefits	associated	Other	Total
	\$'000	entities	\$'000	\$'000
Carrying amount at start of year	25,521	51,983	3,832	81,336
Amounts used during the period	-	(31,261)	(38)	(31,299)
Additional provisions recognised	9,158	-	5	9,163
Amounts moved to current liabilities - Payables	(12,702)	-	-	(12,702)
Amounts moved to current liabilities - Provisions	(1,415)	(20,722)	(839)	(22,976)
Carrying amount at end of year	<u>20,562</u>	<u>-</u>	<u>2,960</u>	<u>23,522</u>

21 Non-current liabilities - Provisions (continued)

(a) Movements in provisions (continued)

Consolidated entity 2013	Employee benefits \$'000	Provisions to associated entities \$'000	Other \$'000	Total \$'000
Carrying amount at start of year	25,292	64,337	2,559	92,188
Amounts used during the period	-	(12,354)	(31)	(12,385)
Additional provisions recognised	21,579	-	2,639	24,218
Amounts moved to current liabilities - Payables	(20,065)	-	-	(20,065)
Amounts moved to current liabilities - Provisions	(1,285)	-	(1,335)	(2,620)
Carrying amount at end of year	25,521	51,983	3,832	81,336

Parent entity 2014	Employee benefits \$'000	Provision to controlled entity \$'000	Other \$'000	Total \$'000
Carrying amount at start of year	10,651	51,983	3,658	66,292
Amounts used during the period	-	(31,261)	-	(31,261)
Additional provisions recognised	2,980	-	6	2,986
Amounts transferred to related parties	414	-	-	414
Amounts moved to current liabilities - Payables	(3,825)	-	-	(3,825)
Amounts moved to current liabilities - Provisions	(1,152)	(20,722)	(839)	(22,713)
Carrying amount at end of year	9,068	-	2,825	11,893

Parent entity 2013	Employee benefits \$'000	Provision to controlled entity \$'000	Other \$'000	Total \$'000
Carrying amount at start of year	8,609	64,337	2,354	75,300
Amounts used during the period	-	(12,354)	-	(12,354)
Additional provisions recognised	5,488	-	2,639	8,127
Amounts moved to current liabilities - Payables	(2,734)	-	-	(2,734)
Amounts moved to current liabilities - Provisions	(680)	-	(1,335)	(2,015)
Amounts transferred to related parties	(32)	-	-	(32)
Carrying amount at end of year	10,651	51,983	3,658	66,292

In December 2008, the group received a mid term instalment of a performance fee of \$64.3 million net of GST. At year end, based on the performance to date, management's judgement is that there is a high degree of certainty that a performance fee will be achieved and consequently the inflow of economic benefits is considered probable. Accordingly, a staged recognition approach has been adopted and a portion of the performance fee has been recognised as income by the group for the year ended 30 June 2014. This instalment is fully refundable if specified performance criteria are not met over the term of the particular fund therefore a portion of the mid-term performance fee remains a provisional liability (refer to Note 28(b)(i)).

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.

22 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
Ordinary shares Fully paid	30,300,000	30,300,000	37,475	37,475

(b) Movements in ordinary share capital

Details	Number of shares	Issue price	\$'000
Opening balance 1 July 2012	30,300,000	\$1.24	37,475
Balance 30 June 2013	30,300,000	\$1.24	37,475
Opening balance 1 July 2013	30,300,000	\$1.24	37,475
Balance 30 June 2014	30,300,000	\$1.24	37,475

(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.

23 Reserves and retained earnings

(a) Reserves

	Consolidated entity		Parent entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Hedging reserve	(3)	-	(3)	-
Foreign currency translation reserve	65	72	-	-
	62	72	(3)	-

23 Reserves and retained earnings (continued)

(a) Reserves (continued)

Notes	Consolidated entity		Parent entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Movements:				
<i>Hedging reserve - cash flow hedges</i>				
Gain (loss) on revaluation - gross: foreign exchange contracts	(3)	-	(3)	-
Balance 30 June	(3)	-	(3)	-
<i>Foreign currency translation reserve</i>				
Opening balance	72	(18)	-	-
Currency translation differences arising during the year	(7)	90	-	-
Balance 30 June	65	72	-	-

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated entity		Parent entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance 1 July	81,318	73,592	69,775	61,974
Net profit for the year	69,680	38,635	69,672	38,710
Dividends	(69,680)	(30,909)	(69,680)	(30,909)
Balance 30 June	81,318	81,318	69,767	69,775

(c) Nature and purpose of other reserves

(i) Hedging reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in note 1(q). 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 is reclassified to profit or loss when the net investment is disposed of.

