QIC Limited

ABN 95 942 373 762

Annual financial statements and directors' report for the year ended 30 June 2013

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 2013.

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

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

Ms B K Morris was a director from the beginning of the financial year until her resignation on 30 September 2012.

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

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

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

	2013 $'000	2012 $'000
Dividends provided for and declared	**30,909**	16,022

Review of operations
The profit from ordinary activities, after related income tax expense, amounts to $38.6 million (2012: $26.7 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 26 September 2012 QIC Limited terminated the Investment Management Agreement dated 23 September 2008 with Queensland BioCapital Funds Pty Ltd (‘QBF’), thereby effectively ending the operational activities of QBF. QBF ceased being manager of QIC's two biotechnology funds as at this date. The QBF directors resolved to cease QBF's operations on 31 October 2012 and transfer remaining employees and activities to QIC Private Capital Pty Ltd. QBF will remain dormant and registered.

The group outsourced a number of investment support activities to Northern Trust during the year. This included trade support, performance, compliance, unit pricing, unit registry and client billing and reporting.

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

Matters subsequent to the end of the financial year
No other matters or circumstances have arisen since 30 June 2013 that have significantly affected, or may significantly affect, the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments and expected results of operations
Further information on likely developments in the operations of the group are included in the annual report.

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

Meetings of directors
The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit and Risk		HR and Remuneration	
	A	B	A	B	A	B
P F Young AM (Chairman)	8	8	-	-	6	7
K D MacDonald (Deputy Chairman)	7	8	7	7	7	7
B C Bowton	8	8	6	7	-	-
L T Gearing	7	8	7	7	-	-
M L Newman AC	8	8	-	-	7	7
D E Usasz	8	8	-	-	7	7
G B Murdoch	8	8	5	7	-	-
B K Morris(1)	3	3	4	4	-	-

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) = Resigned 30 September 2012

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

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

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

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

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

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

P F Young AM (Chairman)
Chairman

Brisbane
30 August 2013

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 Ltd for the year ended 30 June 2013, 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.

AUDITOR GENERAL
26 AUG 2013
OF QUEENSLAND

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

QIC Limited ABN 95 942 373 762
Annual report - 30 June 2013

Contents

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

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

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

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

The financial statements were authorised for issue by the directors on 30 August 2013. The directors have the power to amend and reissue the financial statements.

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
Revenue	3	**274,603**	259,090	**172,305**	157,470
Employee benefits expense		**(147,237)**	(146,102)	**(64,323)**	(64,638)
Professional services		**(27,377)**	(25,327)	**(21,498)**	(18,366)
Operating lease costs	4	**(10,959)**	(10,838)	**(10,120)**	(10,050)
Depreciation and amortisation	4	**(7,953)**	(8,334)	**(7,805)**	(8,240)
Travel		**(4,744)**	(4,536)	**(1,800)**	(1,903)
Product and mandate services		**(3,932)**	(4,353)	**(3,774)**	(4,040)
Computer operating costs		**(3,825)**	(3,859)	**(3,552)**	(3,671)
Information and research services		**(2,876)**	(3,122)	**(2,770)**	(3,023)
Staff development and recruitment		**(2,347)**	(2,713)	**(1,349)**	(1,552)
Insurance		**(1,833)**	(1,683)	**(1,293)**	(1,171)
Communication expenses		**(1,393)**	(1,297)	**(921)**	(914)
Net loss on disposal of property, plant and equipment		**(427)**	(72)	**(427)**	(72)
Auditors' remuneration	26	**(410)**	(489)	**(208)**	(252)
Foreign exchange losses	4	**(109)**	-	**(46)**	(3)
Service fees		**-**	-	**(10,833)**	(10,005)
Other expenses		**(5,029)**	(7,797)	**(3,217)**	(6,220)
Expenses		**(220,451)**	(220,522)	**(133,936)**	(134,120)
Profit before income tax		**54,152**	38,568	**38,369**	23,350
Income tax (expense)/benefit	5	**(15,517)**	(11,865)	**341**	3,362
Net profit after tax for the year	22(b)	**38,635**	26,703	**38,710**	26,712
Net profit after tax is attributable to:					
Owners of QIC Limited	22(b)	**38,635**	26,703	**38,710**	26,712

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

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

	Notes	Consolidated entity 2013 $'000	2012 $'000	Parent entity 2013 $'000	2012 $'000
Net profit after tax for the year		**38,635**	26,703	**38,710**	26,712
Other comprehensive income					
Items that may be reclassified to profit or loss					
Gain on revaluation - gross: foreign exchange contracts	22(a)	**-**	24	**-**	24
Exchange differences on translation of foreign operations	22(a)	**90**	5	**-**	-
Other comprehensive income for the year, net of tax		**90**	29	**-**	24
Total comprehensive income for the year		**38,725**	26,732	**38,710**	26,736
Total comprehensive income for the year is attributable to:					
Owners of QIC Limited		**38,725**	26,732	**38,710**	26,736
Total comprehensive income for the year attributable to owners of QIC Limited arises from:					
Continuing operations		**38,725**	26,732	**38,710**	26,736

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

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

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**5,676**	1,658	**4,276**	295
Receivables	7	**70,468**	58,380	**84,604**	76,593
Financial assets at fair value through profit or loss	8	**178,564**	176,063	**178,564**	176,063
Other current assets	9	**4,074**	4,845	**3,537**	4,405
Total current assets		**258,782**	240,946	**270,981**	257,356
Non-current assets					
Receivables	10	**972**	-	**972**	-
Financial assets at fair value through profit and loss	11	**3,614**	3,155	**3,614**	3,155
Property, plant and equipment	12	**16,267**	18,048	**15,784**	17,574
Deferred tax assets	13	**24,388**	24,959	**14,057**	15,285
Intangible assets	14	**10,513**	12,801	**10,513**	12,801
Other assets	15	**23**	6	**605**	562
Total non-current assets		**55,777**	58,969	**45,545**	49,377
Total assets		**314,559**	299,915	**316,526**	306,733
LIABILITIES					
Current liabilities					
Payables	16	**97,777**	77,291	**131,974**	118,460
Provisions	17	**12,034**	14,850	**6,414**	9,393
Current tax liabilities	18	**90**	4,479	**162**	4,120
Total current liabilities		**109,901**	96,620	**138,550**	131,973
Non-current liabilities					
Deferred tax liabilities	19	**4,457**	58	**4,434**	11
Provisions	20	**81,336**	92,188	**66,292**	75,300
Total non-current liabilities		**85,793**	92,246	**70,726**	75,311
Total liabilities		**195,694**	188,866	**209,276**	207,284
Net assets		**118,865**	111,049	**107,250**	99,449
EQUITY					
Contributed equity	21	**37,475**	37,475	**37,475**	37,475
Other reserves	22(a)	**72**	(18)	**-**	-
Retained earnings	22(b)	**81,318**	73,592	**69,775**	61,974
Equity attributable to owners of QIC Limited		**118,865**	111,049	**107,250**	99,449
Total equity		**118,865**	111,049	**107,250**	99,449

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

Consolidated entity	Notes	**Attributable to owners of QIC Limited** Contributed equity $'000	Reserves $'000	Retained earnings $'000	**Total equity $'000**
Balance at 1 July 2011		37,475	(47)	62,911	100,339
Profit for the year		-	-	26,703	26,703
Other comprehensive income		-	29	-	29
Total comprehensive income for the year		**-**	**29**	**26,703**	**26,732**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	23	-	-	(16,022)	(16,022)
Balance at 30 June 2012		**37,475**	**(18)**	**73,592**	**111,049**
Balance at 1 July 2012		37,475	(18)	73,592	111,049
Profit for the year		-	-	38,635	38,635
Other comprehensive income		-	90	-	90
Total comprehensive income for the year		**-**	**90**	**38,635**	**38,725**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	23	-	-	(30,909)	(30,909)
Balance at 30 June 2013		**37,475**	**72**	**81,318**	**118,865**

