



# Discussion and Analysis of Financial Statements

This analysis discusses the financial performance and operations of the QIC group for 2006-2007 and should be read in conjunction with the financial report.

In 2006-2007, the QIC group delivered a reduced profit during a year of significant expansion of QIC's capabilities. At the same time, QIC has continued to create value for clients and Shareholding Ministers through its investment performance. The developments generating the greatest impact on the financial outcomes of the QIC group for 2006-2007 were:

- The continued development of the QIC group's private capital investment capabilities. This included the establishment of the first international office for the group and the creation of a new operational subsidiary company – QIC (UK) Management Limited.
- While QIC's investment performance was very positive during the year, challenging performance targets agreed with key QIC clients resulted in lower levels of client performance fee revenue being generated in 2006-2007. Performance returns generated by the QIC group in specific asset sectors during the year met or exceeded performance targets, resulting in increased variable remuneration payable to key investment staff at year end.
- The continued implementation of alpha beta separation and after-tax management for key core clients.

## Income statements

### Operating result

In 2006-2007, the QIC group reported an operating profit after income tax expense of \$9.0 million, representing a 30.5% reduction in comparison to the prior year. A significant under provision for income tax expense in the prior year of \$1.6 million has impacted the current year result. This resulted from a reassessment of the tax treatment of particular income items derived in the prior year.

Operating profit	2007 \$'000	2006 \$'000	Change %
Wholesale investment management and advisory services in listed asset sectors, including QIC group support services	9,242	14,978	(38.3)
Property management, leasing and development services	10,468	8,364	25.2
Wholesale investment management and advisory services in unlisted asset sectors	4,252	–	–
Inter-segment eliminations	(8,188)	(4,660)	75.7
QIC group operating profit before income tax expense	15,774	18,682	(15.6)
Income tax expense	(6,806)	(5,776)	17.8
Operating profit after income tax expense	8,968	12,906	(30.5)

## Revenue

Total revenue for the year was \$136.4 million, an increase of 20.3% over the prior year. Of the \$23.0 million increase, \$19.2 million relates to QIC's private capital investment activities, reflecting the first full year of operations for the private equity, infrastructure and international real estate teams within this segment. QIC's property management activities contributed an additional \$7.7 million in revenue for the year, while revenue generated by QIC's listed funds management activities reduced by \$3.9 million. This reduction resulted from a decline in performance fees earned during 2006-2007 and a move of funds under management from the listed investment sectors into the private capital sectors.

During the year, funds under management increased by 25.5% or \$13.1 billion. Of this increase, 10.5% related to net client inflows of funds and 15.0% related to net investment returns. Closing funds under management were \$64.4 billion.

Positive investment returns contributed revenue of \$2.3 million earned on the group's corporate investments, which represent working capital and longer term funds held to meet prudent capital requirements.

## Expenses

Total operating expenses were \$120.3 million, an increase of \$26.2 million or 27.8% in comparison to the prior year.

The increase in expenses primarily related to staffing costs. Of the \$23.0 million increase in revenue, \$20.9 million has been applied to QIC's staff in the form of fixed and variable remuneration, staff development and recruitment. This reflected the continued expansion of private capital investment capabilities, an increasingly competitive market for investment management professionals and increased provision for variable staff remuneration, resulting from meeting or exceeding performance targets in specific investment sectors.

Also impacting costs during the year was the continued implementation of alpha beta separation and after-tax management for QSuper and Treasury and the expansion of the group's international investing activities. This included the opening of the QIC group's first international office, in the United Kingdom and resulted in cost increases in several areas, including professional services, travel and operating lease costs.

QIC's investment in associates has reduced by \$0.5 million this year, representing QIC's share of an operating loss incurred by Q Invest Limited for the year.

#### **Balance sheets**

Net assets at 30 June 2007 were \$44.6 million, an increase of \$1.8 million in comparison to the prior year.

#### **Assets**

Total assets at year end were \$96.4 million, representing an increase of \$12.8 million. This movement includes:

- An increase of \$3.0 million in financial assets held at fair value through profit and loss (current and non-current). This increase reflects net cash inflows from operating activities during the year. There has been a substantial movement from non-current financial assets to current financial assets during the year, which resulted from the centralisation of working capital to the parent entity immediately prior to the end of the financial year and also reflected the group's upcoming funding requirements at year end
- An increase of \$4.2 million in receivables, due to higher levels of management fees due at year end. This resulted from higher base management fee levels due to the increase in funds under management during the year and the additional management fees generated by the private capital segment
- An increase of \$3.5 million in deferred tax assets, due to higher levels of non-deductible employee benefits provided for, including annual and long service leave and at-risk performance incentive accruals
- An increase of \$2.3 million in property, plant and equipment, largely due to the cost of establishing premises in the United Kingdom.

#### **Liabilities**

Total liabilities at year end were \$51.8 million, representing an increase of \$11.00 million. The movement includes:

- An \$8.8 million increase in payables, including an increase in employee benefits payable at year end of \$9.8 million and a reduction in dividends payable at year end of \$3.1 million. The decreased dividend payable reflects the reduced operating profit after tax for 2006-2007
- A \$1.6 million increase in current and non-current provisions, which largely reflects increases in employee leave entitlements outstanding at year end
- An increase of \$2.2 million in current tax liabilities, reflecting a lower proportionate level of income tax instalments paid during the year
- A reduction of \$1.6 million in deferred tax liabilities, reflecting an adjustment for under provision for income tax in the prior year.

#### **Statements of changes in equity**

At year end, total equity was \$44.6 million, representing an increase of \$1.8 million. Share capital remained unchanged during the year at \$30.3 million.

A dividend of \$7.2 million has been declared for the year based on a dividend payout ratio of 80% of consolidated operating profit after tax. This is \$3.1 million less than last year's dividend of \$10.3 million, reflecting the group's lower after tax profit in 2006-2007.

#### **Statements of cash flows**

Cash at year end was \$34.9 million, an increase of \$12.8 million in comparison to the prior year. Net cash generated from operating activities during the year was \$19.3 million, an increase of \$10.1 million. This was largely due to higher client management fee cash inflows, reflecting the receipt of prior year performance fees and the increased management fees throughout the year. Cash outflows for supplier and employee payments increased at a lower rate than client inflows, reflecting a higher level of payables and provisions at year end. Instalments of income tax were largely unchanged from the prior year, as the instalment rate was higher but operating profit was lower.

Cash flows from investing activities this year were \$3.8 million, a reduction of \$5.5 million. This includes a \$2.1 million increase in cash outflows for the purchase of property, plant and equipment during the year. Redemptions from longer-term investments were \$4.0 million lower this year, reflecting reduced funding requirements due to higher operating cash inflows.

# Income Statements

## 30 June 2007

	Notes	2007 \$'000	Consolidated 2006 \$'000	2007 \$'000	Parent 2006 \$'000
Revenue from continuing operations	3	<b>135,547</b>	111,827	<b>81,558</b>	82,482
Other income	4	<b>806</b>	1,560	<b>884</b>	1,627
Expenses	5	<b>(120,254)</b>	(94,078)	<b>(73,200)</b>	(69,131)
Shares of net profits (losses) of associates and joint venture partnerships accounted for using the equity method	31 & 32	<b>(325)</b>	(627)	—	—
<b>Profit before income tax</b>		<b>15,774</b>	18,682	<b>9,242</b>	14,978
Income tax expense	6	<b>(6,806)</b>	(5,776)	<b>(2,313)</b>	(3,233)
Profit from continuing operations		<b>8,968</b>	12,906	<b>6,929</b>	11,745
<b>Profit attributable to members of Queensland Investment Corporation</b>	22	<b>8,968</b>	12,906	<b>6,929</b>	11,745

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

# Balance Sheets

## 30 June 2007

		Consolidated		Parent
	Notes	2007 \$'000	2006 \$'000	2007 \$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash assets	7	1,371	1,494	469
Receivables	8	30,287	26,095	31,634
Financial assets at fair value through profit or loss	9	33,562	20,672	33,562
<b>Total current assets</b>		<b>65,220</b>	<b>48,261</b>	<b>65,665</b>
<b>Non-current assets</b>				
Investments accounted for using the equity method	10	548	1,000	–
Financial assets at fair value through profit or loss	11	6,871	16,774	6,871
Property, plant and equipment	12	7,048	4,760	5,761
Deferred tax assets	13	11,249	7,766	5,834
Intangible assets	14	5,437	5,022	5,437
Financial assets	15	1	1	549
<b>Total non-current assets</b>		<b>31,154</b>	<b>35,323</b>	<b>24,452</b>
<b>Total assets</b>		<b>96,374</b>	<b>83,584</b>	<b>90,117</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	16	38,287	29,514	41,687
Provisions	17	7,724	6,324	3,965
Current tax liabilities	18	2,462	275	2,462
<b>Total current liabilities</b>		<b>48,473</b>	<b>36,113</b>	<b>48,114</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	19	17	1,571	3
Provisions	20	3,265	3,070	2,025
<b>Total non-current liabilities</b>		<b>3,282</b>	<b>4,641</b>	<b>2,028</b>
<b>Total liabilities</b>		<b>51,755</b>	<b>40,754</b>	<b>50,142</b>
<b>Net assets</b>		<b>44,619</b>	<b>42,830</b>	<b>39,975</b>
<b>EQUITY</b>				
Contributed equity	21	30,300	30,300	30,300
Retained profits	22	14,319	12,530	9,675
<b>Total equity</b>		<b>44,619</b>	<b>42,830</b>	<b>39,975</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# Statements of Changes in Equity

## 30 June 2007

	Notes	2007 \$'000	Consolidated 2006 \$'000	2007 \$'000	Parent 2006 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>42,830</b>	40,245	<b>40,225</b>	38,801
Profit for the year		<b>8,968</b>	12,906	<b>6,929</b>	11,745
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	21	–	–	–	–
Dividends provided for or paid	23	<b>(7,179)</b>	(10,321)	<b>(7,179)</b>	(10,321)
<b>Total equity at the end of the financial year</b>		<b>44,619</b>	42,830	<b>39,975</b>	40,225