24 Dividends

(a) Ordinary shares

	Parent entity	
	2014 \$'000	2013 \$'000
Final dividend for the year ended 30 June 2014 of 230 cents (2013: 102 cents) per share being 100% (2013: 80%) of consolidated operating profit after tax - recognised as a payable (note 16))	69,680	30,909

25 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 holds the following financial instruments:

Consolidated entity	Notes	Assets at FVTPL \$'000	Financial assets at amortised cost \$'000	Total \$'000
Financial assets				
2014				
Cash and cash equivalents	7	-	6,689	6,689
Trade and other receivables *	8, 10	-	79,065	79,065
Financial assets at fair value through profit or loss	9, 11	212,794	-	212,794
		<u>212,794</u>	<u>85,754</u>	<u>298,548</u>
2013				
Cash and cash equivalents	7	-	5,676	5,676
Trade and other receivables *	8, 10	-	71,440	71,440
Financial assets at fair value through profit or loss	9, 11	182,178	-	182,178
		<u>182,178</u>	<u>77,116</u>	<u>259,294</u>

* excluding prepayments

Consolidated entity	Notes	Derivatives used for hedging \$'000	Liabilities at amortised cost \$'000	Total \$'000
Financial liabilities				
2014				
Payables **	16	5	85,047	85,052
		<u>5</u>	<u>85,047</u>	<u>85,052</u>
2013				
Payables **	16	-	66,868	66,868
		<u>-</u>	<u>66,868</u>	<u>66,868</u>

** excluding non-financial liabilities

25 Financial risk management (continued)

Parent entity	Notes	Assets at FVTPL \$'000	Financial assets at amortised cost \$'000	Total \$'000
Financial assets				
2014				
Cash and cash equivalents	7	-	5,164	5,164
Trade and other receivables *	8, 10	-	54,343	54,343
Financial assets at fair value through profit or loss	9, 11	212,794	-	212,794
		<u>212,794</u>	<u>59,507</u>	<u>272,301</u>
2013				
Cash and cash equivalents	7	-	4,276	4,276
Trade and other receivables *	8, 10	-	48,590	48,590
Financial assets at fair value through profit or loss	9, 11	182,178	-	182,178
		<u>182,178</u>	<u>52,866</u>	<u>235,044</u>

* excluding prepayments

Parent entity	Notes	Derivatives used for hedging \$'000	Liabilities at amortised cost \$'000	Total \$'000
Financial liabilities				
2014				
Payables **	16	5	128,100	128,105
		<u>5</u>	<u>128,100</u>	<u>128,105</u>
2013				
Payables **	16	-	101,065	101,065
		<u>-</u>	<u>101,065</u>	<u>101,065</u>

* excluding non-financial liabilities

(a) Market risk

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

(i) Foreign exchange risk

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

25 Financial risk management (continued)

(a) Market risk (continued)

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 currently hedges a number of future foreign currency commitments to mitigate foreign currency exchange risk. Its regarded as level 2 in fair value measurement hierarchy. These derivatives are not material.

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

Exposure

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

Consolidated entity	30 June 2014		30 June 2013	
	GBP £'000	USD \$'000	GBP £'000	USD \$'000
Cash assets	455	663	430	625
Receivables	1,074	1,284	701	646
Payables	(191)	(138)	(170)	(100)
Net exposure	1,338	1,809	961	1,171

Parent entity	30 June 2014		30 June 2013	
	GBP £'000	USD \$'000	GBP £'000	USD \$'000
Payables	(744)	(431)	(497)	(391)
Net exposure	(744)	(431)	(497)	(391)

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	Consolidated entity		Parent entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Amounts recognised in profit or loss				
Foreign exchange gain/(loss)	40	(109)	(99)	46

Sensitivity

The sensitivity of the group's financial instruments held at 30 June 2014 (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

Exposure

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. Investments in unlisted unit trusts are recorded at redemption value per unit as reported by the manager of the trust.

25 Financial risk management (continued)

(a) Market risk (continued)

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

Based on the non-current financial assets at fair value through profit or loss held at 30 June 2014, had the unit price increased by 10% (2013: 10%) with all other variables held constant, the group's profit for the year would have been \$3,567,917 higher (2013: \$374,949). Conversely, if the unit price had decreased by 10% (2013: 10%), this would have decreased group profit for the year by \$3,567,917 (2013: \$374,949).

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 profit or loss held at 30 June 2014 (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.

(b) Credit risk

(i) Risk management

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and credit exposures to wholesale investment clients, including outstanding receivables. Deposits with banks are held only with independently rated parties.

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk in thousands at the reporting date for the group is \$298,548 (2013: \$259,294) and the parent is \$272,301 (2013: \$235,044).