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

Parent entity	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2011		37,475	(24)	51,284	88,735
Profit for the year		-	-	26,712	26,712
Other comprehensive income		-	24	-	24
Total comprehensive income for the year		**-**	**24**	**26,712**	**26,736**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	23	-	-	(16,022)	(16,022)
Balance at 30 June 2012		**37,475**	**-**	**61,974**	**99,449**
Balance at 1 July 2012		37,475	-	61,974	99,449
Profit for the year		-	-	38,710	38,710
Total comprehensive income for the year		**-**	**-**	**38,710**	**38,710**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	23	-	-	(30,909)	(30,909)
Balance at 30 June 2013		**37,475**	**-**	**69,775**	**107,250**

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

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
Cash flows from operating activities					
Receipts from customers		**240,723**	240,015	**118,971**	99,001
Payments to suppliers and employees		**(209,037)**	(187,146)	**(135,992)**	(91,395)
Distributions received		**5,547**	7,336	**5,547**	7,336
Fair value losses on cash and cash equivalents		**(457)**	(402)	**(458)**	(402)
Dividends received		**-**	-	**35,430**	30,642
Interest received		**86**	52	**86**	52
Income taxes paid		**(11,921)**	(18,687)	**(14,369)**	(18,999)
Compensation received from tax consolidated group entities		**-**	-	**15,648**	14,140
Net cash inflow from operating activities	32	**24,941**	41,168	**24,863**	40,375
Cash flows from investing activities					
Payments for property, plant and equipment	12	**(2,491)**	(1,819)	**(2,330)**	(1,743)
Payments for intangibles		**(1,823)**	(3,168)	**(1,823)**	(3,168)
Payments for investment in joint venture partnerships		**(1)**	(1)	**(1)**	(1)
Proceeds from sale of property, plant and equipment		**1**	1	**1**	1
Payment for shares in subsidiaries		**(16)**	-	**(42)**	(556)
Payments for financial assets at fair value through profit or loss		**(5,351)**	(11,459)	**(5,351)**	(11,459)
Proceeds from sale of financial assets at fair value through profit or loss		**313**	-	**313**	-
Distributions received		**1,030**	285	**1,030**	285
Net cash outflow from investing activities		**(8,338)**	(16,161)	**(8,203)**	(16,641)
Cash flows from financing activities					
Dividends paid to shareholders	23	**(16,022)**	(20,461)	**(16,022)**	(20,461)
Net cash outflow from financing activities		**(16,022)**	(20,461)	**(16,022)**	(20,461)
Net increase in cash and cash equivalents		**581**	4,546	**638**	3,273
Cash and cash equivalents at the beginning of the financial year		**166,008**	161,462	**164,645**	161,372
Effects of exchange rate changes on cash and cash equivalents		**94**	-	**-**	-
Cash and cash equivalents at end of year	6	**166,683**	166,008	**165,283**	164,645

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(ii) New and amended standards adopted by the group
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to *AASB 101 Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

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

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

(b) Principles of consolidation

(i) Subsidiaries
The financial statements incorporate the assets and liabilities of all subsidiaries of QIC Limited ('company' or 'parent entity') as at 30 June 2013 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 special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights.

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

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

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

(iii) Joint ventures
The interest in a joint venture partnership is accounted for at cost and is not material.

(c) Foreign currency translation

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

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

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

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

(d) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Investment management fees
Management fees are recognised on an accruals basis as set out in the relevant client agreements, net of the amounts of goods and services tax payable.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Performance fees
A performance fee is potentially payable by the QIC Shopping Centre Fund to the group where certain performance criteria are achieved over a 12 year period ending in October 2014. If the performance criteria are not met over the entire 12 year period, no performance fee is payable. In December 2008, the group received a mid-term instalment of the performance fee of $64.3 million net of GST.

At year end, based on the performance to date, management's judgement is that there is a high degree of certainty that a performance fee will be achieved and consequently the inflow of economic benefits is considered probable. Since inception of the performance fee arrangement, the forecast full term performance fee has been calculated on a quarterly basis. Observations and statistical analysis of the changes in the performance fee over time have been undertaken, resulting in a reasonable data set to estimate how the performance fee may evolve from the current position to the vesting date. From these observations the group has adopted a conservative staged recognition approach and a portion of the performance fee has been recognised as income by the group for the year ended 30 June 2013.

All other performance fees and rebates are recognised as revenue when they can be reliably measured and the inflow or outflow of economic benefits is considered to be probable. Performance fees are calculated in accordance with defined formula as set out in client agreements.

(iii) Service and administration fees
Service and administration fees are recognised on an accrual basis at normal commercial terms and conditions, net of amounts of goods and services tax payable.

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

(e) Goods and Services Tax (GST)

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

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

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

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

(f) Income tax

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

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

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(g) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

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

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

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

(i) Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance account (provision for impairment of trade receivables) is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. There were no impairment amounts at 30 June 2013 (2012: $nil).

(j) Investments and other financial assets

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

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

Investment funds were held in the QIC Cash Enhanced Fund during the financial year. The QIC Cash Enhanced Fund invests in short term cash and fixed interest securities, which it records on a fair value basis. The annualised rate of return on the investment in the QIC Cash Enhanced Fund was 4.27% (2012: 5.11%).

Investment funds were also held in the QIC Growth Fund. The QIC Growth Fund invests in Australian cash, equities, fixed interest and property and international fixed interest and equities. The annualised rate of return on the investment in the QIC Growth Fund was 13.60% (2012: 0.33%). Investments held by the QIC Growth Fund are recorded on a fair value basis.

Deferred long term staff incentive amounts were held in the QIC Cash Fund, QIC GFI Alpha Fund and QIC Growth Fund during the financial year. The QIC Cash Fund invests in short term cash securities, which it records on a fair value basis. The QIC GFI Alpha Fund invests in cash and fixed interest securities, which it records on a fair value basis. The annualised return on these investments were QIC Cash Fund 3.30% (2012: 3.62%), QIC GFI Alpha Fund 10.64% (2012: 11.00%) and QIC Growth Fund 14.74% (2012: 6.50%).

1 Summary of significant accounting policies (continued)

(j) Investments and other financial assets (continued)

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

(k) Property, plant and equipment

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

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

Items of property, plant and equipment with a cost, or other value, in excess of $1,000 (2012: $1,000) are capitalised in the year of acquisition.

Internal and external costs directly incurred in the purchase or development of computer applications, including subsequent upgrades and enhancements, are capitalised where the costs exceed $100,000 (2012: $100,000). Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation are not capitalised.

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

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

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

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

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

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

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

(l) Intangible assets

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

1 Summary of significant accounting policies (continued)

(l) Intangible assets (continued)

(i) Computer software (continued)
The group carries software assets at cost less amortisation and impairment losses, if any.

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

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

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

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

(m) Payables

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

(n) Provisions

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

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

(o) Employee benefits

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

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

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

1 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

(i) Short-term obligations (continued)
No provision for sick leave benefits has been made as benefits do not vest with employees.

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

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

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

(p) Derivatives and hedging activities

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

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

(i) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. Movements in the hedging reserve in shareholders' equity are shown in note 22. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

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

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

(q) Contributed equity

Ordinary shares are classified as equity.

1 Summary of significant accounting policies (continued)

(r) Dividends

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

The dividend declared by the parent entity represents 80% (2012: 60%) of consolidated operating profit after tax. This reflects the requirements of the *Government Owned Corporations Act 1993* and Queensland Treasury policies, which require the annual dividend declared by a government owned corporation to be calculated on a group basis.