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

# Cash Flow Statements

## 30 June 2007

	Notes	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	
<b>Cash flows from operating activities</b>					
Receipts from customers		145,522	115,760	96,987	76,226
Payments to suppliers and employees		(117,934)	(97,805)	(69,491)	(67,182)
Distributions received		1,251	781	596	407
Fair value gains (losses) on cash and cash equivalents		(6)	22	(31)	10
Dividends received		–	–	4,660	2,892
Interest received		157	77	76	32
Income taxes paid		(9,657)	(9,589)	(9,657)	(9,589)
Compensation received from tax consolidated group entities		–	–	5,048	3,794
<b>Net cash inflow from operating activities</b>	35	<b>19,333</b>	<b>9,246</b>	<b>28,188</b>	<b>6,590</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(4,382)	(2,290)	(3,079)	(2,292)
Payments for intangibles		(2,999)	(3,072)	(2,999)	(3,072)
Proceeds from investments in joint venture partnerships		126	87	126	87
Payments for financial assets at fair value through profit or loss		(5,500)	–	(5,500)	–
Proceeds from disposal of other financial assets at fair value through profit or loss		16,500	15,000	16,500	15,000
Proceeds from sale of property, plant and equipment		14	16	14	16
Payments for investments in associates		–	(500)	–	(500)
<b>Net cash inflow from investing activities</b>		<b>3,759</b>	<b>9,241</b>	<b>5,062</b>	<b>9,239</b>
<b>Cash flows from financing activities</b>					
Dividends paid to shareholders		(10,325)	(10,862)	(10,325)	(10,862)
<b>Net cash outflow from financing activities</b>		<b>(10,325)</b>	<b>(10,862)</b>	<b>(10,325)</b>	<b>(10,862)</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,767</b>	<b>7,625</b>	<b>22,925</b>	<b>4,967</b>
Cash and cash equivalents at the beginning of the financial year		22,166	14,541	11,106	6,139
<b>Cash and cash equivalents at the end of the financial year</b>	7 & 9	<b>34,933</b>	<b>22,166</b>	<b>34,031</b>	<b>11,106</b>

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



# Notes to the Financial Statements

## 30 June 2007

### I. Summary of significant accounting policies

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

#### (a) Basis of preparation

Queensland Investment Corporation is subject to the *Queensland Investment Corporation Act (1991)* and the *Government Owned Corporations Act (1993)*.

This general purpose financial report has been prepared in accordance with the requirements of the *Financial Management Standard (1997)* issued pursuant to the *Financial Administration and Audit Act (1977)*, Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Interpretations.

#### Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRSs).

#### Historical cost convention

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

#### Critical accounting estimates

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

#### (b) Principles of consolidation

##### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Queensland Investment Corporation ("parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Queensland Investment Corporation and its subsidiaries together are

referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statements and balance sheets respectively.

##### (ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of 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 (refer to note 31).

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

##### (iii) Joint ventures

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statements, and the share of movements in reserves is recognised in reserves in the balance sheets. Details relating to the partnership are set out in note 32.

# Notes to the Financial Statements (cont)

## 30 June 2007

### I. Summary of significant accounting policies (cont)

#### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

#### (d) 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'). The consolidated financial statements are presented in Australian dollars, which is Queensland Investment Corporation'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 income statements.

##### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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
- resulting exchange differences are not material.

#### (e) Revenue recognition

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

#### (f) Goods and services tax

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

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

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

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

#### (g) Income tax

##### Income tax equivalents

As a State trading body under the *Income Tax Assessment Act (1997)*, the Corporation is exempt from Commonwealth income tax. However, pursuant to the *Government Owned Corporations Act (1993)* and the National Tax Equivalents Regime, the Corporation is required to make payments to the State Treasurer, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

The income tax equivalent expense or revenue (referred to as income tax) 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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Under AIFRS, AASB 112 *Income Taxes* uses a "Balance Sheet approach" of calculating income tax balances. The Balance Sheet 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 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.

#### **Tax consolidation legislation**

Queensland Investment Corporation and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2004.

The Urgent Issues Group has released guidance regarding the recognition of tax amounts under the tax consolidation regime in the AIFRS framework. *UIG 1052 Tax Consolidation Accounting* requires wholly owned controlled entities in the tax consolidated group to recognise their own tax balance directly, with the current tax liability or asset to be assumed by the parent entity via an intercompany loan, equity contribution or distribution, depending on tax funding arrangements. Historically, the ultimate parent entity recognised all tax balances and charged each controlled entity an allocation of the current tax liability, based upon the controlled entity's contribution to Group profit.

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

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

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

#### **Stamp duty**

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

#### **(h) Leases**

The Corporation has not entered into any finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statements on a straight-line basis over the period of the lease.

#### **(i) Acquisitions of assets**

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Items of property, plant and equipment with a cost, or other value, in excess of \$1,000 (2006: \$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 (2006: \$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 entity 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.

#### **(j) Impairment of assets**

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

# Notes to the Financial Statements (cont)

## 30 June 2007

### I. Summary of significant accounting policies (cont)

the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### (k) Cash assets

For cash flow statement presentation purposes, cash assets includes cash on hand and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement in no more than 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful 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 doubtful amounts at 30 June 2007 (2006: \$nil).

#### (m) Investments and other financial assets

The Group classifies its investments in the following categories: 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 re-evaluates this designation at each reporting date.

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

This category includes those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Short term investment funds are held in the QIC Cash Fund. The QIC Cash Fund invests in short term cash securities, which it records on a fair value basis, which is market value. The average rate of return on the investment in the QIC Cash Fund was 6.31% (2006: 5.90%).

Long term investment funds at balance date are 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 average rate of return on the investment in the QIC Growth Fund was 15.43% (2006: 16.78%). Investments held by the QIC Growth Fund are recorded on a fair value basis, which is market value.

#### (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 sheet date which are classified as non-current assets.

#### (n) Property, plant and equipment

All items of property, plant and equipment have limited useful lives and are depreciated using either the straight line method or diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed. Depreciation rates and methods are reviewed periodically for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation rates used for each class of asset are as follows:

Computer equipment	33% to 40%
Office equipment, furniture and fittings	10% to 20%

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statements. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### **(o) Intangible assets**

#### **Computer software costs**

When computer software costs are not integrally related to associated hardware, the Group recognises them as an intangible asset where they 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 capitalised software assets at cost less amortisation and impairment losses, if any.

These assets are amortised over the estimated useful lives on a straight-line basis at a rate applicable to the expected useful life of the asset, but which is usually 3 years. Software maintenance costs continue to be expensed as incurred.

### **(p) Trade and other 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.

### **(q) Employee benefits**

#### **(i) Wages and salaries, annual leave and sick leave**

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

Remuneration includes a mix of fixed remuneration and an at risk performance incentive which is subject to performance targets. A liability for an at risk performance incentive, measured at the amount expected to be paid when settled, is included in employee benefits payable and is expected to be settled within 12 months.

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

#### **(ii) Long service leave**

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

### **(iii) Superannuation**

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

In relation to contributions to the QSuper defined benefit plan, employer contributions for superannuation are as determined by the State Actuary. No liability is shown for superannuation benefits in the balance sheets, as the liability is held on a Whole of Government basis and reported in the Whole of Government financial statements prepared in accordance with *AAS31 Financial Reporting by Governments*.

### **(r) Provisions**

Provisions are recognised when: the Corporation 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 management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

### **(s) Contributed equity**

Ordinary shares are classified as equity.

### **(t) Dividends**

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

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

### **(u) Rounding of amounts**

Amounts in the financial report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

# Notes to the Financial Statements (cont)

## 30 June 2007

### I. Summary of significant accounting policies (cont)

#### (v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

#### (ii) Revised AASB 101 Presentation of Financial Instruments (issued in October 2006)

The Revised AASB 101 is applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted this standard early. Application of this standard will not have any impact on the information presented in the financial statements.

#### (iii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038)

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009. The Group has not adopted these standards early. These standards specify changes to the requirements of segment disclosures. Application of these standards will not affect any of the amounts recognised in the financial statements. No significant impact to the existing segment disclosures is anticipated.

#### (iv) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128)

AASB 2007-4 and AASB 2007-7 are applicable to annual reporting periods beginning on or after 1 July 2007 or may be early adopted in their entirety for annual reporting periods beginning on or after 1 January 2005. The Group has not adopted these standards early. Application of these standards will not have a significant impact on the information presented in the financial statements.

### 2. Segment information

#### (a) Description of segments

##### Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

##### *Funds management - listed*

Wholesale investment management and advisory services relating to listed asset sectors and support services

##### *Property services*

Property management, leasing and development services

##### *Funds management - unlisted*

Wholesale investment management and advisory services relating to unlisted asset sectors, including biotechnology and private capital

##### Geographical segments

Geographical segments are based on the location of the consolidated entity's assets. With the exception of non-material assets located in the United States of America and the United Kingdom, the consolidated entity operates in one geographical location only, being Australia.