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

(ii) Guarantees

Credit risk further arises in relation to financial guarantees given to certain parties (see note 28 Contingencies). Such guarantees are provided in limited circumstances.

(iii) Past due but not impaired

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

	Within trading terms \$'000	Days overdue		
		31 - 60 \$'000	61 - 90 \$'000	Over 90 \$'000
Consolidated entity				
2014	75,625	2,278	739	345
2013	68,865	223	275	1,105

25 Financial risk management (continued)

(b) Credit risk (continued)

	Within trading terms \$'000	Days overdue		
		31 - 60 \$'000	61 - 90 \$'000	Over 90 \$'000
Parent entity				
2014	33,858	2,278	739	345
2013	30,171	223	275	1,105

Related party receivables are settled within trading terms.

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

(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 group's and parent entity's remaining contractual maturity for its financial liabilities, on an undiscounted basis.

	2014			2013		
	Less than 1 year \$'000	> 1 year \$'000	Total \$'000	Less than 1 year \$'000	> 1 year \$'000	Total \$'000
Consolidated entity						
Payables	154,732	-	154,732	97,777	-	97,777
Parent entity						
Payables	197,785	-	197,785	131,974	-	131,974

(d) Fair value measurements

(i) Fair value hierarchy

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

25 Financial risk management (continued)

(d) Fair value measurements (continued)

Consolidated entity - at 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	212,794	-	212,794
Total financial assets	-	212,794	-	212,794
Financial liabilities				
Derivatives used for hedging	-	5	-	5
Total financial liabilities	-	5	-	5
Consolidated entity - at 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	182,178	-	182,178
Total financial assets	-	182,178	-	182,178
Financial liabilities				
Derivatives used for hedging	-	-	-	-
Total financial liabilities	-	-	-	-
Parent entity - at 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	212,794	-	212,794
Total financial assets	-	212,794	-	212,794
Financial liabilities				
Derivatives used for hedging	-	5	-	5
Total financial liabilities	-	5	-	5

25 Financial risk management (continued)

(d) Fair value measurements (continued)

Parent entity - at 30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss				
Unlisted unit trusts	-	182,178	-	182,178
Total financial assets	-	182,178	-	182,178
Financial liabilities				
Derivatives used for hedging	-	-	-	-
Total financial liabilities	-	-	-	-

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year and no transfers in and out of level 3 measurements.

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

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

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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

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.

26 Key management personnel disclosures

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 year, except where indicated otherwise below:

Director	Position	Term	Expiry date
D R Luke ⁽¹⁾	Chairman (appointed 12 December 2013)	3 years	30 September 2016
M L Newman AC	Director	3 years	30 September 2014
B C Bowton ⁽²⁾	Director (appointed 12 December 2013)	3 years	30 September 2016
G B Murdoch ⁽³⁾	Director	3 years	30 September 2014
D E Usasz ⁽³⁾	Director	3 years	30 September 2014
A E King ⁽¹⁾	Director (appointed 12 December 2013)	3 years	30 September 2016
G Pemberton ⁽¹⁾	Director (appointed 12 December 2013)	3 years	30 September 2016
P F Young AM	Chairman (resigned 21 November 2013)	3 years	21 November 2013
K D MacDonald	Deputy Chairman (resigned 30 September 2013)	3 years	30 September 2013
L T Gearing	Director (resigned 30 September 2013)	2 years	30 September 2013
B K Morris	Director (resigned 30 September 2012)	3 years	30 September 2012

Notes:

(1) Term of appointment: from 12 December 2013 to 30 September 2016, 2 years, 9 months and 18 days. (2) Previous term ended on 30 September 2013. Term of appointment: from 12 December 2013 to 30 September 2016, 2 years, 9 months and 18 days. (3) 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 J Frawley	Chief Executive (appointed 2 July 2012)	Open term
C M Blake	Chief Financial Officer	Open term
P R Leitch	Chief Operating Officer	Open term
D E Clarke	Chief Risk Officer	Open term
A C Ryder	Chief Investment Officer	Open term
B J Delaney	Chief of Global Clients and Marketing (appointed 15 October 2012)	Open term
W G Jordaan	Chief Operating Officer (resigned 31 December 2012)	Open term
D J Addis	Managing Director, Corporate Strategy (resigned 31 December 2012)	Open term

26 Key management personnel disclosures (continued)

(c) Remuneration principles

(i) *Remuneration of directors*

The Governor in Council of the State of Queensland determines the group's directors' fees. Directors receiving directors' fees personally also receive the statutory superannuation contributions. All directors are reimbursed for reasonable expenses incurred while conducting business on behalf of the group. Directors are not entitled to performance based incentive payments and retirement benefits.