(s) Rounding of amounts

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

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the group. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments become effective for reporting periods beginning on or after 1 January 2015. The main impacts of these standards on the group are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing AASB 139 categories of held-to-maturity, available-for-sale and loans and receivables.

When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed.

The group will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2015-2016. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2015-2016 financial statements to explain the impact of adopting AASB 9.

1 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments (effective 1 January 2013)

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

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

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

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

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

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

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

1 Summary of significant accounting policies (continued)

(t) New accounting standards and interpretations (continued)

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

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

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurements for an asset and liability uses data that is not 'observable' outside the group, the amount of information to be disclosed will be relatively greater.

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

2 Critical accounting estimates and judgements

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

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

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

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

(iii) Accrued revenue
A performance fee is potentially payable by the QIC Shopping Centre Fund to the group where certain performance criteria are achieved over a 12 year period ending in October 2014. In December 2008, the group received a mid-term instalment of the performance fee of $64.3 million net of rebate and GST. This has been recognised as a contingency, refer to note 27(d) as under the client agreement if the performance criteria are not met over the entire 12 year period, no performance fee is payable.

There are a number of risk factors that impact the performance of the QIC Shopping Centre Fund, over which the parent entity has limited control, and these risks could lead to the performance fee criteria not being met. The major sources of uncertainty in relation to the performance criteria being achieved include:

- Changes in the competitive environment that may affect the performance of the properties held by the fund and/or the tenants within those properties

2 Critical accounting estimates and judgements (continued)

(iii) Accrued revenue (continued)

- Changes in the rental or occupancy levels of the properties held by the fund
- Changes in tenant circumstances that may result in tenant default
- The value and liquidity of the fund assets may fluctuate with property investment market conditions
- Changes in statutory laws that may affect the investments of the fund
- Unexpected capital expenditure of a significant nature that may affect capital and debt requirements
- Government policy changes or statutory changes that may affect the fund
- The assumptions used in projecting the estimated returns not being achieved
- Due to any combination of the above factors, the targeted outcome of developments of assets held by the fund not being achieved

At year end, based on the performance to date, management's judgement is that there is a high degree of certainty that a performance fee will be achieved over the 12 year period and consequently the inflow of economic benefits is considered probable. Accordingly, a staged recognition approach has been adopted and a portion of the performance fee has been recognised as income by the group for the year ended 30 June 2013.

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

At reporting date, based on variables assessed, the estimated performance fee at vesting date may range from $12.4 million to $50.4 million (net of rebate).

3 Revenue

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
From continuing operations				
Management, performance and other fees	**235,675**	221,098	**69,446**	65,554
Dividends from controlled entities	**-**	-	**36,986**	35,430
Service fees from controlled entities	**-**	-	**35,013**	26,433
Product administration fees	**22,216**	20,561	**19,282**	18,131
Investment income	**6,576**	7,620	**6,576**	7,620
Administration fees	**6,410**	6,139	**2,103**	2,331
Interest	**92**	49	**92**	49
Fair value gains on financial assets at fair value through profit or loss (note 8 &11)	**808**	(147)	**808**	(147)
Other	**2,826**	3,770	**1,999**	2,069
	274,603	259,090	**172,305**	157,470

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

4 Expenses

	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Office equipment, furniture and fittings	**2,696**	2,586	**2,555**	2,496
Computer equipment	**1,172**	1,476	**1,165**	1,472
Total depreciation	**3,868**	4,062	**3,720**	3,968
Amortisation				
Computer software	**4,085**	4,272	**4,085**	4,272
Total amortisation	**4,085**	4,272	**4,085**	4,272
Total depreciation and amortisation	**7,953**	8,334	**7,805**	8,240
Rental expense relating to operating leases				
Minimum lease payments	**10,959**	10,838	**10,120**	10,050
Total rental expense relating to operating leases	**10,959**	10,838	**10,120**	10,050

4 Expenses (continued)

	Notes	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Foreign exchange gains and losses					
Foreign exchange losses		**109**	-	**46**	3
Net foreign exchange losses recognised in profit before income tax for the year (as either other income or expense)		**109**	-	**46**	3

5 Income tax expense

(a) Income tax expense

	Consolidated entity		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Current tax	**12,800**	15,202	**11,816**	14,630
Deferred tax	**4,970**	(3,353)	**5,651**	(2,322)
Compensation received from tax consolidated group entities	**-**	-	**(15,560)**	(15,691)
Adjustments for current tax of prior periods	**(2,253)**	16	**(2,248)**	21
	15,517	11,865	**(341)**	(3,362)
Income tax expense/(benefit) is attributable to:				
Profit from continuing operations	**15,517**	11,865	**(341)**	(3,362)

The QIC Limited 2012 income tax return was amended during the year to include a research and development tax claim. The financial effect of the research and development claim of $2.2 million is included in the adjustments for current tax of prior periods of both the parent entity and consolidated entity.

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

	Consolidated entity		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Profit from continuing operations before income tax expense	**54,152**	38,568	**38,368**	23,350
Tax expense at the Australian tax rate of 30% (2012 - 30%)	**16,246**	11,570	**11,510**	7,005
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-(assessable)/deductible sundry items	**(33)**	241	**(224)**	117
Non-deductible entertainment	**64**	81	**42**	65
	16,277	11,892	**11,328**	7,187
Difference in overseas tax rates	**38**	(10)	**-**	-
Tax offset for franked dividends and foreign income	**(29)**	(17)	**(29)**	(17)
Non-assessable dividend income upon consolidation	**-**	-	**(10,871)**	(10,532)
Adjustments for current tax of prior periods	**(769)**	-	**(769)**	-
	(760)	(27)	**(11,669)**	(10,549)

5 Income tax expense (continued)

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Income tax expense/(benefit)	**15,517**	11,865	**(341)**	(3,362)

(c) Tax expense (income) relating to items of other comprehensive income

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Hedging reserve	**-**	7	**-**	7

(d) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly-owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement (see note 29(e))

6 Current assets - Cash and cash equivalents

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**5,676**	1,658	**4,276**	295

6 Current assets - Cash and cash equivalents (continued)

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

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

	Consolidated entity		**Parent entity**	
	2013 **$'000**	2012 $'000	**2013** **$'000**	2012 $'000
Cash and cash equivalents	**5,676**	1,658	**4,276**	295
Investments in QIC Cash Enhanced Fund (note 8)	**161,007**	164,350	**161,007**	164,350
Balances per statements of cash flows	**166,683**	166,008	**165,283**	164,645

(b) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash and cash equivalents was 2.37% (2012: 2.93%). The group's exposure to liquidity risk is discussed in Note 24.

(c) Amounts held in trust

An amount of $761,678 (2012: $27,621) was recognised in cash and cash equivalents as at 30 June 2013. These monies are for the sole purpose of seeking recovery of funds involving the group as a plaintiff and in its capacity as trustee.

7 Current assets - Receivables

	Consolidated entity		**Parent entity**	
	2013 **$'000**	2012 $'000	**2013** **$'000**	2012 $'000
Trade receivables				
Management, performance and other fees receivable	**70,468**	58,380	**31,774**	31,587
Related party receivables				
Net receivable from controlled entities	**-**	-	**5,645**	133
Dividends due from controlled entities	**-**	-	**36,986**	35,430
	-	-	**42,631**	35,563
Tax sharing arrangement				
Tax related amounts receivable from controlled entities	**-**	-	**10,199**	9,443
	70,468	58,380	**84,604**	76,593

These are non-interest bearing. Information about the group's exposure to credit risk is disclosed in note 24.