**(b) Primary reporting format – business segments**

	Funds management – listed \$'000	Property services \$'000	Funds management – unlisted \$'000	Total continuing operations \$'000	Inter-segment eliminations \$'000	Consolidated \$'000
<b>2007</b>						
Revenue	70,379	40,125	26,174	136,678	–	136,678
Inter-segment revenue (note (ii))	12,388	–	10,839	23,227	(23,227)	–
Total revenue	82,767	40,125	37,013	159,905	(23,227)	136,678
Shares of net profits (losses) of associates and joint venture partnerships (note (iii))	(325)	–	–	(325)	–	(325)
Total segment revenue/income	82,442	40,125	37,013	159,580	(23,227)	136,353
Segment result	9,242	10,468	4,252	23,962	(8,188)	15,774
Income tax expense						(6,806)
Net profit for the year						8,968
Segment assets	90,117	22,039	20,590	132,746	(36,372)	96,374
Segment liabilities	50,142	17,976	20,009	88,127	(36,372)	51,755
Investments in associates and joint venture partnerships (note (iii))	548	–	–	548	–	548
Acquisitions of property, plant and equipment and intangibles	6,067	–	1,298	7,365	–	7,365
Depreciation and amortisation expense	4,617	2	18	4,637	–	4,637
<b>Cash flow information</b>						
Net cash inflow (outflow) from operating activities	28,188	(6,124)	1,929	23,993	(4,660)	19,333
Net cash inflow (outflow) from investing activities	5,062	–	(1,303)	3,759	–	3,759
Net cash inflow (outflow) from financing activities	(10,325)	(4,660)	–	(14,985)	4,660	(10,325)

# Notes to the Financial Statements (cont)

## 30 June 2007

### 2. Segment information (cont)

	Funds management - listed \$'000	Property services \$'000	Funds management - unlisted \$'000	Total continuing operations \$'000	Inter-segment eliminations/ unallocated \$'000	Consolidated \$'000
<b>2006</b>						
Revenue	74,609	32,435	6,970	114,014	–	114,014
Inter-segment revenue (note (ii))	10,127	–	–	10,127	(10,127)	–
Total revenue	84,736	32,435	6,970	124,141	(10,127)	114,014
Shares of net profits (losses) of associates and joint venture partnerships (note (iii))	(627)	–	–	(627)	–	(627)
Total segment revenue/income	84,109	32,435	6,970	123,514	(10,127)	113,387
Segment result	14,978	8,364	–	23,342	(4,660)	18,682
Income tax expense						(5,776)
Net profit for the year						12,906
Segment assets	73,027	16,515	792	90,334	(6,750)	83,584
Segment liabilities	32,802	13,905	797	47,504	(6,750)	40,754
Investments in associates and joint venture partnership (note (iii))	1,000	–	–	1,000	–	1,000
Acquisitions of property, plant and equipment and intangibles	5,357	–	–	5,357	–	5,357
Depreciation and amortisation expense	5,008	5	–	5,013	–	5,013
<b>Cash flow information</b>						
Net cash inflow (outflow) from operating activities	6,590	5,574	(26)	12,138	(2,892)	9,246
Net cash inflow (outflow) from investing activities	9,241	–	–	9,241	–	9,241
Net cash inflow (outflow) from financing activities	(10,862)	(2,892)	–	(13,754)	2,892	(10,862)

### (c) Notes to and forming part of the segment information

#### (i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits and provisions. Segment assets and liabilities include income tax equivalents.

#### (ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

#### (iii) Equity accounted investments

The Group owns 50% of Q Invest Limited, a financial planning services company, located in Australia, which is accounted for using the equity method and is allocated to the funds management segment.

The Group has a 50% interest in the Innovis Investment Partners Australia Limited Partnership, located in Australia, which is accounted for using the equity method and is allocated to the funds management segment.

The Group has a 50% interest in the Innovis Investment Partners LLC, located in the United States of America, which is accounted for using the equity method and is allocated to the funds management segment.

### 3. Revenue

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>From continuing operations</b>				
Management and other fees	133,274	108,969	71,837	75,384
<b>Other revenue</b>				
Dividends	—	—	8,188	4,660
Distribution income	2,112	2,777	1,457	2,403
Interest	161	81	76	35
	2,273	2,858	9,721	7,098
	135,547	111,827	81,558	82,482

### 4. Other income

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Fair value gains on financial assets at fair value through profit or loss (note 9 & 11)	230	1,334	205	1,322
Net gain on disposal of property, plant and equipment	—	3	—	3
Other	576	223	679	302
	806	1,560	884	1,627

# Notes to the Financial Statements (cont)

## 30 June 2007

### 5. Expenses

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Expenses, included in the income statements classified by nature</b>				
Employee benefits expense (note 1(q))	<b>84,240</b>	64,573	<b>45,016</b>	43,380
Professional services	<b>6,398</b>	5,181	<b>6,052</b>	5,169
Depreciation and amortisation (note 1(n) & 1(o))	<b>4,637</b>	5,013	<b>4,617</b>	5,008
Travel	<b>4,596</b>	3,159	<b>1,653</b>	1,400
Operating lease costs (note 1(h))	<b>4,328</b>	3,483	<b>2,828</b>	2,659
Staff development and recruitment	<b>3,337</b>	2,062	<b>2,286</b>	1,300
Computer operating costs	<b>2,950</b>	2,618	<b>2,905</b>	2,612
Information and research services	<b>2,127</b>	1,484	<b>2,069</b>	1,456
Communication expenses	<b>1,093</b>	1,034	<b>782</b>	870
Insurance	<b>975</b>	999	<b>698</b>	999
Write down of investment in associate	–	–	<b>469</b>	714
Auditors' remuneration (note 26)	<b>218</b>	107	<b>84</b>	60
Net loss on disposal of property, plant and equipment	<b>27</b>	208	<b>27</b>	208
Other expenses	<b>5,328</b>	4,157	<b>3,714</b>	3,296
	<b>120,254</b>	94,078	<b>73,200</b>	69,131

## 6. Income tax expense

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>(a) Income tax expense</b>				
Current tax	8,607	6,494	5,406	6,494
Deferred tax	(3,358)	(629)	(169)	(626)
Compensation received from tax consolidated group entities	–	–	(4,481)	(2,546)
Under (over) provided in prior years	1,557	(89)	1,557	(89)
	<b>6,806</b>	<b>5,776</b>	<b>2,313</b>	<b>3,233</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit from continuing operations before income tax expense	15,774	18,682	9,242	14,978
Tax expense at the Australian tax rate of 30% (2006: 30%)	4,732	5,605	2,773	4,493
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:				
Non-deductible (non-assessable) sundry items	(4)	10	(9)	(5)
Assessable (non-assessable) capital gains	4	(194)	4	(194)
Entertainment	79	78	78	68
Share of net losses of associates	141	214	–	–
Write down of investments in associates to recoverable amount	–	–	141	214
Tax offset for franked dividends and foreign income	(14)	(8)	(14)	(8)
Superannuation	304	202	234	194
Assessable dividend income and gross up	–	(42)	–	(42)
	<b>5,242</b>	<b>5,865</b>	<b>3,207</b>	<b>4,720</b>
Non-assessable dividend income upon consolidation	7	–	(2,451)	(1,398)
Under (over) provision in prior years	1,557	(89)	1,557	(89)
	<b>1,564</b>	<b>(89)</b>	<b>(894)</b>	<b>(1,487)</b>
Income tax expense	<b>6,806</b>	<b>5,776</b>	<b>2,313</b>	<b>3,233</b>
Profit before income tax expense – tax consolidated group (excluding parent entity)			6,532	3,704
Income tax calculated @ 30% (2006: 30%)			1,960	1,111
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:				
Superannuation			70	–
Entertainment			1	10
Non-deductible (non-assessable) sundry items			5	32
Income tax expense adjusted for permanent differences			2,036	1,153
Compensation received from tax consolidated group entities	–	–	(2,036)	(1,153)
Total income tax expense	<b>6,806</b>	<b>5,776</b>	<b>2,313</b>	<b>3,233</b>

# Notes to the Financial Statements (cont)

## 30 June 2007

### 6. Income tax expense (cont)

#### (c) Tax consolidation legislation

Queensland Investment Corporation and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004. The accounting policy in relation to this legislation is set out in note 1(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Queensland Investment Corporation. The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Queensland Investment Corporation for any current tax payable assumed and are compensated by Queensland Investment Corporation for any current tax receivable and deferred tax

assets relating to unused tax losses or unused tax credits that are transferred to Queensland Investment Corporation 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 head company of those liabilities, and subject to the head company providing to the wholly owned subsidiary satisfactory evidence of that payment, the wholly owner subsidiary member of the group shall promptly pay to the Head Company that contribution amount and the head company shall promptly pay to the relevant wholly-owned subsidiary members, amounts receivable by them under the funding arrangement. (see note 29(e)).

### 7 Current assets - Cash assets

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and in hand	1,371	1,494	469	659

#### (a) Fair value

The carrying amount for cash and cash equivalents equals the fair value. The weighted average interest rate for cash was 4.99% (2006: 3.97%).

### 8. Current assets - Receivables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Net trade receivables</b>				
Management and other fees receivable	28,293	24,767	15,664	20,502
<b>Net related party receivables</b>				
Receivable from associated entities	–	–	1,494	487
Dividends due from subsidiary	–	–	8,188	4,660
	–	–	9,682	5,147
<b>Prepayments</b>				
Prepayments	1,994	1,328	1,780	1,295
<b>Tax sharing arrangement</b>				
Tax related amounts receivable from wholly-owned entities	–	–	4,508	1,603
	30,287	26,095	31,634	28,547

These are non-interest bearing.

## 9. Current assets – Financial assets at fair value through profit or loss

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of year	20,672	13,404	10,447	5,415
Revaluation (realised and unrealised)	(6)	22	(31)	10
Distributions reinvested	1,251	781	596	407
Additions (subscriptions)	119,376	72,036	82,936	57,636
Disposals (redemptions)	(107,731)	(65,571)	(60,386)	(53,021)
At end of year	33,562	20,672	33,562	10,447

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment in QIC Cash Fund	33,562	20,672	33,562	10,447

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income in the income statements (note 4).

## 10. Non-current assets – Investments accounted for using the equity method

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Q Invest Limited – ordinary shares and cumulative participating redeemable preference shares (note 31)	528	997	–	–
Investments in joint venture partnerships (note 32)	20	3	–	–
	548	1,000	–	–

### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at fair value by the parent entity (refer to note 15).