(ii) *Remuneration of senior executives and employees*

Governance of remuneration practices and arrangements occurs through the Human Resources and Remuneration Committee, which oversees all remuneration policies and their implementation. The Committee refers its recommendations relating to remuneration to the QIC Board for approval.

The majority of the group's employees are sourced from the various financial markets and investment sectors in which the group participates. It is important that the group's employment practices are competitive within these markets. Effective remuneration strategies are an essential element in the group's ability to attract and retain investment professionals and other key employees and to ensure their effectiveness in achieving agreed performance benchmarks.

Analysis and advice is obtained from external consultants to ensure that remuneration is benchmarked against market rates for comparable roles. In addition, a number of surveys are used to assess market rates and trends. Remuneration is reviewed at least annually to ensure that it is competitive within the funds management industry.

The group has established a remuneration structure to motivate superior employee performance in order to achieve the organisation's short term performance objectives, to provide sustainable long term performance outcomes for the group and alignment with client and shareholder interests.

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

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

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

(iii) *At risk performance and retention compensation*

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

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

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

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

26 Key management personnel disclosures (continued)

(c) Remuneration principles (continued)

- 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

In addition, the board of directors may exercise its discretion to make one-off performance based payments to additional employees.

(d) Remuneration of key management personnel

	Consolidated entity		Parent entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Short-term employee benefits	8,513	8,544	8,393	8,409
Long-term employee benefits	537	189	537	189
Post-employment benefits	299	282	288	270
Termination benefits	-	679	-	679
	9,349	9,694	9,218	9,547

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

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

26 Key management personnel disclosures (continued)

(e) Remuneration of directors

Directors		Board and Board Committees			Total Directors' fees	Post-Employment	
Name	Position	QIC Board	Board Committees	Subsidiary Boards		Super	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reporting Period 1 July 2013 - 30 June 2014							
D R Luke ⁽¹⁾	Chairman	88	-	-	88	9	97
M L Newman AC	Director	67	10	-	77	7	84
B C Bowton ⁽²⁾	Director	53	7	-	60	6	66
G B Murdoch ⁽³⁾	Director	67	15	-	82	7	89
D E Usasz ⁽³⁾	Director	67	14	-	81	7	88
A E King ⁽¹⁾	Director	37	4	-	41	4	45
G M Pemberton ⁽¹⁾	Director	37	8	-	45	4	49
P F Young AM ⁽⁴⁾	Chairman	66	-	-	66	7	73
K D MacDonald ⁽⁵⁾	Deputy Chairman	18	6	2	26	2	28
L T Gearing ⁽⁵⁾	Director	17	2	-	19	2	21
P Forbes ⁽⁶⁾	Director	-	-	67	67	6	73
A C J Solway ⁽⁷⁾	Director	-	-	53	53	5	58
Total remuneration	1 July 2013 - 30 June 2014	517	66	122	705	66	771
Previous Period 1 July 2012 - 30 June 2013							
P F Young AM ⁽⁴⁾	Chairman	159	-	-	159	14	173
K D MacDonald ⁽⁵⁾	Deputy Chairman	67	25	10	102	9	111
B C Bowton ⁽²⁾	Director	67	10	-	77	7	84
L T Gearing ⁽⁵⁾	Director	67	10	-	77	7	84
M L Newman AC	Director	67	10	-	77	7	84
G B Murdoch ⁽³⁾	Director	67	13	-	80	7	87
D E Usasz ⁽³⁾	Director	67	10	-	77	7	84
B K Morris ⁽⁸⁾	Director	16	4	-	20	2	22
P Forbes ⁽⁶⁾	Director	-	-	67	67	6	73
P R Jenkins ⁽⁹⁾	Director	-	-	22	22	-	22
A C J Solway ⁽⁷⁾	Director	-	-	46	46	5	51
Total remuneration	1 July 2012 - 30 June 2013	577	82	145	804	71	875

Notes:

(1) Appointed 12 December 2013. (2) Re-appointed 12 December 2013. Previous term ended 30 September 2013. (3) Appointed 10 November 2011. (4) Resigned 21 November 2013. (5) Resigned 30 September 2013. (6) Director of QIC Limited subsidiary companies only. (7) Director of QIC Limited subsidiary company only and appointed 30 March 2012. (8) Resigned 30 September 2012. (9) Director of QIC Limited subsidiary company only and resigned 31 October 2012.