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

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
At beginning of year	**176,063**	160,869	**176,063**	160,869
Revaluation (realised and unrealised)	**643**	(90)	**643**	(90)
Distributions reinvested	**6,282**	7,562	**6,282**	7,562
Additions (subscriptions)	**262,978**	253,643	**262,978**	253,643
Disposals (redemptions)	**(267,402)**	(245,921)	**(267,402)**	(245,921)
At end of year	**178,564**	176,063	**178,564**	176,063

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Investment in QIC Cash Enhanced Fund	**161,007**	164,350	**161,007**	164,350
Investments in other QIC products	**17,557**	11,713	**17,557**	11,713
	178,564	176,063	**178,564**	176,063

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

9 Current assets - Other current assets

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Prepayments	**4,074**	4,845	**3,537**	4,405

10 Non-current assets - Receivables

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Other receivables	**972**	-	**972**	-

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
At beginning of year	**3,155**	3,154	**3,155**	3,154
Revaluations (realised and unrealised)	**165**	(57)	**165**	(57)
Distributions reinvested	**294**	58	**294**	58
At end of year	**3,614**	3,155	**3,614**	3,155

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Investment in QIC Growth Fund	**3,614**	3,155	**3,614**	3,155

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

12 Non-current assets - Property, plant and equipment

Consolidated 2012	**Office equipment, furniture and fittings $'000**	**Computer equipment $'000**	**Total $'000**
At 1 July 2011			
Cost or fair value	23,582	10,280	33,862
Accumulated depreciation	(6,072)	(7,431)	(13,503)
Net book amount	17,510	2,849	20,359
Year ended 30 June 2012			
Opening net book amount	17,510	2,849	20,359
Exchange differences	6	-	6
Additions	935	884	1,819
Disposals	(68)	(6)	(74)
Depreciation charge (note 4)	(2,586)	(1,476)	(4,062)
Closing net book amount	15,797	2,251	18,048
At 30 June 2012			
Cost or fair value	24,103	10,246	34,349
Accumulated depreciation	(8,306)	(7,995)	(16,301)
Net book amount	15,797	2,251	18,048

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

Consolidated entity	Office equipment, furniture and fittings $'000	Computer equipment $'000	Total $'000
Year ended 30 June 2013			
Opening net book amount	15,797	2,251	18,048
Exchange differences	24	8	32
Additions	1,726	765	2,491
Disposals	(432)	(5)	(437)
Depreciation charge (note 4)	(2,690)	(1,177)	(3,867)
Closing net book amount	14,425	1,842	16,267
At 30 June 2013			
Cost	23,074	9,961	33,035
Accumulated depreciation	(8,649)	(8,119)	(16,768)
Net book amount	14,425	1,842	16,267

Parent entity	Office equipment, furniture and fittings $'000	Computer equipment $'000	Total $'000
At 1 July 2011			
Cost or fair value	22,740	10,270	33,010
Accumulated depreciation	(5,711)	(7,426)	(13,137)
Net book amount	17,029	2,844	19,873
Year ended 30 June 2012			
Opening net book amount	17,029	2,844	19,873
Additions	870	873	1,743
Disposals	(68)	(6)	(74)
Depreciation charge (note 4)	(2,496)	(1,472)	(3,968)
Closing net book amount	15,335	2,239	17,574
At 30 June 2012			
Cost or fair value	23,190	10,224	33,414
Accumulated depreciation	(7,855)	(7,985)	(15,840)
Net book amount	15,335	2,239	17,574

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

Parent entity	Office equipment, furniture and fittings $'000	Computer equipment $'000	Total $'000
Year ended 30 June 2013			
Opening net book amount	15,335	2,239	17,574
Additions	1,657	673	2,330
Disposals	(396)	(4)	(400)
Depreciation charge (note 4)	(2,555)	(1,165)	(3,720)
Closing net book amount	14,041	1,743	15,784
At 30 June 2013			
Cost	22,106	9,840	31,946
Accumulated depreciation	(8,065)	(8,097)	(16,162)
Net book amount	14,041	1,743	15,784

Assets in the course of construction

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Office equipment, furniture and fittings	**430**	136	**430**	136
Total assets in the course of construction	**430**	136	**430**	136

13 Non-current assets - Deferred tax assets

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
The balance comprises temporary differences attributable to:				
Employee benefits provided for or payable	**20,426**	19,017	**10,391**	9,786
Lease incentives	**1,474**	1,321	**1,474**	1,321
Capital project related costs	**1,189**	2,009	**948**	2,007
Capital tax losses	**909**	909	**909**	909
Sundry items	**165**	682	**165**	362
Accrued expenses	**122**	220	**89**	125
Depreciation and amortisation	**103**	801	**81**	775
	24,388	24,959	**14,057**	15,285

14 Non-current assets - Intangible assets

Consolidated and Parent	**Computer software $'000**	**Total $'000**
At 1 July 2011		
Cost	33,223	33,223
Accumulation amortisation	(19,318)	(19,318)
Net book amount	13,905	13,905
Year ended 30 June 2012		
Opening net book amount	13,905	13,905
Additions	3,168	3,168
Amortisation charge (note 4)	(4,272)	(4,272)
Closing net book amount	12,801	12,801
At 30 June 2012		
Cost	36,139	36,139
Accumulation amortisation	(23,338)	(23,338)
Net book amount	12,801	12,801

Consolidated and Parent

Year ended 30 June 2013		
Opening net book amount	12,801	12,801
Additions	1,823	1,823
Disposals	(26)	(26)
Amortisation charge (note 4)	(4,085)	(4,085)
Closing net book amount	10,513	10,513
At 30 June 2013		
Cost	29,280	29,280
Accumulated amortisation	(18,767)	(18,767)
Net book amount	10,513	10,513

Assets in the course of construction - intangible assets

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

	Consolidated entity		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Intangible assets	**129**	2,903	**129**	2,903
Total assets in the course of construction	**129**	2,903	**129**	2,903

15 Non-current assets - Other assets

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Interests in associated entities	**17**	-	**17**	-
Interest in joint venture partnership	**5**	5	**5**	5
Shares in subsidiaries (note 30)	**1**	1	**583**	557
	23	6	**605**	562

16 Current liabilities - Payables

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Employee benefits payable	**54,713**	49,384	**18,982**	17,422
Accounts payable	**6,414**	6,211	**4,309**	3,754
Accrued expenses	**5,741**	5,674	**3,416**	4,479
Dividends	**30,909**	16,022	**30,909**	16,022
Amounts due to controlled entities	**-**	-	**74,358**	76,783
	97,777	77,291	**131,974**	118,460

These are non-interest bearing. Information about the group's risk exposure is provided in note 24.