### (b) Shares in joint venture partnership

The interests in Innovis Investment Partners LLC and Innovis Investment Partners Australia LP partnerships are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

# Notes to the Financial Statements (cont)

## 30 June 2007

### II. Non-current assets - Financial assets at fair value through profit or loss

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At beginning of year	<b>16,774</b>	28,466	<b>16,774</b>	28,466
Revaluations (realised and unrealised)	<b>236</b>	1,312	<b>236</b>	1,312
Distributions reinvested	<b>861</b>	1,996	<b>861</b>	1,996
Additions (subscriptions)	<b>5,500</b>	–	<b>5,500</b>	–
Disposals (redemptions)	<b>(16,500)</b>	(15,000)	<b>(16,500)</b>	(15,000)
At end of year	<b>6,871</b>	16,774	<b>6,871</b>	16,774

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment in QIC Growth Fund	<b>6,871</b>	16,774	<b>6,871</b>	16,774

Changes in fair values of financial assets at fair value through profit or loss are recorded in other income in the income statements (note 4).

## 12. Non-current assets – Property, plant and equipment

Consolidated 2007	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
<b>Year ended 30 June 2007</b>			
Opening net book amount	2,751	2,009	4,760
Additions	2,704	1,667	4,371
Disposals	(2)	(12)	(14)
Depreciation charge (note 5)	(603)	(1,466)	(2,069)
Closing net book amount	4,850	2,198	7,048
<b>At 30 June 2007</b>			
Cost	8,336	10,573	18,909
Accumulated depreciation	(3,486)	(8,375)	(11,861)
Net book amount	4,850	2,198	7,048
<b>Consolidated 2006</b>			
<b>Year ended 30 June 2006</b>			
Opening net book amount	2,655	2,103	4,758
Additions	835	1,450	2,285
Disposals	(180)	(22)	(202)
Depreciation charge (note 5)	(559)	(1,522)	(2,081)
Closing net book amount	2,751	2,009	4,760
<b>At 30 June 2006</b>			
Cost	5,661	9,125	14,786
Accumulated depreciation	(2,910)	(7,116)	(10,026)
Net book amount	2,751	2,009	4,760

# Notes to the Financial Statements (cont)

## 30 June 2007

### 12. Non-current assets – Property, plant and equipment (cont)

Parent 2007	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
<b>Year ended 30 June 2007</b>			
Opening net book amount	2,746	2,009	4,755
Additions	1,478	1,591	3,069
Disposals	(2)	(12)	(14)
Depreciation charge (note 5)	(586)	(1,463)	(2,049)
Closing net book amount	3,636	2,125	5,761

#### At 30 June 2007

Cost	7,102	10,497	17,599
Accumulated depreciation	(3,466)	(8,372)	(11,838)
Net book amount	3,636	2,125	5,761

Parent 2006	Office equipment, furniture and fittings \$'000	Computer equipment \$'000	Total \$'000
<b>Year ended 30 June 2006</b>			
Opening net book amount	2,644	2,103	4,747
Additions	836	1,450	2,286
Disposals	(180)	(22)	(202)
Depreciation charge (note 5)	(554)	(1,522)	(2,076)
Closing net book amount	2,746	2,009	4,755

#### At 30 June 2006

Cost	5,630	9,125	14,755
Accumulated depreciation	(2,884)	(7,116)	(10,000)
Net book amount	2,746	2,009	4,755

### 13. Non-current assets – Deferred tax assets

	2007 \$'000	Consolidated 2006 \$'000	2007 \$'000	Parent 2006 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Employee benefits provided for or payable	9,972	6,693	4,627	4,936
Depreciation and amortisation	1,073	882	1,062	876
Accrued expenses	99	190	41	26
Sundry items	105	1	104	(16)
Net deferred tax assets	11,249	7,766	5,834	5,822

#### 14. Non-current assets – Intangible assets

Consolidated and Parent 2007	Computer software \$'000	Total \$'000
<b>Year ended 30 June 2007</b>		
Opening net book amount	5,022	5,022
Additions	2,998	2,998
Disposals	(15)	(15)
Amortisation charge (note 5)	(2,568)	(2,568)
Closing net book amount	5,437	5,437

#### At 30 June 2007

Cost	17,495	17,495
Accumulated amortisation	(12,058)	(12,058)
Net book amount	5,437	5,437

Consolidated and Parent 2006	Computer software \$'000	Total \$'000
<b>Year ended 30 June 2006</b>		
Opening net book amount	4,899	4,899
Additions	3,072	3,072
Disposals	(17)	(17)
Amortisation charge (note 5)	(2,932)	(2,932)
Closing net book amount	5,022	5,022

#### At 30 June 2006

Cost	14,545	14,545
Accumulated amortisation	(9,523)	(9,523)
Net book amount	5,022	5,022

#### 15. Non-current assets – Financial assets

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in associates (note 31)	–	–	528	997
Shares in subsidiaries (note 30)	1	1	1	1
Investments in partnerships (note 32)	–	–	20	3
	1	1	549	1,001

# Notes to the Financial Statements (cont)

## 30 June 2007

### 16. Current liabilities – Payables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits payable	22,815	13,043	9,207	9,439
Dividends	7,175	10,321	7,175	10,321
Accounts payable	5,529	3,726	3,454	2,610
Accrued expenses	2,768	2,424	896	1,665
Amounts due to associated entities	–	–	20,955	239
	<b>38,287</b>	<b>29,514</b>	<b>41,687</b>	<b>24,274</b>

These are non-interest bearing.

### 17. Current liabilities – Provisions

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits	7,620	6,144	3,861	4,478
Other provisions	104	180	104	180
	<b>7,724</b>	<b>6,324</b>	<b>3,965</b>	<b>4,658</b>

### 18. Current liabilities – Current tax liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Income tax payable	2,462	275	2,462	275

### 19. Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
<i>Amounts recognised in profit or loss</i>				
Prepayments	2	–	1	–
Receivables	4	1,560	2	1,559
Investments	–	17	–	17
Sundry items	11	(6)	–	(7)
Net deferred tax liabilities	<b>17</b>	<b>1,571</b>	<b>3</b>	<b>1,569</b>

## 20 Non-current liabilities – Provisions

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Employee benefits	2,984	2,815	1,872	1,771
Other provisions	281	255	153	255
	<b>3,265</b>	<b>3,070</b>	<b>2,025</b>	<b>2,026</b>

## 21. Contributed equity

	Parent		Parent	
	2007 No. of Shares	2006 No. of Shares	2007 \$'000	2006 \$'000
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<b>30,300,000</b>	30,300,000	<b>30,300</b>	30,300

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

Date	Details	Number of shares	Issue price	\$'000
1 July 2005	Opening balance	30,300,000	\$1.00	30,300
30 June 2006	Closing balance	30,300,000		30,300
1 July 2006	Opening balance	30,300,000	\$1.00	30,300
30 June 2007	Closing balance	30,300,000		30,300

## 22. Retained profits

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Retained profits 1 July	12,530	9,945	9,925	8,501
Net profit for the year	8,968	12,906	6,929	11,745
Dividend (note 23(a))	(7,179)	(10,321)	(7,179)	(10,321)
Balance 30 June	<b>14,319</b>	<b>12,530</b>	<b>9,675</b>	<b>9,925</b>

## 23. Dividends

	Parent	
	2007 \$'000	2006 \$'000
<b>(a) Ordinary shares</b>		
Final dividend for the year ended 30 June 2007 being 80% of consolidated operating profit after tax recognised as a payable (note 16)	7,175	10,321
Under provision for final dividend for the year ended 30 June 2006	4	–
	<b>7,179</b>	<b>10,321</b>

# Notes to the Financial Statements (cont)

## 30 June 2007

### 24. Key management personnel disclosures

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

#### (a) Directors

The following persons were directors of Queensland Investment Corporation during the financial year:

##### (i) Chairman – non-executive

T C Rowe AM

##### (ii) Deputy Chairman – non-executive

K D MacDonald

##### (iii) Non-executive directors

J G Allpass

I Brusasco AM

D H Harrison

M M Micalizzi

B K Morris

M L Newman AC

B K Morris was appointed to the position of non-executive director on 1 July 2006.

G J Bradley resigned from the position of non-executive director on 31 October 2005.

#### (b) Executives

Executives are appointed by Governor-in-Council. During the current and prior financial years, the following persons were executives with the greatest authority for the strategic direction and management of the consolidated entity ("executives"):

D F McTaggart	Chief Executive
B G Holzberger	Deputy Chief Executive and General Manager, Strategy
S J Buckley	General Manager, Global Fixed Interest
J W Christensen	General Manager, Alternative Investment Strategies (from 7 November 2005)
M A Cottier	Chief Financial Officer (formerly General Manager, Corporate Services)
J R Gethin-Jones	General Manager, Global Equities
D A Mundie	General Manager, Operations (from 20 December 2006)
M A Sugden	General Manager, Client Services (from 6 March 2006)
R D Petie	General Manager, Corporate Relations (from 1 July 2005 to 31 August 2005)
L R Brindle	General Manager, Real Estate (from 1 July 2005 to 1 March 2006)

All of the above persons were also executives during the year ended 30 June 2006, except for J W Christensen who was appointed on 7 November 2005, M A Sugden who was appointed on 6 March 2006, D A Mundie who was appointed on 20 December 2006 and R D Petie who resigned on 31 August 2005. The role of General Manager, Real Estate ceased on 1 March 2006 as a result of a restructure of the QIC group.

### (c) Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

#### (i) Directors' fees

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

#### (ii) Remuneration for executives

The Human Resources Committee, consisting of four non-executive directors and the Chief Executive, reviews the level of remuneration paid to all executives. The Committee meets approximately five times during the year. Analysis and advice is obtained from external consultants to ensure that remuneration is benchmarked against market rates for comparable roles.

A number of salary surveys are utilised to assess market rates and trends. The primary survey utilised is conducted

by the Financial Institutions Remuneration Group. This survey has approximately 90 member organisations in the finance industry, including many in the investment management industry. Remuneration is reviewed at least annually to endeavour to ensure executive pay is competitive with the funds management industry.

Remuneration for executives includes a mix of fixed remuneration and an at risk performance incentive which is subject to performance targets. Non monetary benefits are incorporated into remuneration on a salary sacrifice basis and typically include motor vehicles and car parking, including the fringe benefits tax on these benefits.