26 Key management personnel disclosures (continued)

(f) Remuneration of senior executives

Senior executives		Short-term employee benefits		Post-employment benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
Name	Position	Salary and fees	Non-monetary benefits	Superannuation	Annual and long service leave		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reporting Period	1 July 2013 - 30 June 2014						
D J Frawley	Chief Executive	712	13	25	22	-	772
C M Blake	Chief Financial Officer	334	28	51	15	-	428
P R Leitch	Chief Operating Officer	429	18	20	14	-	481
D E Clarke	Chief Risk Officer	394	-	18	30	-	442
A C Ryder	Chief Investment Officer	482	-	94	27	-	603
B J Delaney	Chief of Global Clients and Marketing	504	21	25	26	-	576
Total remuneration	1 July 2013 - 30 June 2014	2,855	80	233	134	-	3,302
Previous Period	1 July 2012 - 30 June 2013						
D J Frawley ⁽¹⁾	Chief Executive	744	12	17	4	-	777
C M Blake	Chief Financial Officer	318	18	33	19	-	388
P R Leitch ⁽²⁾	Chief Operating Officer	385	12	24	7	-	428
D E Clarke ⁽³⁾	Chief Risk Officer	347	10	17	7	-	381
A C Ryder	Chief Investment Officer	524	-	93	15	-	632
B J Delaney ⁽⁴⁾	Chief of Global Clients and Marketing	405	-	11	2	-	418
W G Jordaan ⁽⁵⁾	Chief Operating Officer	149	-	8	(4)	383	536
D J Addis ⁽⁵⁾	MD, Corporate Strategy	168	3	8	(4)	296	471
Total remuneration	1 July 2012 - 30 June 2013	3,040	55	211	46	679	4,031

Notes:

(1) Appointed 2 July 2012. (2) Title changed 15 October 2012. Prior to this date Mr Leitch was in the role of Managing Director, Human Resources and Corporate Communications. (3) Title changed 1 October 2012. Prior to this date Mr Clarke was in the role of Managing Director, Organisational Risk, Legal and Tax. (4) Appointed 15 October 2012. (5) Resigned 31 December 2012.

26 Key management personnel disclosures (continued)

(g) Total performance and retention remuneration

	Consolidated entity	
	2014	2013
Aggregate amounts for performance and retention of employees (\$'000)	56,543	54,251
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided (\$'000)	125,313	127,715
Number of employees who receive payments for performance and retention purposes	432	443

27 Remuneration of auditors

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
<i>Queensland Audit Office</i>				
Audit and review of financial reports	315,220	296,683	221,720	191,083
Other assurance services				
Audit of regulatory returns	21,000	21,000	17,000	17,000
<i>KPMG</i>				
Audit and review of financial reports	84,335	91,884	-	-
Total remuneration for audit services	420,555	409,567	238,720	208,083

28 Contingencies

(a) Contingent liabilities

The group had contingent liabilities at 30 June 2014 in respect of:

(i) Trustee obligations

As at 30 June 2014, QIC Limited or its controlled entities were trustee of:

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

In its capacity as trustee, the group is potentially liable for liabilities of the trusts. However, under the Trust Deeds, the group is entitled to be indemnified out of the assets of the trusts against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deeds. As at 30 June 2014, total assets exceed total liabilities in the trusts.

28 Contingencies (continued)

(a) Contingent liabilities (continued)

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

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

Funds managed by the group in a trustee capacity in either trusts or discrete portfolios totalled \$70.6 billion at 30 June 2014 (2013: \$70.3 billion). These figures exclude cross holdings between trusts.

(ii) Subsidiary and associate undertakings

In accordance with an eligible undertaking dated 27 February 2006, amended 5 February 2013, QIC Limited irrevocably agrees to pay QIC Retail Pty Ltd an amount up to \$3.0 million (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Private Capital Pty Ltd an amount up to \$14.0 million (2013: \$8.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

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

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Infrastructure Management No. 2 Pty Ltd an amount up to \$150,000 (2013: \$50,000) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Investments No. 1 Pty Ltd an amount up to \$2.0 million (2013: \$50,000) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

QIC Limited formally rescinded effective 30 April 2013 the undertaking given to continue to fund the operations of Queensland BioCapital Funds Pty Ltd.

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

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

In accordance with an eligible undertaking dated 25 June 2014, QIC Limited irrevocably agrees to pay QIC Investments No. 3 Pty Ltd an amount up to \$150,000 (2013: \$50,000) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with a GBP loan facility agreement dated 16 April 2012, amended 15 May 2013, QIC Limited agrees to pay or receive from QIC European Investment Services Limited an amount up to GBP 5.0 million (in aggregate) on written demand.

In accordance with a GBP loan facility agreement dated 16 April 2012, amended 15 May 2013, QIC Limited agrees to pay or receive from QIC (UK) Management Limited an amount up to GBP 5.0 million (in aggregate) on written demand.

