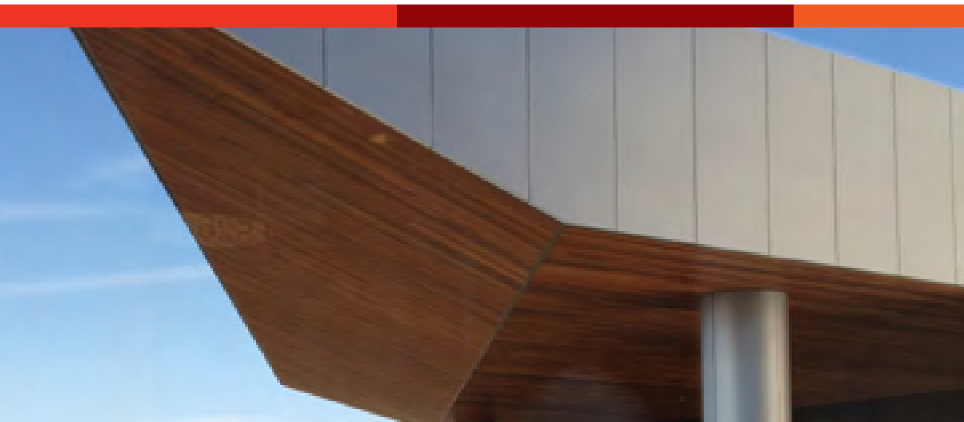
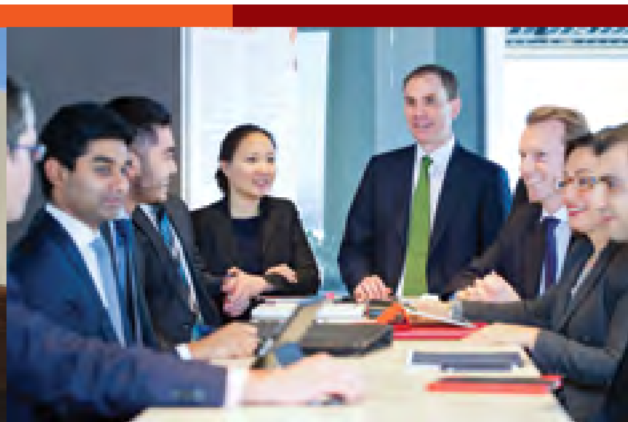
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017





DIRECTORS' REPORT

The directors present their report on the consolidated entity (referred to hereafter as the group) consisting of QIC Limited and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

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

Mr D R Luke (reappointed: 1 October 2016)

Mr J C Battams

Ms G Brown (appointed: 15 December 2016)

Ms S A Desmarchelier (appointed: 1 October 2016)

Mr S J P Dunne

Mr P A Gallagher

Mr A E King (reappointed: 1 October 2016)

Mr G B Murdoch

Ms A J P Staines

Mr B C Bowton (term ended: 30 September 2016)

Ms G M Pemberton (term ended: 30 September 2016)

Principal activities

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

Dividends

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

	2017 $'000	2016 $'000
Dividends provided for and declared	**41,089**	62,424

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to $61.1 million (2016: $62.4 million).

Significant changes in the state of affairs

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

On 19 September 2016, the Australian Financial Services Licences for the following entities were cancelled; QIC Retail Pty Ltd, QIC Infrastructure Management No. 2 Pty Ltd, QIC Investments No. 1 Pty Ltd and QIC Investments No. 3 Pty Ltd. The entities were then appointed as Authorised Representatives under the Australian Financial Services Licence of QIC Private Capital Pty Ltd.

On 19 September 2016, QIC Limited withdrew eligible undertakings with the following entities:

Entity	Agreement date	Amount
QIC Retail Pty Ltd	27 February 2015	$3.5 million
QIC Infrastructure Management No. 2 Pty Ltd	27 June 2016	$1.0 million
QIC Investments No. 1 Pty Ltd	27 June 2016	$3.0 million
QIC Investments No. 3 Pty Ltd	25 June 2014	$150,000

The assets and liabilities of QIC (UK) Management Limited were transferred to another QIC subsidiary, QIC European Investment Services Limited on 30 June 2017. QIC (UK) Management Limited will remain dormant and registered.

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect, the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations

In February and March 2017, QIC US Investment Services Inc., a wholly owned subsidiary of QIC US Management Inc., executed two separate non-binding Heads of Terms between a prospective investor and an existing joint venture partner, for the proposed acquisition of the joint venture partner's interest in a number of US shopping malls. In June 2017, a master transaction agreement was signed with the joint venture partner. This agreement is subject to finalising contractual arrangements with the prospective investor. Coupled with this transaction is the intention for QIC Properties US, Inc. to assume delivery of property level services. It is currently unknown what the financial impacts of this transaction will be.

Company secretary

Mr D E Clarke and Mr W T Burton are the company secretaries. Mr Clarke is a barrister and solicitor of the Supreme Courts of Queensland, New South Wales, Victoria and the High Court of Australia. Mr Burton is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

Meetings of directors

The numbers of meetings of QIC Limited's board of directors and of each board committee held during the year ended 30 June 2017 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit Committee		Risk Committee		HR and Remuneration	
	A	B	A	B	A	B	A	B
Mr D R Luke[(1)]	8	8	6	6	5	5	5	5
Mr J C Battams	8	8	5	6	4	5	–	–
Ms G Brown[(2)]	4	4	–	–	–	–	–	–
Ms S Desmarchelier[(3)]	5	5	–	–	–	–	1	1
Mr S J P Dunne	8	8	–	–	–	–	3	5
Mr P A Gallagher	8	8	6	6	5	5	5	5
Ms A E King	6	8	–	–	–	–	5	5
Mr G B Murdoch	6	8	6	6	5	5	3	5
Mr A J P Staines	8	8	4	6	5	5	–	–
Mr B C Bowton[(4)]	2	3	3	4	1	2	–	–
Ms G M Pemberton[(4)]	3	3	3	4	2	2	1	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
(1) = Mr Luke attended meetings of the Audit Committee and Risk Committee in an ex-officio capacity
(2) = Appointed 15 December 2016
(3) = Appointed 1 October 2016, appointed to HR and Remuneration Committee on 14 February 2017
(4) = Term ended 30 September 2016

DIRECTORS' REPORT

Insurance of officers

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

Environmental regulation

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

Shares under option

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

Auditor's independence declaration

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

Rounding of amounts

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

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

Mr D R Luke
Chairman

Brisbane
28 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of QIC Limited

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

Independence Declaration

As lead auditor for the audit of QIC Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been –