The Corporation's policy does not provide for any redundancy payment for staff on individual contracts of employment. The Corporation's contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for the termination. The Corporation may at its discretion provide retrenchment payments consistent with industry practice.

The Human Resources Committee refers its recommendations relating to remuneration to the Corporation's Board for consideration and where appropriate consults with the Corporation's Shareholding Ministers.

#### (iii) Compensation – Key management personnel:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Short-term employee benefits	5,577	4,559	5,409	4,400
Other long term benefits	81	175	81	175
Post-employment benefits	416	814	413	809
Total	6,074	5,548	5,903	5,384

Key management personnel compensation includes the remuneration of directors' and executives' specified at note 24(b) for the periods indicated, including at risk performance incentives.

# Notes to the Financial Statements (cont)

## 30 June 2007

### 24. Key management personnel disclosures (cont)

(iv) Compensation – Directors:

Directors		Board and Board Committees					Total primary employment		Post-	Total
Name	Position	Audit & Risk Mgmt		Human Resource	Debt Mgmt	Product Dev't	Subsidiary Companies	Cash salary and fees	Super-annuation	\$'000
		Directors' fees \$'000	Committee fees \$'000	Committee fees \$'000	Committee \$'000	Committee \$'000	Committee \$'000	\$'000	\$'000	
<b>Reporting Period</b>	<b>I July 2006 - 30 June 2007</b>									
T C Rowe AM	Chairman	99	–	9	–	9	26	143	3	146
K D MacDonald	Deputy Chairman	37	–	12	–	9	10	68	–	68
J G Allpass	Director	37	10	–	12	9	–	68	5	73
I Brusasco AM	Director	37	–	9	–	–	6	52	–	52
D H Harrison	Director	37	9	9	–	–	–	55	5	60
M M Micalizzi	Director	37	12	–	9	9	–	67	1	68
B K Morris <sup>(3)</sup>	Director	37	9	–	–	–	–	46	4	50
M L Newman AC	Director	57	2	–	–	13	–	72	6	78
P Forbes <sup>(1)</sup>	Director	–	–	–	–	–	37	37	2	39
C Hirst AO <sup>(1)</sup>	Director	–	–	–	–	–	37	37	1	38
P R Jenkins <sup>(1)</sup>	Director	–	–	–	–	–	52	52	–	52
	I July 2006 -									
Total remuneration	30 June 2007	378	42	39	21	49	168	697	27	724
<b>Previous Period</b>	<b>I July 2005 - 30 June 2006</b>									
T C Rowe AM	Chairman	96	–	8	–	8	26	138	13	151
K D MacDonald	Deputy Chairman	36	–	12	–	8	10	66	–	66
J G Allpass	Director	36	12	–	12	8	–	68	6	74
I Brusasco AM	Director	36	–	8	–	–	–	44	–	44
D H Harrison	Director	36	8	8	–	–	–	52	–	52
M M Micalizzi	Director	36	8	–	8	8	–	60	2	62
M L Newman AC	Director	56	8	–	–	–	–	64	6	70
P R Jenkins <sup>(1)</sup>	Director	–	–	–	–	–	51	51	–	51
P Forbes <sup>(1)</sup>	Director	–	–	–	–	–	36	36	3	39
C Hirst AO <sup>(1)</sup>	Director	–	–	–	–	–	36	36	–	36
G J Bradley <sup>(2)</sup>	Director	17	–	–	–	6	–	23	2	25
	I July 2005 -									
Total remuneration	30 June 2006	349	36	36	20	38	159	638	32	670

Notes:

<sup>(1)</sup> Directors of Queensland Investment Corporation subsidiary companies only. <sup>(2)</sup> Resigned 31 October 2005. <sup>(3)</sup> Appointed 1 July 2006.

(v) Compensation - Executives:

Executives		Primary	Post-employment		Termination benefits	Total remuneration (excluding at risk performance incentive remuneration)	
Name	Position	Base salary (4) \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	Retirement benefits \$'000	\$'000	\$'000
<b>Reporting Period</b>	<b>I July 2006 - 30 June 2007</b>						
D F McTaggart	Chief Executive	500	29	45	—	—	574
B G Holzberger	Deputy Chief Executive and General Manager Strategy	406	2	37	—	—	445
S J Buckley	General Manager Global Fixed Interest	336	25	62	—	—	423
J W Christensen	General Manager Alternative Investment Strategies	259	—	102	—	—	361
M A Cottier	Chief Financial Officer	234	6	43	—	—	283
J R Gethin-Jones	General Manager Global Equities	405	10	34	—	—	449
D A Mundie <sup>(6)</sup>	General Manager Operations	111	15	20	—	—	146
M A Sugden	General Manager Client Services	221	21	46	—	—	288
Total remuneration	I July 2006 - 30 June 2007	2,472	108	389	—	—	2,969
<b>Previous Period</b>	<b>I July 2005 - 30 June 2006</b>						
D F McTaggart	Chief Executive	388	26	140	—	—	554
B G Holzberger	Deputy Chief Executive and General Manager Strategy	145	4	317	—	—	466
S J Buckley	General Manager Global Fixed Interest	230	42	138	—	—	410
J W Christensen <sup>(2)</sup>	General Manager Alternative Investment Strategies	221	—	56	—	—	277
M A Cottier	General Manager Corporate Services	212	5	38	—	—	255
J R Gethin-Jones	General Manager Global Equities	361	21	48	—	—	430
M A Sugden <sup>(3)</sup>	General Manager Client Services	87	7	12	—	—	106
R D Petie <sup>(1)</sup>	General Manager Corporate Relations	—	—	4	—	—	4
L R Brindle <sup>(5)</sup>	General Manager Real Estate	315	12	29	—	—	356
Total remuneration	I July 2005 - 30 June 2006	1,959	117	782	—	—	2,858

Notes

<sup>(1)</sup> Resigned 31 August 2005. <sup>(2)</sup> Appointed 7 November 2005. <sup>(3)</sup> Appointed 6 March 2006. <sup>(4)</sup> Executives may also earn performance based at risk incentives payments which are not included in this table. <sup>(5)</sup> Until 1 March 2006, at which time the QIC group was restructured. <sup>(6)</sup> Appointed 20 December 2006.

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# Notes to the Financial Statements (cont)

## 30 June 2007

### 24. Key management personnel disclosures (cont)

#### (d) Other transactions with key management personnel

##### *(i) Directors of Queensland Investment Corporation*

The Chairman, Mr T C Rowe AM, is a director of Australian Securities Exchange Ltd. A director, Mr M L Newman AC, is the Chairman of Australian Securities Exchange Ltd. Queensland Investment Corporation and certain of its subsidiaries have utilised the services of Australian Securities Exchange Ltd, including the transacting of securities on the Australian Securities Exchange and subscription to information services. These transactions occur on normal commercial terms and conditions.

The Chairman, Mr T C Rowe AM, is a member of the Board of Guardians of the Future Fund. During the year, Queensland Investment Corporation has provided funds management services to the Future Fund at arm's length and on commercial terms and conditions.

The Deputy Chairman, Mr K D MacDonald, is a Partner of Allens Arthur Robison. Allens Arthur Robison has provided legal services to Queensland Investment Corporation and certain of its subsidiaries. These transactions occur on normal commercial terms and conditions.

The Deputy Chairman, Mr K D MacDonald, is a director of Q Invest Limited. Queensland Investment Corporation holds 50% of the shares in Q Invest Limited. Queensland Investment Corporation provides investment management services to Q Invest Limited, on normal commercial terms and conditions. The Corporation also provides accounting, payroll, human resource advisory and information technology services to Q Invest Limited. These services are provided on a cost recovery basis.

A director, Mr J G Allpass, was a director of Macquarie Bank Ltd until 19 July 2007. Macquarie Bank Ltd has provided transactional and settlement services to Queensland Investment Corporation. These transactions occur on normal commercial terms and conditions.

During the year, Queensland Investment Corporation and certain of its subsidiaries (in a trustee capacity) joined a consortium led by Macquarie Bank Ltd to purchase and manage a specific infrastructure investment. The resulting transactions occurred on normal commercial terms and conditions.

A director, Mr I Brusasco AM, is a director of Pharmall Pty Ltd. Queensland Investment Corporation has rented floor space to Pharmall Pty Ltd, on normal commercial terms and conditions.

A director, Ms M M Micalizzi, is a member of the Sunsuper Audit, Risk and Compliance Committee. Queensland Investment Corporation has provided investment management services to Sunsuper. These transactions occur on normal commercial terms and conditions.

##### *(ii) Executives of the Group*

Dr D F McTaggart, Chief Executive Officer, is Governor of the Queensland Community Foundation. Queensland Investment Corporation provides sponsorship to the Queensland Community Foundation.

Dr D F McTaggart is also a director of Q Invest Limited. Queensland Investment Corporation receives directors' fees from Q Invest Limited. Details of other transactions undertaken with Q Invest Limited are outlined in the previous section.

Aggregate amounts of each of the above types of transactions with key management personnel of Queensland Investment Corporation and the consolidated entity, either in its own capacity or as trustee of the trusts as listed in note 27.

	2007 \$'000	2006 \$'000
<b>Amounts recognised as revenue</b>		
Management fees	5,931	5,234
Rent	99	694
Information technology services	2,059	1,678
HR and accounting services	471	454
Recovery of general expenses	–	267
Directors' fees	44	42
	<b>8,604</b>	<b>8,369</b>

	2007 \$'000	2006 \$'000
<b>Amounts recognised as expenses</b>		
Brokering, transaction and settlement fees	23,074	26,179
Legal, taxation and consulting services	2,481	3,416
Subscriptions	83	9
Insurance	83	62
Sponsorships	60	69
	<b>25,781</b>	<b>29,735</b>

## 25. Employee benefits

### At risk performance incentive remuneration

The majority of the Corporation's staff are sourced from the various financial markets and investment sectors in which the Corporation participates. It is important that the Corporation's employment practices are competitive within these markets. Performance based incentive plans are standard practice

in the funds management industry and such a plan is an essential element in the Corporation's strategy to attract and retain investment staff and ensure their effectiveness in achieving agreed performance benchmarks.