28 Contingencies (continued)

(a) Contingent liabilities (continued)

In accordance with a USD loan facility agreement dated 16 April 2012, amended 15 May 2013, QIC Limited agrees to pay or receive from QIC US Management, Inc. an amount up to USD 5.0 million (in aggregate) on written demand.

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

(iii) Litigation

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

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

(iv) Performance fees

The group has exposure to potential payables in relation to performance fee clawback provisions. These payments are contingent upon the occurrence of negative performance, relative to certain conditions. No negative performance has been recorded, accordingly performance fee clawbacks have not been recognised as expenses by the group for the year ended 30 June 2014.

(b) Contingent assets

(i) Performance fees

QIC Shopping Centre Fund

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. In December 2008, the group received a mid-term instalment of the performance fee of \$64.3 million net of GST.

As at 30 June 2014, based on performance to date, management's judgement is that only 3 months are remaining of the performance fee term, the likelihood a performance fee will be received is much more probable and can be measured with a high degree of certainty that 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.

US Real Estate Investment Trusts (REITs)

A performance fee is potentially payable by the US REITs to the group where certain performance criteria are achieved over a 12 month calendar year ending in December 2014. If the performance criteria are not met over the entire 12 month period, no performance fee is payable.

At year end, based on performance to date, management's judgement is that there remains a significant degree of uncertainty over whether the performance targets will be achieved for the 2014 calendar year. Achievement of these targets is influenced by a number of factors over which the group has limited control, including the underlying performance of the US commercial property market, movements in interest rates and other risk factors.

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 for the period 1 January 2014 to 30 June 2014 has not been recognised as income by the group for the year ended 30 June 2014.

28 Contingencies (continued)

(b) Contingent assets (continued)

(ii) Advisory fees

An advisory fee is potentially receivable by the group following the successful sale of a large Australian infrastructure asset. At year end it is management's judgement that there remains a significant degree of uncertainty over whether the group is entitled to this fee. There remains incomplete obligations that are required to be fulfilled in order to successfully complete all requirements in consideration of the fee. The amount of the fee also remains uncertain.

On this basis, the amount of the fee cannot yet be reliably measured and the inflow of economic benefits is not yet considered probable. Accordingly, the monetisation fee has not been recognised as income by the group for the year ended 30 June 2014.

29 Commitments

(a) Capital commitments

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Within one year	624	1,099	624	1,099
Later than one year but not later than five years	-	624	-	624
	624	1,723	624	1,723

(b) Non-cancellable operating leases

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	11,384	10,887	10,062	10,226
Later than one year but not later than five years	39,381	44,956	38,484	43,443
Later than five years	1,203	6,037	1,203	6,037
	51,968	61,880	49,749	59,706

Three of the leased offices have been sublet by the group. At 30 June 2014, the total of future minimum sublease payments expected to be received under non-cancellable subleases was \$9.6 million (2013: \$11.9 million).

30 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

Interest in subsidiaries set out in note 31(a).

(c) Other transactions with key management personnel

Aggregate amounts are presented below for transactions with key management personnel of QIC Limited.

(i) Directors of QIC Limited

The Chairman, Mr D R Luke is a member of AMP Capital Funds Management Limited's Managed Investment Scheme Compliance Committee and is a former director of AMP Capital Holdings Limited. QIC Limited provides investment management services to the AMP Capital Investors. These transactions occur on normal commercial terms and conditions.

A director, Dr M L Newman AC is a Senior Corporate 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, Dr 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, 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 director, Mr G B Murdoch, is a director of Cardno Limited. QIC Limited has utilised the consulting services of Cardno Limited. These transactions occur on normal commercial terms and conditions.

A director, Mr D E Usasz, was a non-executive director of Urbis Pty Ltd until his retirement on 30 June 2013. QIC Limited has utilised the consulting services of Urbis Pty Ltd. These transactions occur on normal commercial terms and conditions.

A director, Mr A E King, is a director of Urban Futures Brisbane. QIC Limited provides investment management services to the Brisbane City Council. These transactions occur on normal commercial terms and conditions.

The former 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 former 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 former Chairman, Mr P F Young AM was appointed chairman of Barclays - Australia and New Zealand during the year. Barclays provides transactional banking to QIC Limited's subsidiaries, QIC (UK) Management Limited and QIC European Investment Services Limited. These transactions occur on normal commercial terms and conditions.

30 Related party transactions (continued)

(c) Other transactions with key management personnel (continued)

The former 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.

A former 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.

(ii) Executives of the Group

Mr D Frawley, the Chief Executive, is Governor of the Queensland Community Foundation. QIC Limited provides sponsorship to the Queensland Community Foundation.