17 Current liabilities - Provisions

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Employee benefits	**10,778**	12,800	**5,158**	7,343
Other provisions	**1,256**	2,050	**1,256**	2,050
	12,034	14,850	**6,414**	9,393

(a) Movements in provisions

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

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

17 Current liabilities - Provisions (continued)

(a) Movements in provisions (continued)

Consolidated entity 2012	**Employee benefits $'000**	**Other $'000**	**Total $'000**
Carrying amount at the start of the year	12,062	768	12,830
Additional provisions recognised	6,914	-	6,914
Amounts used during the year	(8,001)	(550)	(8,551)
Amounts moved from non-current	1,825	1,832	3,657
Carrying amount at end of year	12,800	2,050	14,850

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

Parent entity 2012	**Employee benefits $'000**	**Other $'000**	**Total $'000**
Carrying amount at the start of the year	6,550	768	7,318
Additional provisions recognised	3,927	-	3,927
Amounts used during the year	(4,256)	(551)	(4,807)
Amounts transferred from/(to) related parties	18	-	18
Amounts moved from non-current	1,104	1,833	2,937
Carrying amount at end of year	7,343	2,050	9,393

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

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

	Consolidated entity		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Leave obligations expected to be settled after 12 months	**735**	1,462	**349**	560
	735	1,462	**349**	560

18 Current liabilities - Current tax liabilities

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Income tax payable	**90**	4,479	**162**	4,120

19 Non-current liabilities - Deferred tax liabilities

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Performance fees	**3,706**	-	**3,706**	-
Other receivables	**727**	-	**728**	-
Depreciation and amortisation	**22**	21	**-**	-
Prepayments	**2**	2	**-**	-
Capital allowances	**-**	24	**-**	-
Unrealised foreign exchange gains	**-**	11	**-**	11
	4,457	58	**4,434**	11

20 Non-current liabilities - Provisions

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Employee benefits	**25,521**	25,292	**10,651**	8,609
Provisions to associated entities	**51,983**	64,337	**-**	-
Provisions to controlled entity	**-**	-	**51,983**	64,337
Other provisions	**3,832**	2,559	**3,658**	2,354
	81,336	92,188	**66,292**	75,300

(a) Movements in provisions

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

Consolidated entity 2013	**Employee benefits $'000**	**Provisions to associated entities $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	25,292	64,337	2,559	92,188
Amounts used during the period	-	(12,354)	(31)	(12,385)
Additional provisions recognised	21,579	-	2,639	24,218
Amounts moved to current	(21,350)	-	(1,335)	(22,685)
Carrying amount at end of year	25,521	51,983	3,832	81,336

20 Non-current liabilities - Provisions (continued)

(a) Movements in provisions (continued)

Consolidated entity 2012	**Employee benefits $'000**	**Provisions to associated entities $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	14,534	64,337	1,658	80,529
Amounts used during the period	(16,262)	-	(40)	(16,302)
Additional provisions recognised	27,020	-	2,774	29,794
Amounts moved to current	-	-	(1,833)	(1,833)
Carrying amount at end of year	25,292	64,337	2,559	92,188

Parent entity 2013	**Employee benefits $'000**	**Provision to controlled entity $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	8,609	64,337	2,354	75,300
Amounts used during the period	-	(12,354)	-	(12,354)
Additional provisions recognised	5,488	-	2,639	8,127
Amounts transferred to related parties	(32)	-	-	(32)
Amounts moved to current	(3,414)	-	(1,335)	(4,749)
Carrying amount at end of year	10,651	51,983	3,658	66,292

Parent entity 2012	**Employee benefits $'000**	**Provision to controlled entity $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	5,968	64,337	1,413	71,718
Additional provisions recognised	5,220	-	2,774	7,994
Amounts moved to current	(2,579)	-	(1,833)	(4,412)
Carrying amount at end of year	8,609	64,337	2,354	75,300

In December 2008, the group received a mid term instalment of a performance fee of $64.3 million net of GST. At year end, based on the performance to date, management's judgement is that there is a high degree of certainty that a performance fee will be achieved and consequently the inflow of economic benefits is considered probable. Accordingly, a staged recognition approach has been adopted and a portion of the performance fee has been recognised as income by the group for the year ended 30 June 2013. This instalment is fully refundable if specified performance criteria are not met over the term of the particular fund therefore a portion of the mid-term performance fee remains a provisional liability (refer to Note 27(d)).

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

21 Contributed equity

(a) Share capital

	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Ordinary shares				
Fully paid	**30,300,000**	30,300,000	**37,475**	37,475

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue price	$'000
1 July 2011	Opening balance		30,300,000	$1.24	37,475
30 June 2012	Closing balance		30,300,000	$1.24	37,475
1 July 2012	Opening balance		30,300,000	$1.24	37,475
30 June 2013	Closing balance		30,300,000	$1.24	37,475

(c) Capital risk management

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

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

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

The parent entity and Group are not currently subject to any legal or other regulatory requirement to have a capital base of any specific size.

With the exception of payables, provisions and income tax liabilities incurred in the normal course of business, the parent entity and Group do not undertake borrowings or hold debt.

22 Reserves and retained earnings

(a) Reserves

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
Foreign currency translation reserve		**72**	(18)	**-**	-
		72	(18)	**-**	-

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
Movements:					
Hedging reserve - cash flow hedges					
Opening balance		**-**	(24)	**-**	(24)
Gain (loss) on revaluation - gross: foreign exchange contracts		**-**	24	**-**	24
Balance 30 June		**-**	-	**-**	-
Foreign currency translation reserve					
Opening balance		**(18)**	(23)	**-**	-
Currency translation differences arising during the year		**90**	5	**-**	-
Balance 30 June		**72**	(18)	**-**	-

(b) Retained earnings

Movements in retained earnings were as follows:

	Notes	Consolidated entity 2013 $'000	Consolidated entity 2012 $'000	Parent entity 2013 $'000	Parent entity 2012 $'000
Balance 1 July		**73,592**	62,911	**61,974**	51,284
Net profit for the year		**38,635**	26,703	**38,710**	26,712
Dividends		**(30,909)**	(16,022)	**(30,909)**	(16,022)
Balance 30 June		**81,318**	73,592	**69,775**	61,974

(c) Nature and purpose of other reserves

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

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

23 Dividends

(a) Ordinary shares

	Parent entity	
	2013	2012
	$'000	$'000
Final dividend for the year ended 30 June 2013 of 102 cents (2012: 52 cents) per share being 80% (2012: 60%) of consolidated operating profit after tax recognised as a payable (note 16)	**30,909**	16,022

24 Financial risk management

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

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

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

The group holds the following financial instruments:

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash assets	**5,676**	1,658	**4,276**	295
Receivables	**71,440**	58,380	**85,576**	76,593
Financial assets at fair value through profit or loss	**182,178**	179,218	**182,178**	179,218
	259,294	239,256	**272,030**	256,106
Financial liabilities				
Payables	**97,777**	77,291	**131,974**	118,460
	97,777	77,291	**131,974**	118,460

(a) Market risk

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

(i) Foreign exchange risk

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

24 Financial risk management (continued)

(a) Market risk (continued)

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

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

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

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

Consolidated entity	**30 June 2013**		30 June 2012	
	GBP £'000	**USD $'000**	GBP £'000	USD $'000
Cash assets	**430**	**625**	716	44
Receivables	**701**	**646**	478	971
Payables	**(170)**	**(100)**	(282)	(27)
Net exposure	**961**	**1,171**	912	988

Parent entity	**30 June 2013**		30 June 2012	
	GBP £'000	**USD $'000**	GBP £'000	USD $'000
Payables	**(497)**	**(391)**	(34)	(893)
Net exposure	**(497)**	**(391)**	(34)	(893)

Foreign currency sensitivity
The sensitivity of the group's financial instruments held at 30 June 2013 (and in the prior year) to movements in the British pound and United States dollar with all other variables held constant has been assessed and is not material. The group's exposure to other foreign exchange movements is not material.

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

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

Based on the non-current financial assets at fair value through profit or loss held at 30 June 2013, had the unit price increased by 10% (2012: 9%) with all other variables held constant, the group's profit for the year would have been $374,949 higher (2012: $283,449). Conversely, if the unit price had decreased by 10% (2012: 10%), this would have decreased group profit for the year by $374,949 (2012: $314,943).

24 Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)
A sensitivity analysis was conducted on the impact of a movement in the unit price of the company's investments in current financial assets at fair value through profit or loss held at 30 June 2013 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

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

(b) Credit risk

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

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk in thousands at the reporting date for the group is $258,322 (2012:$239,256) and the parent is $271,058 (2012: $256,106).

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.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 27 Contingencies). Such guarantees are provided in limited circumstances.

		Days overdue		
Consolidated entity	Within trading terms $'000	31 - 60 $'000	61 - 90 $'000	Over 90 $'000
2013	68,865	223	275	1,105
2012	52,522	4,671	1,139	48

		Days overdue		
Parent entity	Within trading terms $'000	31 - 60 $'000	61 - 90 $'000	Over 90 $'000
2013	30,171	223	275	1,105
2012	25,729	4,671	1,139	48

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.

Related party receivables are settled within trading terms.

24 Financial risk management (continued)

(c) Liquidity risk

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

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

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

	2013			2012		
Consolidated entity	**Less than 1 year $'000**	**> 1 year $'000**	**Total $'000**	Less than 1 year $'000	> 1 year $'000	Total $'000
Payables	**97,784**	**-**	**97,784**	77,291	-	77,291

	2013			2012		
Parent entity	**Less than 1 year $'000**	**> 1 year $'000**	**Total $'000**	Less than 1 year $'000	> 1 year $'000	Total $'000
Payables	**131,974**	**-**	**131,974**	118,460	-	118,460

(d) Fair value measurements

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

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

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

25 Key management personnel disclosures

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

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

(a) Directors

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

Director	Position	Term	Expiry date
P F Young AM	Chairman	3 years	30 September 2015
K D MacDonald	Deputy Chairman	3 years	30 September 2013
B C Bowton	Director	2 years	30 September 2013
L T Gearing	Director	2 years	30 September 2013
M L Newman AC	Director	3 years	30 September 2014
G B Murdoch(1)	Director	3 years	30 September 2014
D E Usasz(1)	Director	3 years	30 September 2014
B K Morris	Director (resigned 30 September 2012)	3 years	30 September 2012
D H Harrison	Director (resigned 30 September 2011)	3 years	30 September 2011

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

(b) Senior Executives

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

D J Frawley	Chief Executive (appointed 2 July 2012)	Open term
D F McTaggart	Chief Executive (resigned 29 June 2012)	Open term
C M Blake	Chief Financial Officer	Open term
P R Leitch	Chief Operating Officer	Open term
D E Clarke	Chief Risk Officer	Open term
A C Ryder	Chief Investment Officer (appointed 1 December 2011)	Open term
B J Delaney	Chief of Global Clients and Marketing (appointed 15 October 2012)	Open term
W G Jordaan	Chief Operating Officer (resigned 31 December 2012)	Open term
D J Addis	Managing Director, Corporate Strategy (resigned 31 December 2012)	Open term
H M McNeilage	Head of Funds Management (resigned 28 November 2011)	Open term

25 Key management personnel disclosures (continued)

(c) Remuneration principles

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

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

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

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

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

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

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

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

(iii) At risk performance and retention compensation
Variable performance and retention payments are focused on senior employees whose roles and contribution are identified as critical to the continued success of the group.

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

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

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

25 Key management personnel disclosures (continued)

(c) Remuneration principles (continued)

(iii) At risk performance and retention compensation (continued)

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

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

(d) Remuneration of key management personnel

	Consolidated entity		**Parent entity**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**8,544**	6,964	**8,409**	6,817
Long-term employee benefits	**189**	244	**189**	244
Post-employment benefits	**282**	371	**270**	363
Termination benefits	**679**	457	**679**	457
	9,694	8,036	**9,547**	7,881

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

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

25 Key management personnel disclosures (continued)

(e) Remuneration of directors

Directors		Board and Board Committees			Total Directors' fees	Post employment	
Name	Position	QIC Board	Board Committees	Subsidiary Boards		Super	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Reporting Period	**1 July 2012 - 30 June 2013**						
P F Young AM	Chairman	159	-	-	159	14	173
K D MacDonald	Deputy Chairman	67	25	10	102	9	111
B C Bowton	Director	67	10	-	77	7	84
L T Gearing	Director	67	10	-	77	7	84
M L Newman AC	Director	67	10	-	77	7	84
G B Murdoch(1)	Director	67	13	-	80	7	87
D E Usasz(1)	Director	67	10	-	77	7	84
B K Morris(2)	Director	16	4	-	20	2	22
P Forbes(3)	Director	-	-	67	67	6	73
P R Jenkins(4)	Director	-	-	22	22	-	22
A C J Solway(5)	Director	-	-	46	46	5	51
Total remuneration	1 July 2012 - 30 June 2013	577	82	145	804	71	875
Previous Period	1 July 2011 - 30 June 2012						
P F Young AM	Chairman	159	-	-	159	14	173
K D MacDonald	Deputy Chairman	67	25	10	102	35	137
B C Bowton	Director	67	10	-	77	7	84
L T Gearing	Director	67	10	-	77	7	84
M L Newman AC	Director	67	10	-	77	7	84
G B Murdoch(1)	Director	43	6	-	49	4	53
D E Usasz(1)	Director	43	6	-	49	4	53
B K Morris(2)	Director	67	15	-	82	7	89
D H Harrison(6)	Director	16	2	-	18	2	20
P Forbes(3)	Director	-	-	67	67	6	73
P R Jenkins(4)	Director	-	-	67	67	-	67
A C J Solway(5)	Director	-	-	14	14	3	17
Total remuneration	1 July 2011 - 30 June 2012	596	84	158	838	96	934

Notes:
(1) Appointed 10 November 2011. (2) Resigned 30 September 2012. (3) Director of QIC Limited subsidiary companies only. (4) Director of QIC Limited subsidiary company only and resigned 31 October 2012. (5) Director of QIC Limited subsidiary company only and appointed 30 March 2012. (6) Retired 30 September 2011.

25 Key management personnel disclosures (continued)

(f) Remuneration of senior executives

Senior executives		Short-term employee benefits		Post employment benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at-risk performance incentive)
Name	Position	Cash salary and fees	Non monetary benefits	Superannuation	Long Service Leave		
		$'000	$'000	$'000	$'000	$'000	$'000
Reporting Period	**1 July 2012 - 30 June 2013**						
D J Frawley[(1)]	Chief Executive	744	12	17	4	-	777
C M Blake	Chief Financial Officer	318	18	33	19	-	388
P R Leitch[(2)]	Chief Operating Officer	385	12	24	7	-	428
D E Clarke[(3)]	Chief Risk Officer	347	10	17	7	-	381
A C Ryder	Chief Investment Officer	524	-	93	15	-	632
B J Delaney[(4)]	Chief of Global Clients and Marketing	405	-	11	2	-	418
W G Jordaan[(5)]	Chief Operating Officer	149	-	8	(4)	383	536
D J Addis[(5)]	MD, Corporate Strategy	168	3	8	(4)	296	471
Total remuneration	1 July 2012 - 30 June 2013	3,040	55	211	46	679	4,031
Previous Period	1 July 2011 - 30 June 2012						
D F McTaggart[(6)]	Chief Executive	520	56	50	28	174	828
C M Blake	Chief Financial Officer	260	17	32	11	-	320
P R Leitch	MD, Human Resources and Corporate Communications	257	11	47	5	-	320
D E Clarke	MD, Organisational Risk, Legal and Tax	305	1	16	10	-	332
A C Ryder[(7)]	Chief Investment Officer	315	-	55	25	-	395
W G Jordaan	Chief Operating Officer	288	-	16	4	-	308
D J Addis	MD, Corporate Strategy	329	10	16	4	-	359
H M McNeilage[(8)]	Head of Funds Management	179	-	43	(5)	283	500
Total remuneration	1 July 2011 - 30 June 2012	2,453	95	275	82	457	3,362

Notes:

(1) Appointed 2 July 2012. (2) Title changed 15 October 2012. Prior to this date Mr Leitch was in the role of Managing Director, Human Resources and Corporate Communications. (3) Title changed 1 October 2012. Prior to this date Mr Clarke was in the role of Managing Director, Organisational Risk, Legal and Tax.
(4) Appointed 15 October 2012. (5) Resigned 31 December 2012. (6) Retired 29 June 2012. (7) Appointed 1 December 2011. Prior to this date Mr Ryder was in the role of Managing Director, Strategy, which did not satisfy the definition of key management personnel. (8) Resigned 28 November 2011.

25 Key management personnel disclosures (continued)

(g) Total performance and retention remuneration

	Consolidated entity	
	2013	2012
Aggregate amounts for performance and retention of employees ($'000)	**54,251**	57,092
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided ($'000)	**127,715**	107,810
Number of employees who receive payments for performance and retention purposes	**443**	267

26 Remuneration of auditors

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

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$	$	**$**	$
Queensland Audit Office				
Audit and review of financial reports	**317,683**	405,038	**208,083**	251,742
KPMG				
Audit and review of financial reports	**91,884**	84,244	**-**	-
Total remuneration for audit services	**409,567**	489,282	**208,083**	251,742

27 Contingencies

(a) Trustee obligations

As at 30 June 2013, QIC Limited or its controlled entities were trustee of:

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

In its capacity as trustee, the group is potentially liable for liabilities of the trusts. However, under the Trust Deeds, the group is entitled to be indemnified out of the assets of the trusts against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deeds. As at 30 June 2013, total assets exceed total liabilities in the trusts.

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

27 Contingencies (continued)

(a) Trustee obligations (continued)

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

Funds managed by the group in a trustee capacity in either trusts or discrete portfolios totalled $70.3 billion at 30 June 2013 (2012: $64.7 billion). These figures exclude cross holdings between trusts.

(b) Subsidiary and associate undertakings

In accordance with an eligible undertaking dated 27 February 2006, amended 5 February 2013, QIC Limited irrevocably agrees to pay QIC Retail Pty Ltd an amount up to $3.0 million (2012: $8.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

QIC Limited formally rescinded effective 28 November 2012 the eligible undertaking dated 27 February 2006 to QIC Properties Pty Ltd to pay an amount up to $5.0 million (in aggregate) on written demand pursuant to an application for an Australian Financial Services Licence. The application did not proceed and there is no requirement for QIC Properties Pty Ltd to have an eligible undertaking.

In accordance with an eligible undertaking dated 27 November 2006, amended 5 February 2013, QIC Limited irrevocably agrees to pay QIC Private Capital Pty Ltd an amount up to $8.0 million (2012: $10.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

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

In accordance with an eligible undertaking dated 29 March 2011, amended 5 February 2013, QIC Limited irrevocably agrees to pay QIC Infrastructure Management No. 2 Pty Ltd an amount up to $50,000 (2012: $5.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

In accordance with an eligible undertaking dated 29 March 2011, amended 5 February 2013, QIC Limited irrevocably agrees to pay QIC Investments No. 1 Pty Ltd an amount up to $50,000 (2012: $5.0 million) (in aggregate) on written demand pursuant to an Australian Financial Services Licence.

QIC Limited has formally rescinded, effective 30 April 2013, the undertaking given to continue to fund the operations of Queensland BioCapital Funds Pty Ltd once the management fee caps within the Trust Deeds have been exhausted.

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

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

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

In accordance with a GBP loan facility agreement dated 16 April 2012, amended 15 May 2013, QIC Limited agrees to pay QIC European Investment Services Limited an amount up to GBP 5.0 million (2012: GBP 20.0 million) (in aggregate) on written demand.

In accordance with a GBP loan facility agreement dated 16 April 2012, amended 15 May 2013, QIC Limited agrees to pay QIC (UK) Management Limited an amount up to GBP 5.0 million (2012: GBP 20.0 million) (in aggregate) on written demand.

27 Contingencies (continued)

(b) Subsidiary and associate undertakings (continued)

In accordance with a USD loan facility agreement dated 16 April 2012, amended 15 May 2013, QIC Limited agrees to pay QIC US Management, Inc. an amount up to USD 5.0 million (2012: USD 20.0 million) (in aggregate) on written demand.

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

(c) Litigation

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

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

(d) Performance fees

A performance fee is potentially payable by the QIC Shopping Centre Fund to the group where certain performance criteria are achieved over a 12 year period ending in October 2014. If the performance criteria are not met over the entire 12 year period, no performance fee is payable. In December 2008, the group received a mid-term instalment of the performance fee of $64.3 million net of GST.

As at 30 June 2013, based on performance to date, management's judgement is that only 15 months are remaining of the performance fee term, the likelihood a performance fee will be received is much more probable and can be measured with a high degree of certainty that performance targets will be achieved for the 12 year period. Achievement of these targets is influenced by a number of factors over which the group has no control, including the underlying performance of the commercial property market, movements in interest rates and other risk factors.

The group has exposure to potential payables in relation to performance fee clawback provisions. These payments are contingent upon the occurrence of negative performance, relative to certain conditions. No negative performance has been recorded, accordingly performance fee clawbacks have not been recognised as expenses by the group for the year ended 30 June 2013.

28 Commitments

(a) Capital commitments

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

	Consolidated entity		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Within one year	**1,099**	624	**1,099**	624
Later than one year but not later than five years	**624**	1,248	**624**	1,248
	1,723	1,872	**1,723**	1,872

(b) Operating lease commitments

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

28 Commitments (continued)

	Consolidated entity		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**10,887**	9,825	**10,226**	9,117
Later than one year but not later than five years	**44,956**	40,290	**43,443**	37,641
Later than five years	**6,037**	13,659	**6,037**	13,574
	61,880	63,774	**59,706**	60,332

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

29 Related party transactions

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

(c) Other transactions with key management personnel

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

(i) Directors of QIC Limited

The Chairman, Mr P F Young AM is a director of the Great Barrier Reef Foundation. In previous years, QIC Limited provided donations to the Great Barrier Reef Foundation. These transactions occurred at arm's length and were not material.

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

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

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

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

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

29 Related party transactions (continued)

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

(i) Directors of QIC Limited (continued)

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

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

A director, Mr G B Murdoch, was appointed director of Cardno Limited during the year. QIC Limited has utilised the consulting services of Cardno Limited. These transactions occur on normal commercial terms and conditions.

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

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

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

(ii) Executives of the Group

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

Dr D F McTaggart was a director of Telesso Technologies Limited until 9 October 2012. Trusts for which QIC Limited subsidiaries are trustee hold shares in Telesso Technologies Limited. QIC Limited received directors' fees in relation to Dr D F McTaggart's services.

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

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

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

29 Related party transactions (continued)

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

(ii) Executives of the Group (continued)
Aggregate amounts of each of the above types of transactions with key management personnel of QIC Limited and the consolidated entity, are listed below.

	2013 $'000	2012 $'000
Amount recognised as revenue		
Management and performance fees	**32**	43
Director's fees	**-**	143
Consulting services	**-**	15
	32	201

	2013 $'000	2012 $'000
Amounts recognised as expenses		
Professional services	**4,208**	1,208
Subscriptions	**20**	29
Bank charges	**2**	-
Sponsorships	**-**	74
Donations	**-**	13
	4,230	1,324

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated entity		**Parent entity**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Sales of goods and services				
Service fees from controlled entities	**-**	-	**35,013**	26,433
Directors' fees from associates	**-**	50	**-**	50
Investment management and performance fees from other related parties - State of Queensland	**9,540**	8,535	**9,540**	8,535
Investment management and performance fees from other related parties - Queensland Treasury Corporation	**89,050**	90,002	**64,000**	63,000
Other goods and services from other related parties - State of Queensland	**156**	353	**39**	253
Purchases of goods and services				
Purchases of goods and services from other related parties - State of Queensland	**6,498**	6,284	**3,771**	4,085
Service fees paid to controlled entities	**-**	-	**10,833**	10,005
Payment of income tax				
Other related parties - State of Queensland	**14,369**	18,999	**14,369**	18,999

29 Related party transactions (continued)

(d) Transactions with other related parties (continued)

	Consolidated entity		Parent entity	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Payment of dividends				
Other related parties - Queensland Treasury and Trade	**16,022**	20,461	**16,022**	20,461
Tax consolidation legislation				
Amounts payable by subsidiaries under the tax sharing and funding agreement	**-**	-	**15,648**	14,140
Dividend revenue				
Controlled entities	**-**	-	**36,986**	35,430

(e) Outstanding balances

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

	Consolidated entity		Parent entity	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Current receivables (sales of goods and services)				
Controlled entities	**-**	-	**5,645**	133
Other related parties - State of Queensland	**863**	773	**863**	773
Other related parties - Queensland Treasury Corporation	**18,420**	18,279	**5,786**	5,680
Current receivables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**10,199**	9,443
Current receivables (dividend revenue)				
Controlled entities	**-**	-	**36,986**	35,430
Current payables (purchases of goods and services)				
Controlled entities	**-**	-	**74,358**	76,783
Other related parties - State of Queensland	**265**	462	**148**	218
Current payables (payment of dividends)				
Other related parties - Queensland Treasury and Trade	**30,909**	16,022	**30,909**	16,022
Non-current provisions				
Controlled entities	**-**	-	**51,983**	64,337
Associated entities	**51,983**	64,337	**-**	-

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

29 Related party transactions (continued)

(f) Terms and conditions

Details of the loan facility agreements and eligible undertakings provided to related parties are disclosed in note 27(b).

Service fees from controlled entities are charged at agreed rates.

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

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

30 Subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2013 %	2012 %
Canberra Centre Investments Pty Ltd	Australia	Ordinary	**100**	100
Claremont Retail Company Pty Ltd	Australia	Ordinary	**50**	-
Eastland Property Holdings Pty Ltd	Australia	Ordinary	**100**	100
Innovis Investments Pty Ltd	Australia	Ordinary	**50**	50
Martin Place Management Pty Ltd	Australia	Ordinary	**100**	100
Pacific Echo Pty Limited	Australia	Ordinary	**100**	100
QBF No. 1 Pty Ltd	Australia	Ordinary	**100**	100
QBF No. 2 Pty Ltd	Australia	Ordinary	**100**	100
QIC (UK) Management Limited *	United Kingdom	Ordinary	**100**	100
QIC Asia Real Estate Investments Pty Ltd	Australia	Ordinary	**100**	100
QIC CM Pty Ltd	Australia	Ordinary	**100**	100
QIC Coomera Pty Ltd	Australia	Ordinary	**100**	100
QIC Developments Pty Ltd	Australia	Ordinary	**100**	100
QIC E Pty Ltd	Australia	Ordinary	**100**	100
QIC European Investment Services Limited *	United Kingdom	Ordinary	**100**	100
QIC Global Real Estate (US), Inc. **	United States	Ordinary	**100**	100
QIC GRE Management (US), Inc. **	United States	Ordinary	**100**	100
QIC Helensvale Pty Ltd	Australia	Ordinary	**100**	100
QIC Hi-Yield Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management No. 2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management No. 3 Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management No. 4 Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	**100**	100
QIC Initial Unitholder Pty Ltd	Australia	Ordinary	**100**	100
QIC International Real Estate Investments Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 1 Pty Ltd *	Australia	Ordinary	**100**	100
QIC Investments No. 2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 3 Pty Ltd	Australia	Ordinary	**100**	100
QIC Logan Hyperdome (No. 2) Pty Ltd	Australia	Ordinary	**100**	100
QIC Logan Hyperdome Pty Ltd	Australia	Ordinary	**100**	100
QIC Merry Hill Pty. Ltd.	Australia	Ordinary	**100**	100
QIC Noosa Civic Pty Ltd	Australia	Ordinary	**100**	100
QIC North America Investments Pty Ltd	Australia	Ordinary	**100**	100
QIC North Asia Real Estate Investment Pty Ltd	Australia	Ordinary	**100**	100
QIC Private Capital Pty Ltd *	Australia	Ordinary	**100**	100
QIC Properties Pty Ltd *	Australia	Ordinary	**100**	100
QIC Property Investments (Jersey) No 1 Limited	Jersey	Ordinary	**100**	100
QIC Property Management Pty Ltd	Australia	Ordinary	**100**	100
QIC Real Estate Funds Pty Ltd	Australia	Ordinary	**100**	100
QIC Real Estate Pty Ltd	Australia	Ordinary	**100**	100
QIC Retail (No. 2) Pty Ltd	Australia	Ordinary	**100**	100
QIC Retail Pty Ltd *	Australia	Ordinary	**100**	100
QIC Ringwood Pty Ltd	Australia	Ordinary	**100**	100
QIC Robina Pty Ltd	Australia	Ordinary	**100**	100
QIC Toowoomba Pty Ltd	Australia	Ordinary	**100**	100
QIC US Investment Services Inc **	United States	Ordinary	**100**	100
QIC US Management, Inc. *	United States	Ordinary	**100**	100
QIC Westpoint Pty Ltd	Australia	Ordinary	**100**	100
QPC Investments No. 1 Pty Ltd	Australia	Ordinary	**100**	100
Queensland BioCapital Funds Pty Ltd	Australia	Ordinary	**100**	100
Watergardens Pty Limited	Australia	Ordinary	**100**	100

30 Subsidiaries (continued)

(continued)

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

**Subsidiary of QIC US Management, Inc.

31 Events occurring after the reporting period

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

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

	Consolidated entity		**Parent entity**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Profit for the year	**38,635**	26,703	**38,710**	26,712
Distribution income reinvested	**(1,032)**	(285)	**(1,032)**	(285)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(952)**	(255)	**(952)**	(255)
Depreciation and amortisation	**7,953**	8,334	**7,805**	8,240
Net (gain) loss on disposal of non-current assets	**427**	72	**427**	72
Net (gain)/loss on sale of financial assets at fair value through profit or loss	**(313)**	-	**(313)**	-
Change in operating assets and liabilities:				
(Increase) in receivables	**(13,060)**	(7,548)	**(8,983)**	(15,107)
(Increase) decrease in other current assets	**771**	277	**868**	373
(Increase) decrease in deferred tax assets	**571**	(3,354)	**1,228**	(2,307)
(Decrease) increase in payables	**5,599**	7,660	**(1,373)**	21,637
(Decrease) increase in provisions	**(13,668)**	13,679	**(11,987)**	5,657
(Decrease) increase in current tax liabilities	**(4,389)**	(4,123)	**(3,958)**	(4,354)
(Decrease) increase in deferred tax liabilities	**4,399**	8	**4,423**	(8)
Net cash inflow (outflow) from operating activities	**24,941**	41,168	**24,863**	40,375

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 59 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the parent and consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date, and

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

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

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

P F Young AM (Chairman)
Chairman

Brisbane
30 August 2013

Independent auditor's report to the members to the members of

QIC Limited

Report on the Financial Report

I have audited the accompanying financial report of QIC Limited, which comprises the statements of financial position as at 30 June 2013, the statements of profit or loss, statements of comprehensive income, statements of changes in equity, statements of cash flows for the year then ended, notes comprising of summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

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

Opinion

In my opinion –

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

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)

Other Matters - Electronic Presentation of the Audited Financial Report

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

A M GREAVES FCA FCPA
Auditor-General of Queensland

AUDITOR GENERAL
30 AUG 2013
OF QUEENSLAND

Queensland Audit Office
Brisbane