In accordance with good corporate governance practices, the following summarises performance payments.

	2007	Consolidated 2006
Aggregate at risk performance incentive paid, payable or provided (\$'000)	21,280	12,411
Aggregate remuneration (including at risk performance incentive remuneration) of employees to whom performance incentive remuneration is paid, payable or provided (\$'000)	58,880	42,408
Number of employees who receive a performance payment	207	170

# Notes to the Financial Statements (cont)

## 30 June 2007

### 25. Employee benefits (cont)

The maximum amount payable varies with individual roles to the extent they impact on investment and corporate performance. The components of the incentive calculation include:

- Sector - performance of specific portfolios against benchmarks and outperformance targets to meet outperformance expectations agreed with clients (senior non-investment staff are not assessed against a sector component)
- Corporate - performance of key products against industry benchmarks and competitors.
- Individual outperformance - individual performance against agreed business targets

The following categories of employees are eligible for at risk performance incentive remuneration:

- Executives (includes Chief Executive, Chief Financial Officer and General Managers)
- Portfolio Managers - primary responsibility for investment outcomes
- Analysts, dealers and other investment professionals - significant responsibility for investment outcomes
- Other investment professionals - involved in management of portfolios
- Senior non-investment professionals

### 26. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the external auditor:

	2007 \$'000	Consolidated 2006 \$'000	2007 \$'000	Parent 2006 \$'000
<i>Audit services</i>				
<i>Queensland Audit Office</i>				
Audit and review of financial reports	133,980	107,012	83,655	59,592
<i>KPMG</i>				
Audit and review of financial reports	83,962	–	–	–
Total remuneration for audit services	217,942	107,012	83,655	59,592

## 27. Contingencies

The Corporation or its controlled entities act as Trustee of:

QIC Active Currency Trust	QIC Implemented Australian Equities Fund No. 2	QIC Retail (No. 2) Fund
QIC Active Large Companies Fund No. 1	QIC International Equities Focus Fund	QIC Shopping Centre Fund
QIC Active Large Companies Fund No. 2	QIC International Equities Fund	QIC UK Retail Fund
QIC Active Small Companies Fund No. 1	QIC International Equities Fund No. 2	Canberra Centre Investment Trust
QIC Active Small Companies Fund No. 2	QIC International Equities Small Companies Fund	Eastland Shopping Centre Trust
QIC Global Credit Opportunities Fund	QIC International Fixed Interest Fund	General Fund No. 2
QIC Australian Equities Fund	QIC International Property Fund	Melton Property Trust
QIC Australian Equities Fund No. 2	QIC Premium Equities Fund	QIC 141 Queen Street Trust
QIC Australian Fixed Interest Fund	QIC Private Equity Fund No. 1	QIC 80 Collins Street Trust
QIC Australian Venture Capital Fund	QIC Private Equity Fund No. 2	QIC Castle Towers Trust
QIC Brisbane Airport Infrastructure Trust	QIC Stable Fund	QIC Central Plaza I Trust
QIC Cash Enhanced Fund	QIC Strategy Fund No. 1	QIC Central Plaza II and III Trust
QIC Cash Enhanced Fund No. 2	QIC Strategy Fund No. 2	QIC Colonial Centre Trust
QIC Cash Fund	QIC Tactical Return Fund	QIC Grand Central Trust
QIC Core Large Companies Fund No. 1	QIC Treasury Infrastructure Fund	QIC Helensvale Trust
QIC Diversified Fixed Interest Fund No. 1	Queensland Biocapital Fund No. 1	QIC Hi Yield Trust
QIC Diversified Fixed Interest Fund No. 2	Queensland Biocapital Fund No. 2	QIC Industrial Trust
QIC Diversified Infrastructure Fund No. 1	Queensland Investment Trust No. 1	QIC International Property Development Trust
QIC Diversified Infrastructure Fund No. 2	Queensland Investment Trust No. 2	QIC January 1999 Trust
QIC Emerging Equity Markets Fund	QIC Asia Diversified Property Fund	QIC Logan Hyperdome Trust No. 2
QIC GFI Alpha Fund	QIC Asia Property Fund	QIC Logan Hyperdome Trust
QIC Global Credit Fund	QIC Asia Retail Property Fund	QIC March 2001 Trust
QIC Global Macro Fund	QIC Europe Retail Fund	QIC Merry Hill Retail Trust
QIC Global Strategy Trust No. 1	QIC North American Diversified Property Fund	QIC MLC Centre Trust
QIC Global Strategy Trust No. 2	QIC North American Property Fund	QIC Ringwood Trust
QIC Growth Fund	QIC North Asia Property Fund	QIC Robina Trust
QIC Hedged International Equities Fund	QIC Office Property Fund	QIC Westpoint Trust
QIC High Growth Fund	QIC Property Fund	Watergardens Trust
QIC Implemented Australian Equities Fund	QIC Property Securities Fund	Canberra Centre (No.2) Investment Trust
QIC US Infrastructure Fund No. 1	QIC US Infrastructure Fund No. 2	QIC US Power Trust No. 1
QIC US Power Trust No. 2	QIC Coomera Trust	QIC Merry Hill (Jersey) Trust No. 1
QIC Merry Hill (Jersey) Trust No. 2	QIC Merry Hill (Jersey) Trust No. 3	QIC Merry Hill (Jersey) Trust No. 4
QIC Merry Hill (Jersey) Trust No. 5	QIC Merry Hill (Jersey) Trust No. 6	QIC Merry Hill (Jersey) Trust No. 7

In its capacity as Trustee, the Corporation is potentially liable for unsettled liabilities of the Trusts. However, under the Trust Deeds, the Corporation is entitled to be indemnified out of the assets of the Trusts against any losses or outgoings sustained in its role as Trustee.

In addition, the Corporation 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 Corporation 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 Corporation has not recorded any liability in its financial statements.

Funds managed by the Corporation in a trustee capacity in either trusts or discrete portfolios totalled \$64.4 billion at 30 June 2007 (2006: \$51.3 billion). These figures exclude cross holdings between Trusts.

In accordance with an eligible undertaking dated 27 February 2006, the Corporation irrevocably agrees to pay QIC Retail Pty Ltd an amount up to \$8.0 million on written demand pursuant to an application for an Australian Financial Services Licence.

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# Notes to the Financial Statements (cont)

## 30 June 2007

### 27. Contingencies (cont)

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

In accordance with an eligible undertaking dated 27 November 2006, the Corporation irrevocably agrees to pay QIC Private Capital Pty Ltd an amount up to \$10.0 million on written demand pursuant to an application for an Australian Financial Services Licence.

In accordance with a deed poll dated 27 February 2004, the Corporation has agreed to indemnify each of its subsidiaries for all 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) and providing financial product advice.

A building contractor has commenced litigation against the parent entity, in its capacity as Trustee of the QIC Westpoint Trust, claiming additional payments and other damages from the QIC Westpoint Trust. In its capacity as Trustee, the parent entity has lodged a cross-claim against the building contractor for its claimed losses and damages. No provision has been made for future litigation costs or the outcome of the litigation, positive or negative.

Litigation is in progress against the parent entity and certain of its controlled entities, in the capacity as Trustee, in relation to other disputes pertaining to property development and management activities. The parent entity and its controlled entities have disclaimed liability and are defending the actions. It is not practical to estimate the potential effects of these claims, but legal advice indicates that any liability that may arise, in the unlikely event that the claims are successful, will not be significant.

A performance management 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 2013. If the performance criteria are not met over the entire 12 year period, no performance fee is payable.

At 30 June 2007, the amount of the performance management fee payable to the Group is estimated to be \$45.9 million (2006: \$22.5 million) before income tax expense. There remains a significant degree of uncertainty over whether the performance targets will be achieved as the performance of the QIC Shopping Centre Fund is impacted by the underlying performance of the commercial property market, over which the Group has no control.

As the inflow of economic benefits is considered to be probable, but not virtually certain, the performance fee has not been recognised by the Group for the year ended 30 June 2007.

## 28. Commitments

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

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	7,908	5,745	7,443	5,625
Later than one year but not later than five years	25,561	10,430	23,179	10,315
Later than five years	43,784	–	40,986	–
	<b>77,253</b>	16,175	<b>71,608</b>	15,940

## 29. Related party transactions

### (a) Parent entity

The ultimate parent entity within the Group is Queensland Investment Corporation. The Corporation is a statutory body wholly owned by the State of Queensland.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 30.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

### (d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<i>Sales of goods and services</i>				
Administration fees from subsidiaries	–	–	4,200	1,747
Administration fees from associates	2,530	2,132	2,530	2,132
Directors' fees from associates	44	42	44	42
Other goods and services from associates	–	267	–	267
Investment management fees from other related parties - State of Queensland	39,116	29,596	30,181	29,596
Other goods and services from other related parties - State of Queensland	21	149	21	149

# Notes to the Financial Statements (cont)

## 30 June 2007

### 29. Related party transactions (cont)

	2007 \$'000	Consolidated 2006 \$'000	2007 \$'000	Parent 2006 \$'000
<i>Purchases of goods</i>				
Purchase of goods and services from other related parties - State of Queensland	3,474	2,680	2,569	2,050
Service fees paid to subsidiaries	-	-	5,900	-
<i>Payment of income tax</i>				
Other related parties - State of Queensland	9,657	9,589	9,657	9,589
<i>Payment of dividends</i>				
Other related parties - State of Queensland	10,325	10,862	10,325	10,862
<i>Dividend revenue</i>				
Subsidiaries (note 8)	-	-	8,188	4,660
<i>Tax consolidation reimbursements</i>				
Amounts payable by subsidiaries under the tax sharing and funding agreement	-	-	5,048	3,793

### (e) Outstanding balances

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

	2007 \$'000	Consolidated 2006 \$'000	2007 \$'000	Parent 2006 \$'000
<i>Current receivables (sales of goods and services)</i>				
Subsidiaries	-	-	1,494	487
Other related parties - State of Queensland	6,661	5,202	5,262	5,202
<i>Current receivables (tax consolidation reimbursements)</i>				
Subsidiaries	-	-	4,508	1,603
<i>Current receivables (dividends)</i>				
Subsidiaries	-	-	8,188	4,660
<i>Current payables (purchases of goods)</i>				
Subsidiaries	-	-	20,955	239
Other related parties - State of Queensland	256	196	181	160
<i>Current payables (dividends)</i>				
Other related parties - State of Queensland	7,175	10,321	7,175	10,321

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

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

Outstanding balances are unsecured and are repayable in cash.