Mr D Clarke is a member of the Australian Securities & Investments Commission's (ASIC) Asset Management Trade Reporting Working Group. ASIC is an Australian government body that acts as Australia's corporate regulator. During the year QIC Limited pays regulatory services fees to ASIC. These transactions occur on normal commercial terms and conditions.

Mr D Clarke is a member of the regulatory committee of Alternative Investment Management Association (AIMA). QIC Limited subscribes to membership services provided by AIMA. These transactions occur on normal commercial terms and conditions.

Mr D Clarke is a member of the investment board committee of The Financial Services Council (FSC). QIC Limited subscribes to membership services provided by FSC. These transactions occur on normal commercial terms and conditions.

Mr A C Ryder is a director of Medical and Professional Funds Management Pty Ltd and chair of the Medical and Professional Funds Management Investment Committee. 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.

Mr B Delaney is a director of The Association of Superannuation Funds of Australia (ASFA). QIC Limited subscribes to membership and sponsors events organised by ASFA. These transactions occur on normal commercial terms and conditions.

Mr B Delaney is a director of Investment Management Consultants Association (IMCA). QIC Limited subscribes to membership services provided by IMCA. 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.

	2014 \$'000	2013 \$'000
Amount recognised as revenue		
Management and performance fees	226	32
	<u>226</u>	<u>32</u>

30 Related party transactions (continued)

(c) Other transactions with key management personnel (continued)

	2014 \$'000	2013 \$'000
Amounts recognised as expenses		
Professional services	913	4,208
Subscriptions	194	20
Sponsorships	77	77
Conferences	10	-
Bank charges	1	2
	1,195	4,307

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity		Parent entity	
	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2014 \$'000	30 June 2013 \$'000
Sales of goods and services				
Service fees from controlled entities	-	-	73,888	35,013
Investment management and performance fees from other related parties - State of Queensland	15,259	9,540	15,259	9,540
Investment management and performance fees from other related parties - Queensland Treasury Corporation and Queensland Motorways Limited	95,081	89,050	65,000	64,000
Other goods and services from other related parties - State of Queensland	37	156	37	39
Purchases of goods and services				
Purchases of goods and services from other related parties - State of Queensland	10,886	6,498	3,908	3,771
Service fees paid to controlled entities	-	-	12,917	10,833
Payment of income tax				
Other related parties - State of Queensland	11,331	14,369	11,331	14,369
Payment of dividends				
Other related parties - Queensland Treasury and Trade	30,909	16,022	30,909	16,022
Tax consolidation legislation				
Amounts paid by subsidiaries under the tax sharing and funding agreement	-	-	15,663	15,648
Dividend revenue				
Controlled entities	-	-	52,676	36,986

The group provides asset management services and administration services to trusts within the group in the normal course of business and on normal commercial terms and conditions. Fee structure is based on fee for services and is included in note 4.

30 Related party transactions (continued)

(e) Outstanding balances

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

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<i>Current receivables (sales of goods and services)</i>				
Controlled entities	-	-	109	5,645
Other related parties - State of Queensland	1,499	863	1,499	863
Other related parties - Queensland Treasury Corporation	19,111	18,420	5,877	5,786
<i>Current receivables (tax funding agreement)</i>				
Wholly-owned tax consolidated entities	-	-	16,936	10,199
<i>Current receivables (dividend revenue)</i>				
Controlled entities	-	-	52,676	36,986
<i>Current payables (purchases of goods and services)</i>				
Controlled entities	-	-	94,216	74,358
Other related parties - State of Queensland	5,023	265	97	148
<i>Current payables (payment of dividends)</i>				
Other related parties - Queensland Treasury and Trade	69,680	30,909	69,680	30,909
<i>Current provisions</i>				
Controlled entities	-	-	20,722	-
Associated entities	20,722	-	-	-
<i>Non-current provisions</i>				
Controlled entities	-	-	-	51,983
Associated entities	-	51,983	-	-

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

(f) Terms and conditions

Details of the loan facility agreements and eligible undertakings provided to related parties are disclosed in note 28(a)(ii).

Service fees from controlled entities are charged at agreed amounts.