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

23 August 2017

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue from continuing operations	B1	**343,813**	336,198
Gain on financial assets at fair value through profit or loss		**3,500**	87
Total revenue and other income		**347,313**	336,285
Employee benefits expense		**181,366**	181,040
Professional services		**23,172**	17,053
Operating lease costs		**12,704**	11,983
Travel		**10,371**	8,447
Depreciation and amortisation expense	C7, C8	**6,355**	5,860
Computer operating costs		**5,783**	4,148
Information and research services		**3,468**	3,457
Staff development and recruitment		**3,159**	3,390
Communication expenses		**2,016**	1,845
Insurance		**1,693**	1,869
Foreign exchange losses	G2	**519**	118
Auditors' remuneration		**393**	450
Net loss on disposal of property, plant and equipment		**107**	36
Other expenses		**7,518**	8,364
Total expenses		**258,624**	248,060
Share of profit/(loss) from associates		**32**	47
Profit before income tax		**88,721**	88,272
Income tax expense	B2	**27,632**	25,848
Profit after income tax		**61,089**	62,424
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	A5	–	(238)
Other comprehensive income for the year (net of tax)		–	(238)
Total comprehensive income for the year attributable to owners		**61,089**	62,186

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 10 to 43.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	C1	**14,123**	4,492
Receivables	C3	**135,803**	131,545
Income tax receivable	B2	**1,057**	500
Financial assets at fair value through profit or loss	C5	**93,755**	111,228
Prepayments		**6,532**	3,389
Total current assets		**251,270**	251,154
Non-current assets			
Financial assets at fair value through profit or loss	C5	**29,714**	52,096
Property, plant and equipment	C7	**13,859**	12,977
Intangible assets	C8	**12,315**	8,414
Deferred tax assets	B2	**40,052**	38,871
Receivables	C3	**835**	–
Held-to-maturity investments	C4	**300**	–
Other financial assets	C6	**2,343**	5,207
Total non-current assets		**99,418**	117,565
Total assets		**350,688**	368,719
LIABILITIES			
Current liabilities			
Payables	C9	**24,459**	27,339
Income tax payable	B2	**798**	18,897
Dividends	E2	**41,089**	62,424
Employee benefits	D1	**84,395**	81,850
Provisions		**803**	743
Deferred revenue	B1	**21,818**	10,800
Total current liabilities		**173,362**	202,053
Non-current liabilities			
Employee benefits	D1	**22,334**	32,178
Provisions		**977**	1,573
Borrowings	C10	**100**	–
Total non-current liabilities		**24,411**	33,751
Total liabilities		**197,773**	235,804
Net assets		**152,915**	132,915
EQUITY			
Contributed equity	E1	**37,475**	37,475
Retained earnings	E3	**115,440**	95,440
Capital and reserves attributable to owners of QIC Limited		**152,915**	132,915
Total equity		**152,915**	132,915

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 10 to 43.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to owners of QIC Limited			
Balance at 1 July 2015		37,475	238	95,440	133,153
Profit after income tax		–	–	62,424	62,424
Other comprehensive income		–	(238)	–	(238)
Total comprehensive income for the year		**–**	**(238)**	**62,424**	**62,186**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	E2	–	–	(62,424)	(62,424)
Balance at 30 June 2016		**37,475**	**–**	**95,440**	**132,915**
Balance at 1 July 2016		37,475	–	95,440	132,915
Profit after income tax		–	–	61,089	61,089
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	**–**	**61,089**	**61,089**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	E2	–	–	(41,089)	(41,089)
Balance at 30 June 2017		**37,475**	**–**	**115,440**	**152,915**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 43.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		**389,688**	363,621
Payments to suppliers and employees		**(309,163)**	(272,334)
Distributions received		**1,673**	2,048
Gain/(loss) on cash and cash equivalents		**(153)**	240
Interest received		**95**	82
Income taxes paid		**(47,490)**	(50,782)
Net cash provided by operating activities	C2	**34,650**	42,875
Cash flows from investing activities			
Payments for property, plant and equipment	C7	**(5,398)**	(2,109)
Payments for intangible assets	C8	**(6,009)**	(4,536)
Payments for financial assets at fair value through profit or loss		**(33,872)**	(25,831)
Proceeds from sale of financial assets at fair value through profit or loss		**52,760**	9,159
Distributions received from investments		**2,261**	890
Payments for held-to-maturity investments		**(300)**	–
Proceeds from other financial assets		**2,896**	–
Proceeds from sale of property, plant and equipment		**12**	6
Dividends received		**98**	51
Interest received		**75**	87
Net cash provided by/(used in) investing activities		**12,523**	(22,283)
Cash flows from financing activities			
Proceeds from borrowings		**100**	–
Dividends paid to shareholders	E2	**(62,424)**	(56,488)
Net cash used in financing activities		**(62,324)**	(56,488)
Net decrease in cash and cash equivalents		**(15,151)**	(35,896)
Cash and cash equivalents at the beginning of the financial year		**95,686**	131,529
Effects of exchange rate changes on cash and cash equivalents		**164**	53
Cash and cash equivalents at end of year	C1	**80,699**	95,686

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 10 to 43.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

A Basis of Preparation

A1 Reporting entity

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

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

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

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

A2 Basis of accounting and measurement

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

The consolidated financial statements have been prepared under the historical cost convention, except where otherwise stated.

The financial statements were authorised for issue by the directors on 28 August 2017. The directors have the power to amend and reissue the financial statements.

A3 Principles of consolidation

The financial statements incorporate the assets and liabilities of all subsidiaries of QIC Limited ('group' and 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. QIC Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The financial information for the parent entity is disclosed in note F1 and controlled entities in note F2.

A4 Functional and presentation currency

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

A5 Foreign currency translation

(i) Transactions and balances

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

(ii) Group companies

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

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

A6 Accounting estimates and judgements

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

Accounting estimates and judgements	Note	Page
Revenue recognition	B1	11
Income taxes	B2	13
Employee benefits	D1	30

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

B Performance for the Year

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

B1 Revenue

	2017 $'000	2016 $'000
From continuing operations		
Management, performance and other fees	**322,470**	315,830
Product administration fees – Related parties	**12,234**	11,684
Distribution income	**3,939**	2,945
Interest income	**182**	177
Dividend income	**98**	51
Other revenue	**4,890**	5,511
Total revenue from continuing operations	**343,813**	336,198

Recognition and measurement

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

Revenue is recognised on the following basis:

(i) Management, performance and other fees

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

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

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

(ii) Product administration fees – Related parties

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

(iii) Dividend income

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

(iv) Distribution income

Distributions are recognised on an entitlements basis.

(v) Interest income

Interest income is recognised using the effective interest method.

(vi) Other revenue

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

(vii) Offsetting

Revenue and expenses are offset in the financial statements of the group where offsetting the transactions accurately reflects the substance of the transaction and where not offsetting would detract from the ability of users to clearly understand the nature of the transaction and operations of the group. The group has offset revenue and expenses in relation to product and client related costs of $76.6 million (2016: $59.4 million) where the group principally acts as agent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

B Performance for the Year (continued)

B1 Revenue (continued)

Recognition and measurement (continued)

Key estimates and judgements

(i) Performance fees – contingent asset

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

At year end, based on performance to date, there remains a significant degree of uncertainty over whether the performance targets will be achieved over the performance periods for some performance fee arrangements. Achievement of these targets is influenced by a number of factors over which the group has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors. Revenue is not recognised where the performance criteria are subject to uncertain future events outside the control of the group. While the achievement of criteria is not virtually certain, management's judgement is that an inflow of economic benefits is probable and a contingent asset exists. Due to the degree of uncertainty, at 30 June 2017 it is not possible to estimate the financial effect of the contingent asset.

(ii) Performance fees – deferred revenue

Performance fee clawbacks are potentially payable on a number of performance fee agreements. A clawback is payable where performance of a product falls below benchmark performance over the clawback period. A statistical analysis of the changes in performance fees over time for particular asset classes has been undertaken, resulting in a reasonable data set to estimate the likelihood of negative out-performance and amount of the potential clawback. Other considerations include excess returns over the benchmark to be reversed before a clawback is incurred. Each asset class subject to a clawback has been assessed under a consistent methodology with inputs relative to the individual client contracts.

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

At 30 June 2017, a liability of $21.8 million (2016: $10.8 million) is recognised as deferred revenue.

B Performance for the Year (continued)

B2 Taxation

(i) Reconciliation of income tax expense

	2017 $'000	2016 $'000
Profit before income tax	**88,721**	88,272
Tax expense at the Australian tax rate of 30.0% (2016: 30.0%)	**26,616**	26,482
Non-deductible entertainment	**81**	67
Non-deductible sundry items	**838**	298
Effect of tax rates in foreign jurisdictions	**(35)**	(37)
Tax offset for franked dividends and foreign income	**(82)**	(265)
Adjustments for current tax of prior periods	**214**	(697)
Income tax expense	**27,632**	25,848
Current tax on profits for the year	**28,692**	43,743
Deferred tax	**(1,181)**	(17,601)
Adjustments for current tax of prior periods	**121**	(294)
	27,632	25,848

Adjustments for current tax of prior periods

In the prior year, the 2015 income tax return of the group was amended to include research and development tax claims. The taxation effect of the research and development claims of $1.0 million is included in the adjustments for current tax of prior periods.

Income tax receivable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

B Performance for the Year (continued)

B2 Taxation (continued)

(ii) Movement in deferred tax balances

2017 $'000	Net balance at 1 July	Charged to P&L	Net balance at 30 June	DTA	DTL
Employee benefits	33,491	(1,140)	32,351	32,351	–
Property, plant and equipment	1,178	406	1,584	2,367	(783)
Performance fees	2,938	3,408	6,346	6,346	–
Other	1,264	(1,493)	(229)	613	(842)
Tax assets/(liabilities) before set-off	**38,871**	**1,181**	**40,052**	**41,677**	**(1,625)**
Set-off DTL against DTA	–	–	–	(1,625)	1,625
Net tax assets	**38,871**	**1,181**	**40,052**	**40,052**	**–**

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

Recognition and measurement

(i) Income tax

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

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

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

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

(ii) Offsetting deferred tax balances

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

B Performance for the Year (continued)

B2 Taxation (continued)

Recognition and measurement (continued)

(iii) Tax consolidation legislation

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

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

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

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

(iv) Taxation of Financial Arrangements (TOFA)

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

Key estimates and judgements

(i) Income taxes

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

(ii) Recovery of deferred tax assets

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

C Assets and Liabilities

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

C1 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	**14,123**	4,492

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

	Notes	**2017 $'000**	2016 $'000
Cash and cash equivalents		**14,123**	4,492
Investment in QIC Cash Enhanced Fund	C5	**65,275**	91,194
Investment – USD investment account		**1,301**	–
Balance per consolidated statement of cash flows		**80,699**	95,686

Recognition and measurement

(i) Cash and cash equivalents

For the purposes of these financial statements, cash and cash equivalents includes cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents include balances in relation to investments in the QIC Cash Enhanced Fund and a US dollar denominated investment account. These investments are readily able to be converted to cash on call and are highly liquid.

(ii) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash and cash equivalents was 1.43% (2016: 1.66%). The group's exposure to liquidity risk is discussed in Note C13(c).

(iii) Amounts held in trust

An amount held in trust of $2.7 million (2016: $2.9 million) was recognised in cash and cash equivalents as at 30 June 2017. These monies are recovered funds held on behalf of QIC clients in the group's capacity as trustee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

C Assets and Liabilities (continued)

C2 Reconciliation of cash flow from operating activities

	2017 $'000	2016 $'000
Profit after income tax	**61,089**	62,424
Distribution income reinvested	**(2,261)**	(890)
(Gain)/loss on financial assets at fair value through profit or loss	**(3,653)**	151
Fair value gains on other assets	**(131)**	(98)
Interest income reinvested	**(86)**	(93)
Depreciation and amortisation	**6,355**	5,860
Net loss on disposal of non-current assets	**95**	30
Net exchange differences	**–**	(230)
Change in operating assets and liabilities:		
Net change in receivables	**(5,081)**	(24,798)
Net change in prepayments	**(3,143)**	570
Net change in deferred tax assets	**(1,181)**	(17,601)
Net change in payables	**(2,880)**	8,381
Net change in provisions	**(536)**	(626)
Net change in employee benefits	**(6,299)**	13,237
Net change in income tax receivable	**(557)**	(500)
Net change in income tax payable	**(18,099)**	(6,833)
Net change in deferred income	**11,018**	3,891
Net cash provided by operating activities	**34,650**	42,875

C Assets and Liabilities (continued)

C3 Receivables

	2017 $'000	2016 $'000
Management, performance and other fees receivable	**135,803**	131,545
Total current receivables	**135,803**	131,545
Loan receivable	**835**	–
Total non-current receivables	**835**	–

Recognition and measurement

(i) Receivables

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

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

(ii) Past due but not impaired

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance account (provision for impairment of receivables) is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. There were no impairment amounts at 30 June 2017 (2016: $nil).

As at 30 June 2017, receivables of $3.8 million (2016: $4.5 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of receivables is as follows:

		Days overdue		
	Within trading terms $'000	31 – 60 $'000	61 – 90 $'000	Over 90 $'000
2017	132,047	2,292	629	835
2016	127,048	838	2,667	992

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

C Assets and Liabilities (continued)

C4 Held-to-maturity investments

	2017 $'000	2016 $'000
Newpin Queensland Social Benefit Bonds	300	–
Total held-to-maturity investments	**300**	–

The Newpin Queensland Social Benefit Bond is structured to return fixed interest payments each year at 30 September from 2018 to 2024 at 2% of principal. A performance interest payment at 30 September 2024 will be determined by the success of the program. Repayment of the principal at maturity date is subject to a minimum of 50% and maximum of 100% depending on the success of the program.

Recognition and measurement

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held to maturity investments are initially measured at cost and are subsequently measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

C Assets and Liabilities (continued)

C5 Financial assets at fair value through profit or loss

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

	2017 $'000	2016 $'000
Investment – QIC Cash Enhanced Fund	**65,275**	91,194
Investment – multiple products (deferred remuneration)	**27,179**	20,034
Investment – USD investment account	**1,301**	–
Total current financial assets at FVTPL	**93,755**	111,228
Investment – QIC Growth Fund	**–**	38,225
Investment – QIC Global Infrastructure Fund	**9,413**	8,615
Investment – QIC Direct Opportunities Fund	**5,156**	3,000
Investment – QIC Infrastructure Portfolio	**10,701**	–
Investment – GFI Absolute Return Bond Fund	**2,086**	2,077
Investment – QIC Private Equity Fund No. 4	**181**	179
Investment – QIC US Shopping Centre Fund	**140**	–
Investment – Lonsdale Operations Hold Trust	**469**	–
Investment – Lonsdale Asset Hold Trust	**1,568**	–
Investment – Golden Reef Infrastructure Trust	**–**	–
Total non-current financial assets at FVTPL	**29,714**	52,096

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

The group has the following investment commitments that are still to be funded:

Investment	Amount $'000
QIC US Shopping Centre Fund	12,881
QIC Global Infrastructure Fund	10,667
Golden Reef Infrastructure Trust	4,029
QIC Direct Opportunities Fund	1,203
QIC Private Equity Fund No. 6	130
	28,910

Recognition and measurement

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

The group's holding in financial assets held at FVTPL is limited to holdings in products managed by the group. The fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on observable market data for underlying investments held by the trust. Accordingly, the group and parent entity classify financial assets at FVTPL as level 2 and level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

C Assets and Liabilities (continued)

C6 Other financial assets

	2017 $'000	2016 $'000
Monies held in escrow	**2,195**	5,071
Other financial assets	**148**	136
Total other financial assets	**2,343**	5,207

Funds are held in an escrow account to fund capital calls in relation to a joint venture with a client. This money is restricted for use under the terms of the agreement.

C7 Property, plant and equipment

2017	Office equipment, furniture and fittings $'000	Computer equipment $'000	Assets in the course of construction $'000	Total $'000
Carrying amount as at 1 July 2016	**10,827**	**1,881**	**269**	**12,977**
Additions	**2,183**	**3,215**	**–**	**5,398**
Depreciation expense	**(2,769)**	**(1,478)**	**–**	**(4,247)**
Disposals at net book value	**(130)**	**(47)**	**–**	**(177)**
Reclassifications at net book value[1]	**269**	**–**	**(269)**	**–**
Net foreign currency exchange differences in net book value	**(79)**	**(13)**	**–**	**(92)**
Closing net book value at 30 June 2017	**10,301**	**3,558**	**–**	**13,859**
Cost or fair value	**29,171**	**10,699**	**–**	**39,870**
Accumulated depreciation	**(18,870)**	**(7,141)**	**–**	**(26,011)**
Net book amount	**10,301**	**3,558**	**–**	**13,859**
2016				
Carrying amount as at 1 July 2015	12,702	2,329	–	15,031
Additions	999	841	269	2,109
Depreciation expense	(2,816)	(1,249)	–	(4,065)
Disposals at net book value	(2)	(34)	–	(36)
Net foreign currency exchange differences in net book value	(56)	(6)	–	(62)
Closing net book value at 30 June 2016	**10,827**	**1,881**	**269**	**12,977**
Cost or fair value	28,094	9,991	269	38,354
Accumulated depreciation	(17,267)	(8,110)	–	(25,377)
Net book amount	**10,827**	**1,881**	**269**	**12,977**

(1) Refers to the reclassification of fitout from work in progress to property, plant and equipment

C Assets and Liabilities (continued)

C7 Property, plant and equipment (continued)

Recognition and measurement

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

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

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount.

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

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

Computer equipment	3 – 8 years
Office equipment, furniture and fittings	3 – 15 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount .

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

C8 Intangible assets

2017	Computer software $'000	Intangible assets in the course of construction $'000	Total $'000
Carrying amount as at 1 July 2016	**3,950**	**4,464**	**8,414**
Additions	**323**	**5,686**	**6,009**
Amortisation charge	**(2,108)**	**–**	**(2,108)**
Reclassifications at net book value[1]	**4,491**	**(4,491)**	**–**
Closing net book value at 30 June 2017	**6,656**	**5,659**	**12,315**
Cost	**25,457**	**5,659**	**31,116**
Accumulated amortisation	**(18,801)**	**–**	**(18,801)**
Net book amount	**6,656**	**5,659**	**12,315**
2016			
Carrying amount as at 1 July 2015	5,340	333	5,673
Additions	58	4,478	4,536
Amortisation charge	(1,795)	–	(1,795)
Reclassifications at net book value[1]	347	(347)	–
Closing net book value at 30 June 2016	**3,950**	**4,464**	**8,414**
Cost	21,192	4,464	25,656
Accumulated amortisation	(17,242)	–	(17,242)
Net book amount	**3,950**	**4,464**	**8,414**

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

C Assets and Liabilities (continued)

C8 Intangible assets (continued)

Recognition and measurement

(i) Intangible assets

Intangible assets of the group comprise purchased software and internally developed software. Intangible assets with a historical cost or other value equal to or greater than $1,000 are recognised in the financial statements. Items of a lesser value are expensed. Software maintenance costs are expensed as incurred.

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

The estimated useful lives used to calculate the amortisation rate for computer software is 3 – 6 years.

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. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

(ii) Impairment of assets

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

C9 Payables

	2017 $'000	2016 $'000
Accrued expenses	**16,221**	17,476
Accounts payable	**8,238**	9,863
Total payables	**24,459**	27,339

Recognition and measurement

(i) Payables

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

(ii) Fair value

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

C Assets and Liabilities (continued)

C10 Borrowings

	2017 $'000	2016 $'000
Borrowings	**100**	–
Total borrowings	**100**	–

(i) Bank overdraft

QIC Limited had an overdraft facility with a limit of $10.0 million. The facility was not drawn upon during the year and was cancelled on 11 July 2017.

(ii) Borrowings

QIC Limited has a debt facility with a limit of $50.0 million.

(iii) Compliance with loan covenants

QIC Limited has complied with the financial covenants of its borrowing facilities during the 2017 reporting period.

Recognition and measurement

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

The fair value of borrowings subsequently measured at amortised cost is set out in Note C13(d)(ii).

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are split between current and non-current liabilities using the principles set out in Section A - Basis of Preparation.

C11 Contingent liabilities

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

(i) Trustee obligations

As at 30 June 2017, QIC Limited or its controlled entities were trustee of 150 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trust. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trust against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deed. As at 30 June 2017, total assets exceed total liabilities in the majority of the Trusts.

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

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

Funds managed by the group in a trustee capacity totalled $82.0 billion at 30 June 2017 (2016: $75.8 billion). These figures exclude cross holdings between trusts.

(ii) Litigation

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

Throughout the year the group was defending an action brought against it as the trustee of a trust that has since been vested. The proceedings are now complete and no liability exists. The matter was dismissed.

C Assets and Liabilities (continued)

C12 Commitments

(i) Capital commitments

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

(ii) Investment commitments

Refer to note C5 for investment commitments that are still to be funded.

(iii) Non-cancellable operating leases

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

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**13,561**	12,561
Later than one year but not later than five years	**11,600**	20,419
Later than five years	**434**	51
	25,595	33,031

The group has sublet some leased office space. At 30 June 2017, the total of future minimum sublease payments expected to be received under non-cancellable subleases was $3.0 million (2016: $5.1 million).

Recognition and measurement

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

C Assets and Liabilities (continued)

C13 Financial risk management

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

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

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

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

Sensitivity

The sensitivity of the group's financial instruments held at 30 June 2017 (and in the prior year) to movements in the British pound, Euro and United States dollar with all other variables held constant has been assessed and is not material. The group's exposure to other foreign exchange movements is not material.

(ii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain at least 50% of its borrowings at a fixed rate once outstanding debt is above $10 million. During 2017, the group's borrowings at variable rate were denominated in Australian dollars.

Sensitivity

The sensitivity of the group's long-term borrowings held at 30 June 2017 to movements in the interest rate with all other variables held constant has been assessed and is not material.

(iii) Price risk

Exposure

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

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

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30 June 2017

C Assets and Liabilities (continued)

C13 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

Sensitivity

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

	Impact on post-tax profit	
	2017 $'000	2016 $'000
QIC Growth Fund – increase N/A (2016: 9%)	**–**	3,447
QIC Growth Fund – decrease N/A (2016: 9%)	**–**	(3,447)
QIC Infrastructure Portfolio – increase 10% (2016: N/A)	**1,070**	–
QIC Infrastructure Portfolio – decrease 10% (2016: N/A)	**(1,070)**	–
QIC Direct Opportunities Fund – increase 20% (2016: 18%)	**1,031**	555
QIC Direct Opportunities Fund – decrease 18% (2016: 18%)	**(928)**	(555)
QIC Global Infrastructure Fund – increase 10% (2016: 10%)	**941**	862
QIC Global Infrastructure Fund – decrease 10% (2016: 10%)	**(941)**	(862)
Lonsdale Asset Hold Trust – increase 10% (2016: N/A)	**157**	–
Lonsdale Asset Hold Trust – decrease 10% (2016: N/A)	**(157)**	–
GFI Absolute Return Bond Fund – EUR – increase 3% (2016: 6%)	**63**	125
GFI Absolute Return Bond Fund – EUR – decrease 3% (2016: 6%)	**(63)**	(125)
Lonsdale Operations Hold Trust – increase 10% (2016: N/A)	**47**	–
Lonsdale Operations Hold Trust – decrease 10% (2016: N/A)	**(47)**	–
QIC US Shopping Centre Fund – increase 21% (2016: N/A)	**29**	–
QIC US Shopping Centre Fund – decrease 18% (2016: N/A)	**(25)**	–
QIC Private Equity Fund No. 4 – USD – increase 21% (2016: 20%)	**24**	22
QIC Private Equity Fund No. 4 – USD – decrease 19% (2016: 20%)	**(21)**	(22)
QIC Private Equity Fund No. 4 – EUR – increase 21% (2016: 20%)	**13**	13
QIC Private Equity Fund No. 4 – EUR – decrease 19% (2016: 20%)	**(12)**	(13)
QIC Private Equity Fund No. 4 – AUD – increase 10% (2016: 10%)	**–**	1
QIC Private Equity Fund No. 4 – AUD – decrease 10% (2016: 10%)	**–**	(1)
Golden Reef Infrastructure Trust – increase N/A (2016: N/A)	**–**	–
Golden Reef Infrastructure Trust – decrease N/A (2016: N/A)	**–**	–

A sensitivity analysis was conducted on the impact of a movement in the unit price of the group's investments in current financial assets at FVTPL held at 30 June 2017 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

Sensitivity analysis was not conducted for the group's investments in Golden Reef Infrastructure Trust. No investments were held by the Golden Reef Infrastructure Trust as at 30 June 2017.

C Assets and Liabilities (continued)

C13 Financial risk management (continued)

(b) Credit risk

(i) Risk management

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

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date for the group is $276.9 million (2016: $304.6 million).

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

(ii) Guarantees

Credit risk further arises in relation to financial guarantees given to certain parties (see note C11). Such guarantees are provided in limited circumstances.

(c) Liquidity risk

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

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

(d) Fair value measurements

(i) Fair value hierarchy

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

Fair value measurements At 30 June 2017	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C5	–	95,841	27,628	123,469
Monies held in escrow account	C6	2,195	–	–	2,195
Total financial assets		2,195	95,841	27,628	125,664

Fair value measurements At 30 June 2016	Notes	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Financial assets at FVTPL					
Unlisted unit trusts	C5	–	163,324	–	163,324
Monies held in escrow account	C6	5,071	–	–	5,071
Total financial assets		5,071	163,324	–	168,395

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

C Assets and Liabilities (continued)

C13 Financial risk management (continued)

(d) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

Some of the group's investments have been transferred from level 2 to level 3 on 30 June 2017 due to a number of unobservable inputs used to determine the valuation.

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

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

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

(ii) Fair value disclosures for financial liabilities measured at amortised cost

The fair value of the borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

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

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

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D Employee Benefits

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

D1 Employee benefits

	2017 $'000	2016 $'000
Payables	**24,036**	22,343
Provisions	**60,359**	59,507
Total current employee benefits	**84,395**	81,850
Provisions	**23,334**	32,178
Total non-current employee benefits	**23,334**	32,178

Recognition and measurement

(i) Employee benefits

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

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

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

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

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

(ii) Short-term employee benefits

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

(iii) Long-term employee benefits

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

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

D Employee Benefits (continued)

D1 Employee benefits (continued)

(iv) Post-employment benefits

Post-employment benefits include superannuation contributions.

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

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

(v) Termination benefits

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

Key estimates and judgements

(i) Annual leave and long service leave

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

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

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

(ii) At-risk performance, attraction and retention

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

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

Change in accounting estimate

(i) At risk long term performance compensation

During the period, the method of calculating at risk performance, attraction and retention compensation was reviewed. Management are of the view that using the 'benefit formula' approach will provide a better reflection of the nature of the expense and this has been applied as a change in accounting estimate. The benefits formula approach attributes an even portion of the award to each year of the relevant vesting period as an expense.

In the prior years, the entire award was recognised as an expense and liability at the end of each financial year. The impact of this chance in accounting estimate on the statement of profit and loss is a decrease in expense of $11.8 million and a corresponding decrease in liability of $11.8 million on the statement of financial position.

D Employee Benefits (continued)

D2 Key management personnel

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

Key management personnel include both directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the group. The group's shareholding Ministers are identified as part of the group's KMP, consistent with *AASB 124 Related Party Disclosures*. These Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Arts and the Honourable Curtis Pitt MP, Treasurer, Minister for Trade and Investment and Acting Minister for Energy, Biofuels and Water Supply.

(a) Directors

The following persons were directors of QIC Limited for the whole of the current and prior financial year, except where indicated otherwise below:

Director	Position	Term	Expiry date
D R Luke(1)	Chairman (reappointed 1 October 2016)	3 years	30 September 2019
J C Battams(2)	Director (appointed 1 October 2015)	3 years	30 September 2018
G Brown(3)	Director (appointed 15 December 2016)	3 years	30 September 2019
S A Desmarchelier(4)	Director (appointed 1 October 2016)	3 years	30 September 2019
S J P Dunne(5)	Director (appointed 12 May 2016)	2 years	30 September 2018
P A Gallagher(6)	Director (appointed 11 December 2014)	3 years	30 September 2017
A E King(1)	Director (reappointed 1 October 2016)	3 years	30 September 2019
G B Murdoch(7)	Director (reappointed 2 October 2014)	3 years	30 September 2017
A J P Staines(2)	Director (appointed 1 October 2015)	3 years	30 September 2018
B C Bowton	Director (term ended 30 September 2016)	3 years	30 September 2016
G M Pemberton	Director (term ended 30 September 2016)	3 years	30 September 2016
M L Newman AC	Director (term ended 30 September 2015)	1 years	30 September 2015

Notes:

(1) Previous term ended on 30 September 2016. Term of appointment: from 1 October 2016 to 30 September 2019, 3 years.
(2) Term of appointment: from 1 October 2015 to 30 September 2018, 2 years, 11 months.
(3) Term of appointment: from 15 December 2016 to 30 September 2019, 2 years, 9 months and 17 days.
(4) Term of appointment: from 1 October 2016 to 30 September 2019, 3 years.
(5) Term of appointment: from 12 May 2016 to 30 September 2018, 2 years, 4 months and 20 days.
(6) Term of appointment: from 11 December 2014 to 30 September 2017, 2 years, 9 months and 20 days.
(7) Previous term ended on 30 September 2014. Term of appointment: from 2 October 2014 to 30 September 2017, 2 years, 11 months and 29 days.

(b) Senior Executives

Senior executives are appointed by the QIC Board. The Chief Executive is appointed by the QIC Board with the prior written approval of the shareholding Ministers. During the current and prior financial year, the following persons were senior executives with the greatest authority for the strategic direction and management of the group ('senior executives'):

Director	Position	Term
D J Frawley	Chief Executive	Open term
C M Blake	Executive Director, Finance	Open term
D E Clarke	Executive Director, Risk, Legal and Tax	Open term
B J Delaney	Executive Director, Strategy, Clients and Global Markets	Open term
G A Jackson	Executive Director, Human Resources	Open term
M D McDonald	Executive Director, Operations and Technology	Open term
A C Ryder	Chief Investment Officer (to 19 February 2016)	Open term

D Employee Benefits (continued)

D2 Key management personnel (continued)

(c) Remuneration principles

(i) Remuneration of shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The group does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-2017, which are published as part of Queensland Treasury's Report on State Finances.

(ii) Remuneration of directors

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

(iii) Remuneration of senior executives and employees

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

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

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

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

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

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

(iv) At risk performance, attraction and retention compensation

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

- Financial performance, including profitability and revenue growth
- Investment performance, client satisfaction and client retention
- Process, risk and systems management and business improvements
- Leadership and culture, including employee engagement, capability management and collaboration

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

(v) Remuneration of key management personnel

	2017 $'000	2016 $'000
Short-term employee benefits	**7,064**	7,774
Long-term benefits	**1,127**	2,236
Post-employment benefits	**315**	371
Termination benefits	**–**	150
	8,506	10,531

Key management personnel remuneration includes the remuneration of directors and senior executives specified in this note for the periods indicated. Long term at risk performance based benefits included above are subject to the change in accounting estimate as disclosed in Note D1.

D Employee Benefits (continued)

D2 Key management personnel (continued)

(vi) Remuneration of directors

Directors		Board of Board Committees			Short-term employee benefits	Post-Employment	
Name	Position	QIC $	Board Committees $	Subsidiary boards $	Total $	Super $	Total $
Reporting Period	**1 July 2016 – 30 June 2017**						
D R Luke[1]	Chairman	161,995	–	–	161,995	15,795	177,790
J C Battams[2]	Director	67,911	22,004	10,052	99,967	9,497	109,464
G Brown[3]	Director	37,059	–	–	37,059	3,520	40,579
S Desmarchelier[4]	Director	50,933	3,799	3,188	57,920	6,806	64,726
S J P Dunne[5]	Director	67,911	11,430	10,164	89,505	8,503	98,008
P A Gallagher[6]	Director	67,921	35,156	–	103,077	–	103,077
A E King[1]	Director	67,911	10,052	10,052	88,015	8,361	96,376
G B Murdoch[7]	Director	67,911	35,153	–	103,064	9,791	112,855
A J P Staines[2]	Director	67,911	20,104	–	88,015	8,361	96,376
B C Bowton[8]	Director	16,978	5,026	2,513	24,517	2,329	26,846
G M Pemberton[9]	Director	16,978	8,796	–	25,774	2,448	28,222
P W Forbes[10]	Director	–	–	67,911	67,911	6,452	74,363
A C J Solway[10]	Director	–	–	50,245	50,245	4,404	54,649
P J Higgs[11]	Director	–	–	50,245	50,245	4,404	54,649
Total remuneration		**691,419**	**151,520**	**204,370**	**1,047,309**	**90,671**	**1,137,980**
Previous Period	1 July 2015 – 30 June 2016						
D R Luke[1]	Chairman	161,995	–	–	161,995	15,795	177,790
J C Battams[2]	Director	50,933	7,510	2,373	60,816	5,778	66,594
S J P Dunne[5]	Director	9,310	–	–	9,310	884	10,194
P A Gallagher[6]	Director	67,912	19,430	–	87,342	–	87,342
A E King[1]	Director	67,911	10,052	10,052	88,015	8,361	96,376
G B Murdoch[7]	Director	67,911	22,578	–	90,489	8,596	99,085
A J P Staines[2]	Director	50,933	7,510	–	58,443	5,552	63,995
B C Bowton[8]	Director	67,911	13,807	10,052	91,770	8,718	100,488
M L Newman AC[12]	Director	16,978	2,513	–	19,491	1,852	21,343
G M Pemberton[9]	Director	67,911	25,737	–	93,648	8,897	102,545
P W Forbes[10]	Director	–	–	67,911	67,911	6,452	74,363
A C J Solway[10]	Director	–	–	56,585	56,585	5,697	62,282
P J Higgs[11]	Director	–	–	56,585	56,585	5,697	62,282
Total remuneration		**629,705**	**109,137**	**203,558**	**942,400**	**82,279**	**1,024,679**

Notes:

(1) Reappointed 1 October 2016. Previous term ended 30 September 2016.
(2) Appointed 1 October 2015. Chair of the Risk Committee from 14 February 2017.
(3) Appointed 15 December 2016.
(4) Appointed 1 October 2016.
(5) Appointed 12 May 2016.
(6) Appointed 11 December 2014. Chair of the HR and Remuneration Committee.
(7) Reappointed 2 October 2014. Previous term ended 30 September 2014. Chair of the Audit Committee. Interim Chair of the Risk Committee from 1 October 2016 to 13 February 2017.
(8) Appointed 1 October 2015.
(9) Term ended 30 September 2016. Chair of the Risk Committee from 1 July 2015 to 30 September 2016.
(10) Director of QIC Limited subsidiary companies only.
(11) Appointed 14 April 2015 and Director of QIC Limited subsidiary companies only.
(13) Term ended 30 September 2015.

D Employee Benefits (continued)

D2 Key management personnel (continued)

(vi) Remuneration of directors (continued)

Senior Executives		Short-term employee benefits		Post-employee benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
Name	Position	Salary and fees $	Non-monetary benefits $	Super $	Annual and long service leave $	$	$
Reporting Period	**1 July 2016 – 30 June 2017**						
D J Frawley	Chief Executive	705,603	8,564	35,833	37,396	–	787,396
C M Blake	Executive Director,Finance	297,544	24,409	90,547	7,132	–	419,632
D E Clarke	Executive Director, Risk,Legal and Tax	392,884	–	19,616	21,340	–	433,840
B J Delaney	Executive Director, Strategy, Clients and Global Markets	529,406	22,308	28,286	28,239	–	608,239
G A Jackson	Executive Director, Human Resources	311,038	13,654	30,308	20,238	–	375,238
M D McDonald	Executive Director, Operations and Technology	380,384	–	19,616	12,593	–	412,593
Total remuneration		**2,616,859**	**68,935**	**224,206**	**126,938**	**–**	**3,036,938**
Previous Period	1 July 2015 – 30 June 2016						
D J Frawley	Chief Executive	706,374	8,101	35,525	1,786	–	751,786
C M Blake	Executive Director,Finance	298,134	23,819	90,547	245	–	412,745
D E Clarke	Executive Director, Risk,Legal and Tax	393,192	–	19,308	17,253	–	429,753
B J Delaney	Executive Director, Strategy, Clients and Global Markets	534,038	10,962	35,000	4,959	–	584,959
G A Jackson	Executive Director, Human Resources	258,461	11,539	30,000	2,352	–	302,352
M D McDonald	Executive Director, Operations and Technology	380,692	–	19,308	23,394	–	423,394
A C Ryder	Chief Investment Officer	310,979	–	58,664	(14,014)	150,000	505,629
Total remuneration		**2,881,870**	**54,421**	**288,352**	**35,975**	**150,000**	**3,410,618**

D Employee Benefits (continued)

D2 Key management personnel (continued)

(vii) Total performance and retention remuneration

	2017	2016
Aggregate amounts for performance and retention of employees ($'000)	**57,580**	70,886
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided ($'000)	**155,578**	153,556
Number of employees who receive payments for performance and retention purposes	**635**	543

Long term at risk performance based benefits included above are subject to the change in accounting estimate as disclosed in Note D1.

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30 June 2017

E Capital Structure

This section provides information relating to the group capital structure.

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

E1 Issued capital

	2017 Shares	2016 Shares	**2017 $'000**	2016 $'000
Ordinary shares	**30,300,000**	30,300,000	**37,475**	37,475

(i) Movements in ordinary share capital

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

(ii) Risk management

The group's capital management objectives are to:

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

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

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

E2 Dividends

(i) Ordinary shares

	2017 $'000	2016 $'000
Final dividend for the year ended 30 June 2017 of 100% (2016: 100%) of adjusted consolidated profit after income tax	**41,089**	62,424

Recognition and measurement

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

E3 Retained earnings

Movements in retained earnings were as follows:

	2017 $'000	2016 $'000
Balance as at 1 July	**95,440**	95,440
Profit after income tax	**61,089**	62,424
Dividends	**(41,089)**	(62,424)
Balance as at 30 June	**115,440**	95,440

F Group Structure

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

F1 Parent entity disclosures

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

(i) Summary financial information

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

	2017 $'000	2016 $'000
Balance sheet		
Current assets	**231,333**	251,403
Non-current assets	**55,143**	91,089
Total assets	**286,476**	342,492
Current liabilities	**132,944**	205,423
Non-current liabilities	**11,882**	15,686
Total liabilities	**144,826**	221,109
Equity		
Contributed equity	**37,475**	37,475
Retained earnings	**104,175**	83,908
Total equity	**141,650**	121,383
Profit after income tax	**61,355**	62,423

F Group Structure (continued)

F1 Parent entity disclosures (continued)

(ii) Contingent liabilities of the parent entity

On 19 September 2016, QIC Limited withdrew the eligible undertakings for the following entities; QIC Retail Pty Ltd, QIC Infrastructure Management No. 2 Pty Ltd, QIC Investments No. 1 Pty Ltd and QIC Investments No. 3 Pty Ltd.

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

Entity	Agreement date	2017	2016
QIC Retail Pty Ltd	27 February 2015	–	$3.5 million
QIC Private Capital Pty Ltd	28 July 2015	$3.0 million	$3.0 million
QIC Infrastructure Management No. 2 Pty Ltd	27 June 2016	–	$1.0 million
QIC Investments No. 1 Pty Ltd	27 June 2016	–	$3.0 million
QIC Investments No. 3 Pty Ltd	25 June 2014	–	$150,000

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

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

Entity	Agreement date	2017	2016
QIC European Investment Services Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC (UK) Management Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC US Management, Inc	15 May 2013	USD 5.0 million	USD 5.0 million
QIC Investments No. 1 Pty Ltd	16 July 2013	AUD 8.0 million	AUD 8.0 million

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

(iii) Guarantees

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

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

QIC Limited has provided a guarantee to QIC US Investment Services Inc. Under this agreement the parent entity has agreed to supply funding of up to $1.0 million.

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

As at 30 June 2017, there are no capital and expenditure commitments contracted for but not provided in the statement of financial position of QIC Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

F Group Structure (continued)

F1 Parent entity disclosures (continued)

(v) Transactions with controlled entities

The following transactions occurred with QIC Limited subsidiaries.

	30 June 2017 $	30 June 2016 $
Service fees received from controlled entities	**59,471,498**	66,847,769
Service fees paid to controlled entities	**24,465,585**	34,575,545
Amounts paid by subsidiaries under the tax funding agreement	**47,212,328**	29,176,413
Dividend revenue	**65,916,811**	63,981,776
Current receivables (loans to controlled entities)	**11,607,189**	921,820
Current receivables (tax funding agreement)	**9,736,763**	26,699,275
Current receivables (dividend revenue)	**65,916,811**	63,981,776
Current payables (loans from controlled entities)	**49,074,120**	82,444,956

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.

Transactions with Queensland Government entities and QIC Limited investment entities are disclosed at a consolidated level, refer note F3.

F2 Controlled entities

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding 2017 %**	Equity holding 2016 %
QIC (UK) Management Limited	United Kingdom	Ordinary	**100**	100
QIC European Investment Services Limited	United Kingdom	Ordinary	**100**	100
QIC Global Infrastructure (US), Inc.*	United States	Ordinary	**100**	100
QIC Corporate Management, Inc.**	United States	Ordinary	**100**	100
QIC Infrastructure Management No.2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 1 Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 3 Pty Ltd	Australia	Ordinary	**100**	100
QIC Private Capital Pty Ltd	Australia	Ordinary	**100**	100
QIC Properties Pty Ltd	Australia	Ordinary	**100**	100
QIC Properties US, Inc.*	United States	Ordinary	**100**	100
QIC Retail Pty Ltd	Australia	Ordinary	**100**	100
QIC US Investment Services Inc*	United States	Ordinary	**100**	100
QIC US Management, Inc.	United States	Ordinary	**100**	100
QIC US Private Equity, LLC*	United States	Ordinary	**100**	100
QIC US Shopping Centre Fund No.1 GP LLC*	United States	Ordinary	**100**	100

* Subsidiary of QIC US Management, Inc.
** Previously called QIC GRE Management (US), Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

F Group Structure (continued)

F3 Related party information

(i) Transactions with shareholding Ministers

As a Queensland Government Owned Corporation (GOC), QIC Limited's shareholding Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Arts and the Honourable Curtis Pitt MP, Treasurer, Minister for Trade and Investment and Acting Minister for Energy, Biofuels and Water Supply.

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

The group has not made purchases or provided goods or services to/from entities or individuals related to shareholding Ministers.

(ii) Transactions with key management personnel

Directors of QIC Limited and Executives of the Group

Transactions with entities related to key management personnel occur on terms and conditions which are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

(iii) Transactions with other related parties

The following transactions occurred with related parties:

2017 $	State of Queensland	QTC	Other related entities
Investment management and performance fees	**16,476,843**	**74,117,903**	**138,068,286**
Purchase of goods and services	**13,146,422**	**–**	**–**
Payment of income tax	**46,620,399**	**–**	**–**
Payment of dividends	**62,423,528**	**–**	**–**
Current receivables	**1,920,329**	**29,615,919**	**43,147,647**
Current payables	**6,474,919**	**–**	**–**
Dividends payable	**41,089,068**	**–**	**–**
Income tax payable	**415,114**	**–**	**–**

2016 $	State of Queensland	QTC	Other related entities
Investment management and performance fees	17,287,846	82,538,161	127,413,227
Purchase of goods and services	12,681,679	–	–
Payment of income tax	47,449,848	–	–
Payment of dividends	56,488,000	–	–
Current receivables	1,665,188	40,990,964	33,711,917
Current payables	6,162,835	–	–
Dividends payable	62,423,528	–	–
Income tax payable	18,799,480	–	–

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

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

(v) Terms and conditions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

G Other

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

G1 Subsequent events

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

G2 Remuneration of auditors

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

	2017 $	2016 $
Queensland Audit Office		
Audit and review of financial reports	**295,004**	304,184
Audit of regulatory returns	**10,000**	25,100
KPMG		
Audit and review of financial reports	**87,861**	120,265
Total remuneration for audit services	**392,865**	449,549

G3 New accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

G4 Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below. Other than as set out in this note, there are no other standards that are not yet effective and that are expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(i) AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. This standard is effective for annual reporting period beginning on or after 1 January 2018 with early adoption permitted.

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

(ii) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. It contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.

The group is currently assessing the impact on revenue recognition and measurement. At this stage the group is determining the impact of the standard on performance fees and performance fee clawbacks. The group has reviewed all other affected contracts and has determined the standard is not expected to have a significant impact on the financial statements of the group. At this stage the group is unable to reliably quantify the impact of this new standard.

(iii) AASB 16 Leases

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

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

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

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

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

The group is currently assessing the impact on the statement of comprehensive income and the statement of financial position of applying AASB 16 to its current operating leases stated at C12(c). At this stage the group is unable to quantify the impact of this new standard.

DIRECTORS' DECLARATION

30 June 2017

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 43 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

Note A2 confirms that the financial statements also comply with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board*.

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

Mr D R Luke
Chairman

Brisbane
28 August 2017

INDEPENDENT AUDITOR'S REPORT

To the members of QIC Limited

Report on the Financial Report

I have audited the accompanying financial report of QIC Limited, which comprises the consolidated statement of financial position at 30 June 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, notes comprising of summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note A2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

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

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

Opinion

In my opinion –

(a) the financial report of QIC Limited is in accordance with the *Corporations Act 2001*, including –

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in note A2.

Other Matters – Electronic Presentation of the Audited Financial Report

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

31 August 2017

B Worrall FCA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

QIC