### 30. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2007 %	2006 %
Canberra Centre Investments Pty Ltd	Australia	Ordinary	100	100
Eastland Property Holdings Pty Ltd	Australia	Ordinary	100	100
QPC Investments No. 1 Pty Ltd (formerly Grand Central Toowoomba 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	UK	Ordinary	100	–
QIC Asia Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC Coomera Pty Ltd (formerly QIC Epping Road Pty Ltd)	Australia	Ordinary	100	100
QIC Developments Pty Ltd (formerly QIC Private Equity Pty Ltd)	Australia	Ordinary	100	100
QIC Helensvale Pty Ltd	Australia	Ordinary	100	100
QIC HiYield Pty Ltd	Australia	Ordinary	100	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	100	100
QIC International Real Estate Investments Pty Ltd	Australia	Ordinary	100	100
QIC Logan Hyperdome Pty Ltd	Australia	Ordinary	100	100
QIC Merry Hill Pty Ltd	Australia	Ordinary	100	–
QIC North America Investments Pty Ltd	Australia	Ordinary	100	100
QIC North Asia Real Estate Investment Pty Ltd	Australia	Ordinary	100	100
QIC Office Pty Ltd	Australia	Ordinary	100	100
QIC Private Capital Pty Ltd (formerly QIC Property Funds Pty Ltd)	Australia	Ordinary	100	100
QIC Properties Pty Ltd	Australia	Ordinary	100	100
QIC Property Investments (Jersey) No. 1 Limited	Jersey	Ordinary	100	–
QIC Property Investments (Jersey) No. 2 Limited	Jersey	Ordinary	100	–
QIC Property Management Pty Ltd	Australia	Ordinary	100	100
QIC Real Estate Funds Pty Ltd	Australia	Ordinary	100	100
QIC Real Estate Pty Ltd	Australia	Ordinary	100	100
QIC Retail Pty Ltd	Australia	Ordinary	100	100
QIC Retail (No. 2) Pty Ltd	Australia	Ordinary	100	100
QIC Ringwood Pty Ltd	Australia	Ordinary	100	100
QIC Robina Pty Ltd	Australia	Ordinary	100	100
QIC Toowoomba Pty Ltd	Australia	Ordinary	100	100
QIC Westpoint Pty Ltd	Australia	Ordinary	100	100
Queensland BioCapital Funds Pty Ltd	Australia	Ordinary	100	100
Watergardens Pty Limited	Australia	Ordinary	100	100

# Notes to the Financial Statements (cont)

## 30 June 2007

### 31. Investments in associates

#### (a) Carrying amounts

Information relating to associates is set out below.

Name of company	Principal activity	Ownership interest		Consolidated			Parent	
		2007	2006	2007	2006	2007	2006	
		%	%	\$'000	\$'000	\$'000	\$'000	
<i>Unlisted</i>								
Q Invest Limited	Financial planning	50	50	528	997	–	–	

	Consolidated	
	2007	2006
	\$'000	\$'000

#### (b) Movements in carrying amounts

Carrying amount at the beginning of the financial year	997	1,211
Share of profits (losses) before income tax	(469)	(714)
Capital injection	–	500
Carrying amount at the end of the financial year	528	997

#### (c) Share of associates' profits or losses

Profit (loss) before income tax	(469)	(714)
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#### (d) Summarised financial information of associates

	Group's share of:			
	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit (Loss) \$'000
<b>2007</b>				
Q Invest Limited	2,017	1,489	6,707	(469)
<b>2006</b>				
Q Invest Limited	2,833	1,836	5,164	(714)

Q Invest Limited's principal activity during the year consisted of being a licensed dealer in securities, providing financial planning advice and acting as responsible entity for the Investment Access Funds.

The Corporation has provided a guarantee to adequately fund 50% of Q Invest Limited, to ensure that Q Invest Limited can meet its obligations under Australian Securities and Investments Commission licensing requirements.

### 32. Interests in joint ventures

#### Joint venture partnership

The parent entity has a 50% interest in the Innovis Investment Partners Australia Limited Partnership, which is resident in Australia and the principal activity of which is funds management.

The parent entity has a 50% interest in the Innovis Investment Partners LLC, which is resident in the United States of America and the principal activity of which is funds management.

The interests in both partnerships are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer to notes 10 and 15). Information relating to the joint venture partnerships is set out below.

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>Carrying amount of investment in partnership</b>				
Innovis Investment Partners Australia Limited Partnership	1	(9)	—	—
Innovis Investment Partners LLC (31 December year end)	19	12	—	—
	<b>20</b>	<b>3</b>	<b>—</b>	<b>—</b>

	Consolidated	
	2007 \$'000	2006 \$'000
<b>Share of partnerships' assets and liabilities</b>		
Current assets	—	—
Non-current assets	20	12
Total assets	20	12
Current liabilities	—	9
Non-current liabilities	—	—
Total liabilities	—	9
Net assets	20	3

	Consolidated	
	2007 \$'000	2006 \$'000
<b>Share of partnerships' revenue, expenses and results</b>		
Revenues	277	154
Expenses	(133)	(67)
Profit before income tax	144	87

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# Notes to the Financial Statements (cont)

## 30 June 2007

### 33. Economic dependency

The Corporation depends on Queensland Treasury and the Queensland State Public Sector Superannuation Fund (QSuper) for a significant volume of revenue. During the year ended 30 June 2007, approximately 59% (2006: 60%) of the Corporation's revenue was sourced from these entities.

A subsidiary, QIC Private Capital Pty Ltd, depends on Queensland Treasury and the Queensland Public Sector Superannuation Fund (QSuper) for a significant volume of revenue. During the year ended 30 June 2007, approximately 55% (2006: entity not operational) of the subsidiary's revenue was sourced from these entities.

A subsidiary, QIC Private Equity Pty Ltd, depended on Queensland Treasury and the Queensland Public Sector Superannuation Fund (QSuper) for a significant volume of revenue. During the year ended 30 June 2007, this entity was not operational. However, during the year ended 30 June 2006, approximately 100% of the subsidiary's revenue was sourced from these entities.

### 34. Events occurring after the balance sheet date

On 7 March 2007, Queensland Parliament passed the *Government Owned Corporations Amendment Act (2007)* ("Amendment Act"), which was assented to on 20 March 2007 and resulted in key changes to the *Government Owned Corporations Act (1993)* ("GOC Act").

Under amendments to section 24(b) of the GOC Act, all Queensland statutory government owned corporations existing at the date the Amendment Act was assented to are required to transition to company government owned corporation status. While no specific timeframe was established within the legislation, it is anticipated that the Corporation will convert to a company government owned corporation at a future date to be determined by the directors.

While this change will not impact on the continuing existence of the Corporation, it will result in a change of status that will require registration as a company under the *Corporations Act (2001)*. From the date of conversion, the Corporation will be required to comply with the requirements of the accountability and financial reporting framework set out under the *Corporations Act*.

This proposed change in status has not impacted on the balances and other disclosures included in this financial report.

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

### 35. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit for the year	<b>8,968</b>	12,906	<b>6,929</b>	11,745
Fair value gains on financial assets at fair value through profit or loss	<b>(236)</b>	(1,312)	<b>(236)</b>	(1,312)
Net loss on sale of non-current assets	<b>27</b>	205	<b>27</b>	205
Distributions reinvested	<b>(861)</b>	(1,996)	<b>(861)</b>	(1,996)
Depreciation and amortisation	<b>4,637</b>	5,013	<b>4,617</b>	5,008
Partnership distributions	–	–	<b>(143)</b>	(87)
Write down of investment in associates	–	–	<b>469</b>	714
Share of profits of partnerships	<b>(143)</b>	(87)	–	–
Share of losses of associates	<b>469</b>	714	–	–
<i>Change in operating assets and liabilities:</i>				
Increase in receivables	<b>(4,192)</b>	(8,488)	<b>(3,087)</b>	(9,147)
Increase in deferred tax assets	<b>(3,483)</b>	(1,745)	<b>(12)</b>	(1,529)
Increase in payables	<b>11,919</b>	4,258	<b>20,558</b>	3,686
Increase (decrease) in current tax liabilities	<b>2,187</b>	(3,183)	<b>2,187</b>	(3,183)
(Decrease) increase in deferred tax liabilities	<b>(1,554)</b>	1,115	<b>(1,566)</b>	1,116
Increase (decrease) in provisions	<b>1,595</b>	1,846	<b>(694)</b>	1,370
Net cash inflow from operating activities	<b>19,333</b>	9,246	<b>28,188</b>	6,590



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# Directors' Declaration

## 30 June 2007

### In the Directors' opinion:

- (a) the financial statements and notes set out on pages 44 to 84 are in accordance with the *Financial Management Standard (1997)*, issued pursuant to the *Financial Administration and Audit Act (1977)*, including:
- (i) complying with Accounting Standards, Urgent Issues Group Consensus Views and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Corporation's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

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



**T C Rowe AM**  
Chairman of the Board



**M M Micalizzi**  
Chairman of the Audit and Risk Management Committee



**D F McTaggart**  
Chief Executive

Brisbane  
27 August 2007

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# Independent Audit Report

## To the Members of Queensland Investment Corporation

### Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of Queensland Investment Corporation for the financial year ended 30 June 2007 included on Queensland Investment Corporation's web site. The Directors are responsible for the integrity of the Queensland Investment Corporation's web site. We have not been engaged to report on the integrity of the Queensland Investment Corporation's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Queensland Investment Corporation, to confirm the information included in the audited financial report presented on this web site.

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

## Report on the Financial Report

I have audited the accompanying financial report of Queensland Investment Corporation, which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act (1977)* and the *Financial Management Standard (1997)*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state in accordance with Accounting Standard AASB 101 (Presentation of Financial Statements), that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 *Auditor-General of Queensland Auditing Standards*, which incorporate the *Australian Auditing Standards*. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance 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 judgment, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

### Independence

The *Financial Administration and Audit Act (1977)* promotes the independence of the Auditor General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities/government owned corporations and their controlled entities and can only be removed by Parliament.

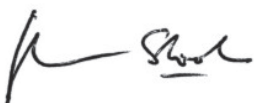
The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament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

### Auditor's Opinion

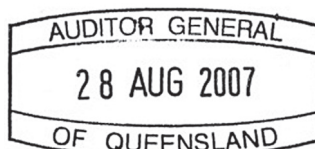
In accordance with s.46G of the *Financial Administration and Audit Act (1977)* –

(a) I have received all the information and explanations which I have required; and  
(b) in my opinion –

- (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of Queensland Investment Corporation and the consolidated entity for the financial year 1 July 2006 to 30 June 2007 and of the financial position as at the end of that year; and
- (iii) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).



**G G POOLE FCA**  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane

# Glossary

Term	Definition
Actuary	A person who applies statistical and financial analyses to a range of business problems. Actuaries are experienced in analysing financial transactions and assessing risks. They operate mainly in the superannuation, investment and insurance industries. Actuaries also offer advice to trustees on investment, financial projections and benefit design.
Alpha	The rate of return (ROR) earned by a security or a portfolio in excess of or below the ROR of the benchmark for that security or portfolio. A positive alpha means the investment outperformed the benchmark ROR. A negative alpha would indicate that the investment underperformed the benchmark ROR.
Benchmark	A standard used for comparison. These are market indicators, such as the S&P/ASX 200 Accumulation Index that measures the price movement of selected companies listed on the Australian Stock Exchange. For those interested in monitoring investment performance, benchmarks are used as a measure for comparing a portfolio's return against a similar portfolio of securities.
Absolute return	The 'absolute return' is the 'actual return'. It is the rate of return on money invested, usually expressed as a percentage.
Active management	An approach to managing investments, which aims to achieve returns above a set benchmark. Decisions about asset allocation and stock selection within the portfolio are reviewed regularly taking into account market conditions.
Active return	The difference between the return achieved by the investment manager, and the return achieved by the market movements of the assets included in the fund's benchmark.
Asset allocation	The distribution of investments by an investment manager among various asset classes or sectors (the major asset classes are shares, property, fixed interest and cash). Asset allocation may be referred to as 'strategic' or 'neutral' (where the asset mix is appropriate to the long-term liabilities of the fund) or 'tactical' (where the asset allocation reflects the manager's view of likely short-term market movements).
Beta	Beta: A measure of how the return of a security or portfolio fluctuates with the market. The market has a beta of 1, therefore you would expect the returns of a security (or portfolio) with a beta of 1.2 to be around 20% more volatile than the market. That is, if the market rises by 1%, the security may rise by 1.2%, Conversely, if the market fell by 1%, a security with a beta of 1.2 may fall by 1.2%. Similarly, you would expect the returns of a security (or portfolio) with a beta of 0.5 to be half as volatile as the market.
Bond	A fixed term security usually issued by government or semi-government authorities that pays a fixed rate of interest during its life and repays the principal at maturity.
Custodian e.g. National Custodian Services	A separate entity that holds assets on behalf of trustees. The custodian has the title to the fund assets, but the power of investment management remains with the trustees. A custodian provides administrative efficiency.
Derivatives	These are financial instruments such as futures and options, whose value is "derived" from underlying physical assets. Funds use derivative instruments: <ul style="list-style-type: none"><li>• To offset the risk of price variations of securities</li><li>• As an alternative to purchasing/selling the physical security</li><li>• To benefit from any opportunities for profit which may exist in the market from time to time</li><li>• To manage currency risk and asset allocation.</li></ul>
Diversification	Investing in a variety of assets or through a number of managers in order to spread the risk. In popular terms, 'not having all your eggs in one basket'.

Term	Definition
Equities	Also referred to as shares. Investments in Australian and/or international companies that represent an ownership stake, or share, of a particular company. Generally, these securities are listed on stock exchanges for those who buy and sell equities. Equities are often more volatile in their returns than fixed interest and cash investments, but also tend to experience higher returns in the long term.
Financial instruments	Represent a claim on a real asset.
Fixed interest	One of the four major asset classes, fixed interest securities include bonds, bank bills, floating rate notes and negotiable certificates of deposit. Interest rates on these securities may be floating but are usually fixed. The holder is paid a fixed value on a fixed future date. Predetermined interest payments may also be made throughout the life of the security. There are three primary types of fixed interest securities, classified according to the type of borrower: government, semi-government or corporate.
Fund	A trust individually constituted under, or governed by, the Trust Deed.
Fundamentals	The basic indicators of the state of the economy, market or of an individual company. They are monitored to provide a basis for forecasting and selecting investments.
Fund manager	Invests and manages the assets of others.
Global credit	These investments are essentially corporate bonds issued by predominantly foreign companies in markets other than Australia. An investment in global credit accesses a much broader range of issuers than is available solely within the Australian market.
Hedging	An investment made in order to reduce the risk of adverse price movements in a security, by taking an offsetting position in a related security, such as an option or futures contract.
Implemented management	Managing investments by allocating them to selected managers who are experts in particular markets. Implemented management involves careful selection and monitoring of the managers to ensure funds meet their investment objectives.
Investment horizon	The period of time over which money is to be invested (e.g. 6 months, 1 year, 10 years).
Long short	A portfolio construction model that can hold a negative (short) position in a stock as well as overweight/underweight position.
Manager styles	Investment managers approach the way they select investments in different ways. These are called 'manager styles'. Different styles perform differently in different market conditions so it evens out risk to include a variety of styles in a portfolio. Some of the main styles are: <ul style="list-style-type: none"> <li>• Value</li> <li>• Growth</li> <li>• Neutral</li> </ul>
Occupancy rate	The rate at any point in time that available floor space (eg. retail or office) is occupied by a tenant.
Outperformance	Financial jargon for a fund performance above the benchmark or above the targeted return. Its opposite is under performance.
Overweight	A greater proportion than the benchmark includes. Its opposite is 'underweight', a lesser proportion than the benchmark includes.

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## Glossary (cont)

Term	Definition
Performance attribution	<p>A process that allocates the elements of performance which make up the total return and the active component of the return. At an overall fund level, the attribution process can be broken into three distinct components:</p> <ul style="list-style-type: none"><li>• Contributions to, or detractions from, performance arising from TAA decisions: A positive contribution to performance will be created by investing a greater value in an outperforming asset class or conversely, a lesser amount in an under performing asset class</li><li>• Contributions to, or detractions from, performance arising from stock selection decisions</li><li>• Contributions to, or detractions from, performance arising from interaction, which jointly measures the effect of TAA and stock selection decisions.</li></ul>
Portfolio	<p>Combined holding of more than one stock, bond, commodity, cash equivalent, or other asset by an individual or institutional investor. Refers to the mix of assets held for a single product/client.</p>
SAA	<p>Strategic asset allocation. The division of assets within an investment portfolio with regards to the long-term view of the risk and return profile of those asset classes, and how to best achieve the portfolio's long-term objectives. Often abbreviated as SAA. See also Asset Allocation, TAA.</p>
SCI	<p>Statement of Corporate Intent. An annual performance agreement between QIC and our Shareholding Ministers.</p>
Stocks	<p>Individual securities within a portfolio.</p>
TAA	<p>Tactical asset allocation, abbreviated as TAA. Alters investments across asset classes to take advantage of short-term changes in perceived market value. With the use of TAA, QIC can increase exposure (go overweight) to assets that are expected to perform relatively well, and away from those (go underweight) expected to perform relatively poorly. See also SAA.</p>
Underweight	<p>See 'Overweight'.</p>
Unit pricing	<p>A daily process of assigning a value to the units within a managed fund. The value of a unit reflects the value of the underlying assets in the fund.</p>
Wholesale market	<p>The larger of the two investment markets. The retail market (for individual investors) is the other. The wholesale market involves large investments by institutions such as companies and superannuation funds.</p>

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# Contact Details

## Contact details

QIC values open and honest communication and likes to keep people informed. For more information, to make any comments or to order a copy of the materials on our website, simply contact us using the details below:

### Our head office

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Brisbane Qld 4001  
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Facsimile 61 7 3360 3979  
Email [qic@qic.com](mailto:qic@qic.com)

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Australia

Telephone 61 2 9347 3300  
Facsimile 61 2 9347 3399  
Email [qic@qic.com](mailto:qic@qic.com)

### Our website

[www.qic.com](http://www.qic.com)

## Important information

QIC ABN 95 942 373 762 is a statutory government owned corporation regulated by State Government legislation pertaining to government owned corporations. The Corporations Act 2001 does not apply to QIC and, therefore, QIC does not hold an Australian financial services licence and the financial product disclosure provisions in the Corporations Act 2001 do not apply to QIC. However, the Corporations Act 2001 does apply to QIC's wholly-owned subsidiaries. Where required, QIC's subsidiaries have obtained an Australian financial services licence. QIC and its subsidiaries and associated entities, and their directors, employees and representatives ("the QIC Parties") do not warrant the accuracy or completeness of the non-financial information contained in this document ("the Information"). To the extent permitted by law, the QIC Parties disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the Information, whether that loss or damage is caused by any fault or negligence of the QIC Parties or otherwise. The Information is not intended to constitute advice and persons should seek professional advice before relying on the Information.