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

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

31 Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2014 %	2013 %
Canberra Centre Investments Pty Ltd	Australia	Ordinary	100	100
Claremont Retail Company Pty Ltd	Australia	Ordinary	50	-
Eastland Property Holdings Pty Ltd	Australia	Ordinary	100	100
Innovis Investments Pty Ltd	Australia	Ordinary	50	50
Martin Place Management Pty Ltd	Australia	Ordinary	100	100
Pacific Echo Pty Limited	Australia	Ordinary	100	100
QBF No. 1 Pty Ltd	Australia	Ordinary	100	100
QBF No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC (UK) Management Limited *	United Kingdom	Ordinary	100	100
QIC Asia Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC CM Pty Ltd	Australia	Ordinary	100	100
QIC Coomera Pty Ltd	Australia	Ordinary	100	100
QIC Developments Pty Ltd	Australia	Ordinary	100	100
QIC European Investment Services Limited *	United Kingdom	Ordinary	100	100
QIC Global Real Estate (US), Inc. **	United States	Ordinary	100	100
QIC GRE Management (US), Inc. **	United States	Ordinary	100	100
QIC Helensvale Pty Ltd	Australia	Ordinary	100	100
QIC Hi-Yield Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 3 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management No. 4 Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	100	100
QIC Initial Unitholder Pty Ltd	Australia	Ordinary	100	100
QIC International Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC Investments No. 1 Pty Ltd *	Australia	Ordinary	100	100
QIC Investments No. 2 Pty Ltd	Australia	Ordinary	100	100
QIC Investments No. 3 Pty Ltd	Australia	Ordinary	100	100
QIC Logan Hyperdome (No. 2) Pty Ltd	Australia	Ordinary	100	100
QIC Logan Hyperdome Pty Ltd	Australia	Ordinary	100	100
QIC Merrifield Pty Ltd	Australia	Ordinary	100	100
QIC Merry Hill Pty. Ltd.	Australia	Ordinary	100	100
QIC Noosa Civic Pty Ltd	Australia	Ordinary	100	100
QIC North America Investments Pty Ltd	Australia	Ordinary	100	100
QIC North Asia Real Estate Investment Pty Ltd	Australia	Ordinary	100	100
QIC Private Capital Pty Ltd *	Australia	Ordinary	100	100
QIC Properties Pty Ltd *	Australia	Ordinary	100	100
QIC Property Investments (Jersey) No 1 Limited	Jersey	Ordinary	100	100
QIC Property Management Pty Ltd	Australia	Ordinary	100	100
QIC Real Estate Pty Ltd	Australia	Ordinary	100	100
QIC Retail (No. 2) Pty Ltd	Australia	Ordinary	100	100
QIC Retail Pty Ltd *	Australia	Ordinary	100	100
QIC Ringwood Pty Ltd	Australia	Ordinary	100	100
QIC Robina Pty Ltd	Australia	Ordinary	100	100
QIC Toowoomba Pty Ltd	Australia	Ordinary	100	100
QIC US Investment Services Inc **	United States	Ordinary	100	100
QIC US Management, Inc. *	United States	Ordinary	100	100
QIC Westpoint Pty Ltd	Australia	Ordinary	100	100
QPC Investments No. 1 Pty Ltd	Australia	Ordinary	100	100
Queensland BioCapital Funds Pty Ltd	Australia	Ordinary	100	100
TIF3 Pty Ltd	Australia	Ordinary	100	100
Watergardens Pty Limited	Australia	Ordinary	100	100

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

**Subsidiary of QIC US Management, Inc.

32 Events occurring after the reporting period

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

33 Cash flow information

	Consolidated entity		Parent entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Profit for the year	69,680	38,635	69,672	38,710
Distribution income reinvested	(1,745)	(1,032)	(1,745)	(1,032)
Fair value gains on financial assets at fair value through profit or loss	(897)	(952)	(897)	(952)
Depreciation and amortisation	10,928	7,953	10,773	7,805
Net loss on disposal of non-current assets	32	427	37	427
Fair value adjustment to investments	(86)	-	(136)	-
Net gain on sale of financial assets at fair value through profit or loss	(465)	(313)	(465)	(313)
Change in operating assets and liabilities:				
Increase in receivables	(7,453)	(12,289)	(21,024)	(8,115)
(Increase) decrease in deferred tax assets	(3,468)	571	(466)	1,228
(Decrease) increase in payables	18,175	5,599	27,037	(1,373)
Decrease in provisions	(38,429)	(13,668)	(33,720)	(11,987)
(Decrease) increase in current tax liabilities	8,988	(4,389)	8,660	(3,958)
Increase in deferred tax liabilities	11,917	4,399	9,242	4,423
Increase in deferred income	6	-	-	-
Net cash inflow from operating activities	67,183	24,941	66,968	24,863

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 64 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the parent and consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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



Mr D R Luke
Chairman

Brisbane
29 August 2014

To the members of

QIC Limited

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 2014, the statements of profit or loss, statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, notes comprising of summary of significant accounting policies and other explanatory information, and the directors' declaration of the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

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

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


Opinion

In my opinion -

- (a) the financial report of QIC Limited is in accordance with the *Corporations Act 2001*, including -
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Other Matters - Electronic Presentation of the Audited Financial Report

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



A M GREAVES FCA FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane