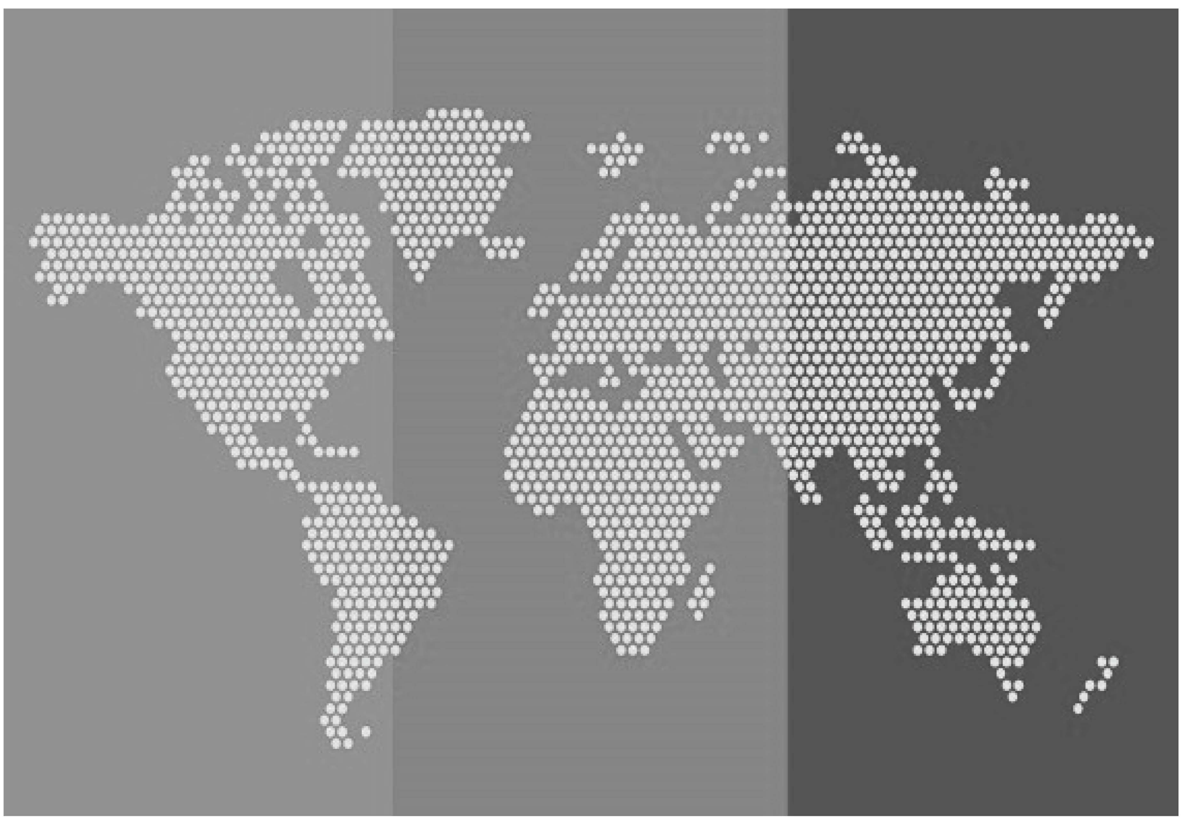
QIC Limited

ABN 95 942 373 762

Consolidated annual financial statements and Directors' report

for the year ended 30 June 2021



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 2021.

Directors

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

Mr G I Martin AM
Mr J C Battams
Ms G Brown
Professor P Derrington
Ms S A Desmarchelier
Mr S J P Dunne
Mr P A Gallagher
Ms J Perry
Mr J Wilson

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:

	2021	2020
	$'000	$'000
Dividends provided for and declared	**45,143**	44,199

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to $71.6 million (2020: $57.4 million).

Significant changes in the state of affairs

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

The novel coronavirus (COVID-19) outbreak continues to impact communities across the globe. Measures taken to contain the COVID-19 pandemic and associated outbreaks have affected economic activity, which in turn has implications for financial reporting. Management have continued to monitor the impacts of the COVID-19 pandemic on the group’s financial performance, financial position and cash flows through, and subsequent to, the reporting period. These impacts are included in the figures disclosed in the consolidated financial statements and the accompanying notes. Management have assessed that the group continues to meet its obligations and its ability to continue as a going concern. Refer to notes A2 and A3.

The property management services for eight US based retail assets were transferred to the new Service Manager, CBRE, Inc during the current financial year. This transfer was completed on 1 July 2020 for Antelope Valley and Harris Building, Mall at Robinson, Ridge Hill, Shops at Tanforan and Shops at Northfield Stapelton, 1 August 2020 for Rancho Bass Pro, 1 September 2020 for Shops at Wiregrass and 4 December 2020 for South Bay Galleria. The group will continue to retain some on-going property level services. As part of the transfer, the group received a break fee of USD$13.5 million from the clients for termination of the existing service agreement. Due to the continuing performance obligations with the clients, the fee will be accounted for as a contract modification and allocated on a straight-line basis from the termination of the existing agreement to when the property level services are no longer required.

Significant changes in the state of affairs (continued)

On 11 March 2021, Lochard Energy ('Lochard') and QIC Private Capital Pty Ltd ('QPC'), a subsidiary of QIC Limited, reached a settlement agreement with EnergyAustralia ('EA') in relation to the proceedings that Lochard commenced against EA in May 2017 seeking damages in connection with the sale of the Iona underground gas storage facility in 2015. This ongoing dispute has now been resolved.

Mr D J Frawley, Chief Executive Officer, announced his upcoming retirement on 24 June 2021 and continues in the role until a replacement is appointed.

Matters subsequent to the end of the financial year

At the time of preparation of these consolidated financial statements, some States across Australia have announced lockdowns to contain increasing numbers of COVID-19 cases. These lockdowns effect both capital cities and regional areas. The group acts as a property manager for real estate assets within some of these regions. The group has continued to assess the impacts on asset values (including receivables from QIC trusts that own these properties), liabilities and the going concern of the group. Based on these assessments, there are no material impacts identified.

No other matters or circumstances have arisen since 30 June 2021 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

Except as disclosed elsewhere in the Director's report and the consolidated financial statements, no other developments have arisen since the end of the year ended 30 June 2021 that have significantly affected or are expected to significantly affect the group's operations in future financial years and the expected results of those operations.

Company secretary

Mr W T Burton is the company secretary. Mr Burton is a solicitor of the Supreme Court of Queensland and the High Court of Australia.

Meetings of directors

The numbers of meetings of QIC Limited's board of directors and of each board committee held during the year ended 30 June 2021 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit Committee		Risk Committee		HR and Remuneration	
	A	B	A	B	A	B	A	B
Mr G I Martin AM	10	10	7	7	5	5	5	5
Mr J C Battams	10	10	7	7	5	5	-	-
Ms G Brown	10	10	7	7	5	5	-	-
Professor P Derrington	10	10	-	-	-	-	-	-
Ms S A Desmarchelier	9	10	-	-	5	5	5	5
Mr S J P Dunne	10	10	-	-	5	5	5	5
Mr P A Gallagher	10	10	7	7	5	5	5	5
Ms J Perry	10	10	7	7	5	5	-	-
Mr J Wilson	10	10	-	-	-	-	5	5

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.

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 environmental regulation under a law of the Commonwealth or of a State or Territory in Australia, the United States of America or the United Kingdom.

Shares under option

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

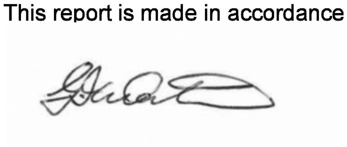
Auditor's independence declaration

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

Rounding of amounts

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

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



Mr G I Martin AM
Chairman

Brisbane
24 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of QIC Limited

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

Independence Declaration

As lead auditor for the audit of QIC Limited for the financial year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been -

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

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

B.P. Worrall

23 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

QIC Limited

ABN 95 942 373 762

Consolidated annual financial report - 30 June 2021

Contents

Consolidated statement of profit or loss and other comprehensive income

	Notes	**2021 $'000**	2020 Restated* $'000
Revenue from contracts with customers	B1	**522,787**	527,121
Net income from financial assets held at fair value through profit or loss	B2	**8,105**	-
Gain on recognition of net investment in sublease		**922**	116
Foreign exchange gains		**389**	279
Interest income from cash at bank and financial assets at amortised cost		**99**	376
Total revenue and other income		**532,302**	527,892
Employee benefits expense		**247,283**	256,326
Competitive neutrality fee	B1	**102,000**	102,000
Professional services		**24,642**	24,222
Depreciation and amortisation expense	C6, C7, C8	**18,194**	18,055
Computer operating costs		**13,862**	16,741
Information and research services		**3,818**	4,279
Insurance costs		**3,429**	1,720
Staff development and recruitment		**2,900**	2,755
Communication expenses		**2,391**	2,912
Impairment charges on non-financial assets	C6, C8	**2,238**	4,247
Travel expenses		**1,183**	6,378
Net loss on disposal of property, plant and equipment and intangible assets		**1,097**	81
Interest expense		**896**	1,139
Auditor's remuneration	G2	**469**	436
Net loss from financial assets held at fair value through profit or loss	B2	**-**	215
Other expenses		**5,085**	6,629
Total expenses		**429,487**	448,135
Profit before income tax		**102,815**	79,757
Income tax expense	B3	**31,255**	22,346
Total profit after income tax for the year attributable to owners		**71,560**	57,411
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	A7	**(1,638)**	227
Other comprehensive (loss)/income for the year, net of tax		**(1,638)**	227
Total comprehensive income for the year attributable to owners		**69,922**	57,638

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 11 to 54.

Consolidated statement of financial position

	Notes	**2021 $'000**	2020 Restated* $'000
ASSETS			
Current assets			
Cash at bank	C1	**8,472**	5,563
Financial assets held at fair value through profit or loss	C4	**180,893**	162,062
Other financial assets held at amortised cost	C5	**136,446**	117,851
Net investment in sublease	C8	**357**	198
Current tax assets		**601**	6,133
Prepayments		**6,341**	8,825
Total current assets		**333,110**	300,632
Non-current assets			
Financial assets held at fair value through profit or loss	C4	**57,080**	50,609
Other financial assets held at amortised cost	C5	**7,624**	8,405
Property, plant and equipment	C6	**14,740**	16,560
Intangible assets	C7	**11,566**	10,167
Right-of-use assets	C8	**32,540**	33,884
Net investment in sublease	C8	**977**	113
Deferred tax assets	B3	**44,105**	51,645
Total non-current assets		**168,632**	171,383
Total assets		**501,742**	472,015
LIABILITIES			
Current liabilities			
Payables	C9	**65,751**	56,787
Dividends payable	E2	**45,143**	44,199
Employee benefits	D1	**106,120**	75,958
Provisions	C10	**-**	4,268
Deferred revenue	B1	**14,264**	31,141
Refund liability	B1	**1,157**	3,980
Lease liabilities	C8	**8,391**	8,504
Total current liabilities		**240,826**	224,837
Non-current liabilities			
Employee benefits	D1	**13,367**	10,191
Provisions	C10	**3,219**	-
Lease liabilities	C8	**28,565**	32,108
Deferred revenue	B1	**19,790**	22,620
Refund liability	B1	**-**	226
Borrowings	C11	**22,002**	32,839
Total non-current liabilities		**86,943**	97,984
Total liabilities		**327,769**	322,821
Net assets		**173,973**	149,194

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 11 to 54.

Consolidated statement of financial position

	Notes	2021 $'000	2020 Restated* $'000
EQUITY			
Contributed equity	E1	**37,475**	37,475
Other reserves		**(1,628)**	10
Retained earnings		**138,126**	111,709
Equity and reserves attributable to owners of QIC Limited		**173,973**	149,194
Total equity		**173,973**	149,194

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 11 to 54.

Consolidated statement of changes in equity

		Attributable to owners of QIC Limited			
	Notes	**Contributed equity $'000**	**Other reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 30 June 2019		37,475	(217)	107,364	144,622
Change in accounting policy	A9	-	-	(8,867)	(8,867)
Adjusted balance at 1 July 2019		**37,475**	**(217)**	**98,497**	**135,755**
Profit after income tax		-	-	57,411	57,411
Other comprehensive loss		-	227	-	227
Total comprehensive income for the year		**-**	**227**	**57,411**	**57,638**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	E2	-	-	(44,199)	(44,199)
Balance at 30 June 2020		**37,475**	**10**	**111,709**	**149,194**
Balance at 1 July 2020		37,475	10	111,709	149,194
Profit after income tax		-	-	71,560	71,560
Other comprehensive income		-	(1,638)	-	(1,638)
Total comprehensive income for the year		**-**	**(1,638)**	**71,560**	**69,922**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	E2	-	-	(45,143)	(45,143)
Balance at 30 June 2021		**37,475**	**(1,628)**	**138,126**	**173,973**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 11 to 54.

Consolidated statement of cash flows

	Notes	2021 $'000	2020 Restated* $'000
Cash flows from operating activities			
Receipts from customers		**553,544**	670,775
Payments to suppliers and employees		**(441,396)**	(505,223)
Net realised income received from financial assets at fair value through profit or loss		**1,300**	1,011
Income taxes paid		**(18,182)**	(29,008)
Net cash provided by operating activities	C2	**95,266**	137,555
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets	C6, C7	**(10,716)**	(7,692)
Proceeds from sale of property, plant and equipment		**73**	76
Proceeds from net investment in sublease		**252**	80
Payments for financial assets at fair value through profit or loss		**(10,693)**	(27,369)
Proceeds from sale of financial assets at fair value through profit or loss		**18,272**	19,134
Net realised income received from financial assets at fair value through profit or loss		**2,625**	3,285
Payments for other financial assets at amortised cost		**(330)**	(7,567)
Proceeds from sale of other financial assets at amortised cost		**1,866**	7,398
Interest paid		**(896)**	(1,139)
Interest received		**101**	217
Loans from related parties		**-**	250
Dividends received		**36**	169
Net cash provided by/(used in) investing activities		**590**	(13,158)
Cash flows from financing activities			
Proceeds from borrowings	C3	**-**	25,725
Repayment of borrowings	C3	**(10,000)**	-
Principal elements of lease payments	C3	**(10,047)**	(9,066)
Dividends paid to shareholders	E2	**(44,199)**	(58,989)
Net cash used in financing activities		**(64,246)**	(42,330)
Net increase in cash and cash equivalents		**31,610**	82,067
Cash and cash equivalents at the beginning of the financial year		**158,021**	76,598
Effects of exchange rate changes on cash and cash equivalents		**(417)**	(437)
Net unrealised income received from financial assets at fair value through profit or loss		**(493)**	(207)
Cash and cash equivalents at the end of the financial year	C1	**188,721**	158,021

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 11 to 54.

A BASIS OF PREPARATION

A1 Reporting entity

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

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

QIC Limited
Level 5
66 Eagle Street
Brisbane QLD 4000

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

A2 Going concern

The group has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of issuing the consolidated financial statements. Consideration has been given to the continuing impacts of the COVID-19 pandemic and other market volatility when assessing the group's ability to continue as a going concern.

The directors remain confident that the group will be able to continue as a going concern. This assumes the group will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of issuing the consolidated financial statements. In determining this position, the directors have considered the following factors:

- The group has a net current asset surplus of $92.3 million (2020: $75.8 million) and a current ratio of 1.38 (2020: 1.34) as at 30 June 2021;
- The group has cash and cash equivalents of $188.7 million (2020: $158.0 million) as at 30 June 2021;
- The group has undrawn debt facility funding of $28.2 million (2020: $17.2 million) as at 30 June 2021;
- Management continue to monitor cash flows, taking into consideration the continued economic impacts of the COVID-19 pandemic, over the next 18 months;
- The group's interest cover ratio at 30 June 2021 was 152.83 (2020: 129.19) which far exceeds the minimum covenant requirement under the group's debt facility, and
- Management continue to manage the group's market, credit and liquidity risk in accordance with the group's financial risk management policies. Refer to note C14 for further details.

As a result of the above, the directors conclude that the group's financial position is stable, and it will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of issuing the consolidated financial statements.

A3 Coronavirus (COVID-19) impact

The COVID-19 pandemic continues to impact communities across the globe. Measures taken to contain the COVID-19 pandemic and associated outbreaks have affected economic activity, which in turn has implications for financial reporting. The group's processes to determine the impact of the COVID-19 pandemic for these consolidated financial statements is consistent with the processes disclosed and applied in its 30 June 2020 consolidated financial statements.

Specific areas of accounting estimates and judgement are disclosed in note A8, however, COVID-19 continues to impact estimation uncertainty and the application of further judgement using the best available information at reporting date.

A BASIS OF PREPARATION (continued)

A3 Coronavirus (COVID-19) impact (continued)

In preparing these consolidated financial statements, management have:

- Re-evaluated whether there were any additional areas of judgement or estimation uncertainty;
- Updated the economic outlook for inputs into the impairment analysis of financial and non-financial asset classes and financial risk management disclosures;
- Reviewed external market communications to identify continued COVID-19 related impacts;
- Conducted several internal processes to ensure consistency in the application of the expected continued impact of COVID-19 across all asset classes, and
- Considered the continued impact of COVID-19 on the group's consolidated financial statement disclosures.

Key consolidated statement of profit or loss and other comprehensive income items that continue to be impacted by COVID-19 are as follows:

- Revenue from contracts with customers: investment management fees, performance fees and property management fees have been impacted by a combination of asset valuations, equity market movements and social restrictions impacting shopping centre trading. Refer to note B1 for further details.

Key consolidated statement of financial position items that continue to be impacted by COVID-19 are as follows:

- Financial assets at fair value through profit or loss: The group holds a number of unlisted equity investments which, in accordance with the group's accounting policies, are measured at fair value through profit or loss ('FVTPL'). In determining the carrying value of these investments, management have followed the same valuation process as prior years which utilises external independent valuations in determining the fair value of the underlying investments. The independent valuations included consideration of the continued impact of COVID-19 within the significant inputs utilised. Refer to note C4 for further details.
- Other financial assets at amortised cost: Due to the continued economic impacts of COVID-19, management have undertaken a detailed analysis when assessing the recoverability and potential impairment of receivables. Refer to note C5 for further details.
- Refund liability: COVID-19 has continued to impact the variability of property management fee revenue. As a result, management have recognised a refund liability arising from rent relief initiatives at the group's managed shopping centres. Refer to note B1 for further details.

A4 Basis of accounting and measurement

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

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

The consolidated financial statements were authorised for issue by the directors on 24 August 2021. The directors have the power to amend and reissue the consolidated financial statements.

A BASIS OF PREPARATION (continued)

A5 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of QIC Limited and its subsidiaries as at 30 June 2021 and their results 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' with QIC Limited referred to as the 'parent entity'.

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

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

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

A6 Functional and presentation currency

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

A7 Foreign currency translation

(i) Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the date of transaction using the exchange rate on that date. On reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. These foreign currency differences are recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency remain translated at the exchange rate at the date of the transaction.

(ii) Group companies

The results and financial position of the group companies 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 reporting date;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income.

A8 Accounting estimates and judgements

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

Accounting estimates and judgements	Note
Revenue recognition	B1
Taxation	B3
Intangible assets	C7
Leases	C8
Employee benefits	D1

A BASIS OF PREPARATION (continued)

A8 Accounting estimates and judgements (continued)

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 continued impacts of the COVID-19 pandemic on the accounting estimates and judgements disclosed in the consolidated financial statements are detailed in the notes as relevant. In arriving at these estimates and judgements, management have used the best available data in relation to the impacts of the pandemic.

A9 Accounting Standards and Interpretations adopted by the group for the first time

(i) Configuration or customisation costs in a cloud computing arrangement (April 2021)

In April 2021, the International Financial Reporting Standards Interpretations Committee ('IFRIC') issued a final agenda decision in relation to the accounting treatment of configuration or customisation expenditure relating to cloud software arrangements. The agenda decision concluded that where the cloud computing arrangement meets the definition of an 'intangible asset' in line with AASB 138 *Intangible Assets* ('AASB 138'), the configuration or customisation expenditure can continue to be capitalised.

If the cloud computing arrangement does not meet the definition of an 'intangible asset', configuration or customisation expenditure is expensed as incurred unless the payment is a prepayment for future services. For the payment to be considered a prepayment, an entity is required to assess whether the customisation and configuration services provided by the cloud software service provider (or their agent) is not distinct from the software access service provided by the service provider. Assessment of whether the services are distinct from each other is done in accordance with AASB 15 *Revenue from Contracts with Customers* ('AASB 15'). If the services are not distinct, the payments are treated as a prepayment and expensed over the service contract term. If the services are distinct, the payments in relation to customisation or configuration are expensed as incurred.

The IFRIC agenda decision is effective immediately and is treated as a change in accounting policy that is applicable retrospectively. The group's accounting policy has historically been to capitalise all costs related to implementation of cloud software arrangements as intangible assets in the consolidated statement of financial position. Therefore, the retrospective adoption of the IFRIC agenda decision in April 2021 has had a material impact to the group. The new accounting policy is presented in note C7.

Historical financial information has been restated for the year ended 30 June 2020 to account for the impact of the change in accounting policy as follows:

Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	As previously reported $'000	Adjustments $'000	As restated $'000
Employee benefits expense	254,281	2,045	256,326
Professional services	23,912	310	24,222
Depreciation and amortisation expense	19,406	(1,351)	18,055
Computer operating costs	13,212	3,529	16,741
Total expenses	**443,602**	**4,533**	**448,135**
Profit before income tax	**84,290**	**(4,533)**	**79,757**
Income tax expense	23,706	(1,360)	22,346
Total profit after income tax for the year attributable to owners	**60,584**	**(3,173)**	**57,411**
Total comprehensive income for the year attributable to owners	**60,811**	**(3,173)**	**57,638**

A BASIS OF PREPARATION (continued)

A9 Accounting Standards and Interpretations adopted by the group for the first time (continued)

Condensed consolidated statement of financial position
As at 30 June 2020

	As previously reported $'000	Adjustments $'000	As restated $'000
Current assets			
Current tax assets	973	5,160	6,133
Prepayments	5,950	2,875	8,825
Total current assets	**292,597**	**8,035**	**300,632**
Non-current assets			
Intangible assets	30,242	(20,075)	10,167
Total non-current assets	**191,458**	**(20,075)**	**171,383**
Total assets	**484,055**	**(12,040)**	**472,015**
Net assets	**161,234**	**(12,040)**	**149,194**
Equity			
Retained earnings	123,749	(12,040)	111,709
Total equity	**161,234**	**(12,040)**	**149,194**

Condensed consolidated statement of cash flows
For the year ended 30 June 2020

	As previously reported $'000	Adjustments $'000	As restated $'000
Cash flows from operating activities			
Payments to suppliers and employees	(501,063)	(4,160)	(505,223)
Net cash provided by operating activities	**141,715**	**(4,160)**	**137,555**
Cash flows from investing activities			
Payments for property, plant and equipment & intangible assets	(11,852)	4,160	(7,692)
Net cash used in investing activities	**(17,318)**	**4,160**	**(13,158)**

B PERFORMANCE FOR THE YEAR

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

B1 Revenue from contracts with customers

The fees below are presented on a disaggregated basis by categories that depict the nature, timing and uncertainty of revenue affected by economic factors.

	2021 $'000	2020 $'000
Revenue from contracts with customers recognised over time		
Investment management fees	**357,870**	364,745
Property management fees	**79,473**	116,532
Investment performance fees	**57,736**	23,266
Product administration fees - related parties	**17,812**	16,634
Other revenue	**9,814**	5,359
Total revenue from contracts with customers recognised over time	**522,705**	526,536
Revenue from contracts with customers at a point in time		
Investment advisory fees	**82**	585
Total revenue from contracts with customers recognised at a point in time	**82**	585
Total revenue from contracts with customers	**522,787**	527,121

Recognition and measurement

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

Revenue is recognised on the following basis:

(i) Investment management, property management and investment performance fees

Investment management fees are fixed or have their variability resolved within the reporting period. They are recognised over time during the financial year as the service is being delivered in line with client agreements, net of the amounts of goods and services tax payable.

Property management fees are recognised over time as the service is performed as set out in the relevant service level agreements, net of the amounts of goods and services tax payable. COVID-19 has continued to play a significant role in the variability of property management fee revenue across the group's shopping centre management portfolio, due to the increased risk of tenants being unable to meet their current obligations as per the respective management agreements.

Investment performance fees are subject to specific criteria being met over the performance period in compliance with individual client contracts. For certain client contracts, the performance period stretches over several reporting periods, resulting in the variability of performance fees not being resolved within the reporting period.

Investment performance fees are recognised over time only to the extent it is highly probable that the estimated amount of performance fee revenue will not be significantly reversed in future reporting periods.

Some investment performance fees are also subject to clawbacks where performance of a product falls below benchmark performance over the clawback period. Where the investment performance fees are subject to clawback, this is factored into the probability assessment of performance fees being significantly reversed in future periods.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue from contracts with customers (continued)

Recognition and measurement (continued)

(i) Investment management, property management and investment performance fees (continued)
At the end of the financial year, based on performance to date, uncertainty may exist as to whether the performance targets will be achieved over the performance periods. At this time, management assess the probability of any potential performance fees being significantly reversed in future periods. In doing so this reporting year, management have given consideration to the continued uncertainty around future performance due to the continued economic impacts from the COVID-19 pandemic.

Where the achievement of performance criteria is probable but does not meet the revenue recognition requirements stated above, the estimated performance fee is not recognised, but is considered a contingent asset.

Where the estimated performance fee meets the revenue recognition requirements, but cash has not yet been received, a receivable is recognised. Where the estimated performance fee is invoiced and received prior to the achievement of the revenue recognition requirements, deferred revenue is recognised.

Competitive neutrality fees are a requirement for government business activities to pay taxes (or tax equivalents) to remove benefits (and costs) as a result of their public ownership which accrue to government business activities when competing with the private sector. This fee is payable to the Queensland Government and is based on a fee arrangement with certain Queensland Government clients.

(ii) Product administration fees - related parties

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

(iii) Other revenue

Other revenue primarily includes break fee revenue recognised in the current period. The group received a break fee of USD$13.5 million during the year for termination of existing property management and leasing service agreements for eight US based retail assets. The group will continue to retain some on-going property level services. Due to the continuing performance obligations with the clients, the fee is required to be accounted for as a contract modification and allocated on a straight-line basis from the termination of the existing agreement to when the property level services are no longer required.

Where the break fee is invoiced and received prior to the achievement of the revenue recognition requirements, deferred revenue is recognised. Refer to note B1 Key estimates and judgements for further details.

Other revenue in the current period includes consulting fee revenue and product related cost recoveries that are presented net of the costs recovered.

(iv) Investment advisory fees

Investment advisory fees include transaction fee revenue that is recognised at the point in time after the service is provided.

(v) Offsetting

Revenue and expenses are offset in the consolidated financial statements of the group where offsetting the transactions accurately reflects the substance of the transaction and where not offsetting would detract from the ability of users to clearly understand the nature of the transaction and operations of the group. The group has offset revenue and expenses in relation to product and client related costs of $52.8 million (2020: $98.7 million) where the group acts as agent.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue from contracts with customers (continued)

Recognition and measurement (continued)

Key estimates and judgements

In recognising investment performance fee revenue, property management fees and break fee revenue, significant management judgement and estimation is required in determining the amount and timing of revenue recognition.

(i) Investment performance fees – contingent asset

Management's assessment of the probability of performance criteria being met is influenced by several factors over which the group has limited control, including the underlying performance of international markets, movements in interest rates and other risk factors.

At 30 June 2021 management have assessed the achievement of performance criteria for certain client agreements as being probable but not highly probable. However, due to the high degree of uncertainty remaining, it is not practicable to estimate the financial effect of the contingent asset for these agreements.

(ii) Investment performance fees - deferred revenue

In assessing the probability of investment performance fees being subject to clawback, management considers several factors including changes in external market conditions, client agreements, movements in interest rates and other risk factors. Each mandate subject to a clawback has been assessed under a consistent methodology with inputs relative to the individual clients. A statistical analysis of the changes in performance fees over time for particular asset classes has been undertaken, resulting in a reasonable data set to estimate the likelihood of negative out-performance and amount of the potential clawback. Other considerations include accumulated excess returns over the benchmark that would need to be reversed before a clawback is incurred.

Improved market performance and outlook from prior year has resulted in changes in estimates that decreased the expected future claw backs and resulted in an increase in investment performance fee revenue and a decrease in deferred revenue recognised at 30 June 2021.

At 30 June 2021, deferred revenue of $22.2 million (2020: $52.9 million) has been recognised in relation to investment performance fees.

Of the deferred revenue opening balance of $52.9 million at 1 July 2020, $40.5 million was recognised in investment performance fee revenue during the current year. Due to the various factors that impact the recognition of the deferred revenue balance over the future periods as detailed above, management is unable to reliably estimate when the group expects to recognise the 30 June 2021 deferred revenue balance of $22.2 million as revenue.

(iii) Other revenue - deferred revenue

In assessing the timing of the break fee revenue recognition, management considers several factors including changes in the divestment strategy and hold period of assets, equity and debt markets for retail investments. Significant judgement is used when estimating the future hold period of the assets. Estimates, judgements, and underlying assumptions are reviewed on an ongoing basis and on an individual asset level. Revisions to the estimates such as a change in the hold period of assets are recognised in the period in which the estimate is revised.

At 30 June 2021, deferred revenue of $11.9 million (2020: $0.9 million) has been recognised. Of this amount, $0.6 million (2020: $0.9 million) relates to investment management fees received in advance and $11.3 million (2020: $nil) relates to the break fees received during the year for the termination of existing service agreements.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue from contracts with customers (continued)

Recognition and measurement (continued)

Key estimates and judgements (continued)

(iv) Property management fees - refund liability

The group has specific management agreements that dictate several factors contributing to the quantum of property management fee revenue it is entitled to receive. COVID-19 has continued to play a significant role in the variability of this property management fee revenue across the group's shopping centre management portfolio. The group has continued to invoice per contractual agreements, however due to the recognition of a provision for bad and doubtful debts relating to rent being recognised at the centres, some of this consideration may need to be refunded. As a result, the group have recognised a refund liability on property management fee revenue due to the expectation that this amount may be contractually obliged to be refunded to customers per the respective management agreements.

At 30 June 2021, a refund liability of $1.2 million (2020: $4.2 million) is recognised.

B2 Net income/(loss) from financial assets held at fair value through profit or loss

	2021 $'000	2020 $'000
Net realised income	**3,961**	4,284
Net unrealised income/(loss)	**4,144**	(4,499)
Total net income/(loss) from financial assets held at fair value through profit or loss	**8,105**	(215)

Recognition and measurement

Net realised income from financial instruments at FVTPL represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transaction price if purchased in the current period, and its settlement price.

Net realised income also includes interest income, dividend income and distribution income received from financial assets held at FVTPL. Interest income is recognised as accrued, based on the contractual coupon rate. Dividend income and distribution income is recognised on the date the dividend and/or distribution is declared.

Net unrealised income/(loss) represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transaction price if purchased in the current period, and its carrying amount at the end of the reporting period.

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation

(i) Reconciliation of income tax expense

	2021 $'000	2020 Restated* $'000
Profit before income tax	**102,815**	79,757
Tax expense at the Australian tax rate of 30.0% (2020: 30.0%)	**30,844**	23,927
Non-deductible entertainment	**35**	84
Non-deductible sundry items	**311**	5
Effect of tax rates in foreign jurisdictions	**96**	583
Tax offset for franked dividends and foreign income	**(15)**	(72)
Adjustments for current tax of prior periods	**(16)**	(2,181)
Income tax expense	**31,255**	22,346
Current tax on profits for the year	**25,171**	21,915
Deferred tax	**7,540**	703
Adjustments for current tax of prior periods	**(1,456)**	(272)
	31,255	22,346

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

(ii) Movement in deferred tax balances

2021 $'000	**Net balance at 1 July**	**Charged to profit or loss**	**Net balance at 30 June**	**Deferred tax assets**	**Deferred tax liabilities**
Performance fees	**15,862**	**(9,942)**	**5,920**	**11,826**	**(5,906)**
Employee benefits	**25,418**	**10,150**	**35,568**	**35,568**	**-**
Lease liabilities	**11,176**	**(1,498)**	**9,678**	**9,678**	**-**
Right-of-use assets	**(11,765)**	**5,437**	**(6,328)**	**-**	**(6,328)**
Property, plant and equipment & intangible assets	**719**	**(2,517)**	**(1,798)**	**-**	**(1,798)**
Break fees	**-**	**2,922**	**2,922**	**2,922**	**-**
Other	**10,235**	**(12,092)**	**(1,857)**	**407**	**(2,264)**
Deferred tax assets/(liabilities) before set-off	**51,645**	**(7,540)**	**44,105**	**60,401**	**(16,296)**
Set-off of tax	**-**	**-**	**-**	**(16,296)**	**16,296**
Net deferred tax assets	**51,645**	**(7,540)**	**44,105**	**44,105**	**-**

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation (continued)

(ii) Movement in deferred tax balances (continued)

2020 $'000	**Net balance at 1 July**	**Tax effect on adoption of new accounting standards**	**Charged to profit or loss**	**Net balance at 30 June**	**Deferred tax assets**	**Deferred tax liabilities**
Performance fees	19,580	-	(3,718)	15,862	31,676	(15,814)
Employee benefits	33,317	-	(7,899)	25,418	25,418	-
Lease liabilities	-	(11,137)	22,313	11,176	11,176	-
Right-of-use assets	-	12,274	(24,039)	(11,765)	-	(11,765)
Property, plant and equipment & intangible assets	497	-	222	719	719	-
Other	314	(1,137)	11,058	10,235	10,574	(339)
Deferred tax assets/(liabilities) before set-off	**53,708**	**-**	**(2,063)**	**51,645**	**79,563**	**(27,918)**
Set-off of tax	-	-	-	-	(27,918)	27,918
Net deferred tax assets	**53,708**	**-**	**(2,063)**	**51,645**	**51,645**	**-**

Recognition and measurement

(i) Income tax

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

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

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

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

(ii) Offsetting deferred tax balances

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

(iii) Tax consolidation legislation

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

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

B PERFORMANCE FOR THE YEAR (continued)

B3 Taxation (continued)

Recognition and measurement (continued)

(iii) Tax consolidation legislation (continued)

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

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

(iv) Taxation of Financial Arrangements ('TOFA')

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

Key estimates and judgements

(i) Income taxes

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

(ii) Recovery of deferred tax assets

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

C ASSETS AND LIABILITIES

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

C1 Cash and cash equivalents

	2021 **$'000**	2020 $'000
Cash at bank	**8,472**	5,563

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

	Notes	**2021** **$'000**	2020 $'000
Cash at bank		**8,472**	5,563
Investment - QIC Cash Enhanced Fund	C4	**136,447**	140,920
Investment - QIC Short Term Income Fund	C4	**20,164**	-
Investment - USD investment account	C4	**23,638**	11,538
Cash and cash equivalents per consolidated statement of cash flows		**188,721**	158,021

Recognition and measurement

(i) Cash and cash equivalents

For the purposes of these consolidated financial statements, cash and cash equivalents includes cash at bank 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, QIC Short Term Income Fund and a US dollar denominated investment account. These investments are readily able to be converted to known amounts of cash on call and are highly liquid.

(ii) Fair value

The carrying amount for cash assets equals the fair value. The weighted average interest rate for cash at bank and in hand was 0.11% (2020: 0.62%). The group's exposure to liquidity risk is discussed in note C14(c).

C ASSETS AND LIABILITIES (continued)

C2 Reconciliation of cash flow from operating activities

	2021 $'000	2020 Restated* $'000
Profit after income tax	**71,560**	57,411
Depreciation and amortisation	**18,194**	18,055
Impairment charges on non-financial assets	**2,238**	4,247
Net loss on disposal of property, plant and equipment and intangible assets	**1,097**	81
Interest paid on investing activities	**896**	1,139
Sublease income classified as investing activities	**(55)**	-
Interest received on other financial assets at amortised cost	**(101)**	(218)
Gain on recognition of net investment in sublease	**(922)**	(116)
Net foreign exchange differences	**(1,638)**	239
Net realised income received from financial assets at FVTPL	**(2,661)**	(3,437)
Net unrealised income/(loss) received from financial assets at FVTPL	**(4,144)**	4,499
Change in operating assets and liabilities:		
Net change in current tax assets/liabilities	**5,532**	(8,725)
Net change in other financial assets at amortised cost	**(20,032)**	75,831
Net change in prepayments	**2,484**	1,114
Net change in deferred tax assets	**7,540**	2,063
Net change in payables	**8,964**	20,425
Net change in provisions	**(4,268)**	4,294
Net change in employee benefits	**33,338**	(31,275)
Net change in deferred revenue	**(19,707)**	(12,278)
Net change in refund liability	**(3,049)**	4,206
Net cash provided by operating activities	**95,266**	137,555

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

C3 Changes in liabilities arising from financing activities

	Leases $'000	Borrowings due after 1 year $'000	Total $'000
Opening balance at 1 July 2019	-	7,114	7,114
Proceeds from borrowings	-	25,725	25,725
Recognised on adoption of AASB 16	45,920	-	45,920
Principal elements of lease payments	(9,066)	-	(9,066)
New leases	3,758	-	3,758
Closing balance at 30 June 2020	**40,612**	**32,839**	**73,451**
Opening balance at 1 July 2020	**40,612**	**32,839**	**73,451**
Repayment of borrowings	**-**	**(10,000)**	**(10,000)**
Principal elements of lease payments	**(10,047)**	**-**	**(10,047)**
New leases	**5,076**	**-**	**5,076**
Modification of lease liabilities	**2,040**	**-**	**2,040**
Foreign currency exchange differences in liability value	**(725)**	**(837)**	**(1,562)**
Closing balance at 30 June 2021	**36,956**	**22,002**	**58,958**

C ASSETS AND LIABILITIES (continued)

C4 Financial assets held at fair value through profit or loss

Financial assets at FVTPL are all held for trading and include the following:

	2021 $'000	2020 $'000
Investment - QIC Cash Enhanced Fund	**136,447**	140,920
Investment - QIC Short Term Income Fund	**20,164**	-
Investment - USD investment account	**23,638**	11,538
Investment - multiple products (deferred remuneration)	**644**	9,604
Total current financial assets held at FVTPL	**180,893**	162,062
Investment - QIC Global Infrastructure Fund	**24,187**	18,143
Investment - QIC Infrastructure Portfolio	**12,418**	11,792
Investment - QIC Long Term Diversified Fund	**8,009**	-
Investment - Golden Reef Infrastructure Trust	**4,934**	4,446
Investment - QIC Direct Opportunities Fund	**3,157**	2,846
Investment - Lonsdale Asset Hold Trust	**2,472**	2,232
Investment - multiple products (deferred remuneration)	**557**	9,552
Investment - Unlisted debt securities	**497**	497
Investment - Lonsdale Operations Hold Trust	**458**	388
Investment - QIC Private Equity Fund No. 4	**144**	238
Investment - QIC Private Equity Fund No. 6	**137**	180
Investment - Capital Parking Pty Ltd	**61**	55
Investment - QIC US Shopping Center Fund, LP	**49**	192
Investment - South Bay NewCo LLC	**-**	48
Total non-current financial assets held at FVTPL	**57,080**	50,609

Changes in fair value of financial assets at FVTPL are recorded in the consolidated statement of profit or loss and other comprehensive income, which are due to market changes.

The group has the following investment commitments that are still to be funded as at 30 June 2021:

Investment	Amount $'000
Golden Reef Infrastructure Trust	17,347
QIC Global Infrastructure Fund(1)	10,695
QIC Direct Opportunities Fund	314
SVA Diversified Impact Fund	210
	28,566

(1) Subsequent to the end of the reporting period, the group's commitment to the QIC Global Infrastructure Fund increased to $11.2 million.

Classification, recognition and measurement

A financial asset is classified in this category if it's held within a business model that acquires financial assets principally for the purpose of selling in the short-term, if they are managed on a fair value basis in accordance with the group's investment strategy, or if it is an equity investment.

Assets in this category are classified as current assets if they are either investments in cash equivalents or are expected to be realised within 12 months of the reporting date, otherwise they are classified as non-current.

C ASSETS AND LIABILITIES (continued)

C4 Financial assets held at fair value through profit or loss (continued)

Classification, recognition and measurement (continued)

The group's holding in financial assets held at FVTPL is limited to holdings in products managed by the group and unlisted debt investments.

For investments in products managed by the group, the fair value of these holdings was based on the unit price of the relevant trust at the reporting date. The unit price is derived based on unobservable market data for underlying investments held by the trust. Management have assessed that the unit price of the trusts incorporate fair value impacts to the underlying investments due to the continued COVID-19 pandemic. For investments in unlisted debt investments, the best estimate for the fair value of these holdings was assessed to be cost. Accordingly, the group and parent entity classify financial assets at FVTPL as level 2 and level 3 (see note C14(d)(i)).

C5 Other financial assets held at amortised cost

	2021 **$'000**	2020 $'000
Investment management, property management and performance fees receivable	**136,446**	116,415
Term deposit	**-**	1,436
Total current other financial assets at amortised cost	**136,446**	117,851
Loan receivable	**934**	934
Monies held in escrow	**6,690**	7,471
Total non-current other financial assets at amortised cost	**7,624**	8,405

Recognition and measurement

(i) Investment management, property management and performance fees receivable

Receivables arise when the group provides investment management and/or property management services directly to clients in exchange for cash consideration. These receivables are held to collect and have been assessed to contain solely payments of principal and interest under AASB 9 *Financial Instruments*. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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

(ii) Monies held in escrow

Funds are held in an escrow account to fund capital calls in relation to a joint venture with a client. The group committed additional funds to the escrow account during the year, in line with the investment mandate. This money is restricted for use under the terms of the agreement.

(iii) Impairment of receivables

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. Provision for impairment of receivables is established using the simplified approach under AASB 9 when there is historical evidence or supportable forward looking information that the group will not be able to collect all amounts due according to the original terms of receivables. Management have reviewed the assumptions used in assessing recoverability of receivables in light of the continued economic impacts due to the COVID-19 pandemic. Based on this assessment, there were no impairment amounts at 30 June 2021 (2020: $nil).

C ASSETS AND LIABILITIES (continued)

C5 Other financial assets held at amortised cost (continued)

(iii) Past due but not impaired (continued)

As at 30 June 2021, receivables of $1.5 million (2020: $9.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no history of credit default or any material impacts due to the COVID-19 pandemic. Therefore, it is assessed that the credit risk of these receivables are not significantly increased. The ageing analysis of receivables is as follows:

		Days overdue			
	Within trading terms $'000	**31 - 60 $'000**	**61 - 90 $'000**	**Over 90 $'000**	**Total $'000**
At 30 June 2021	134,955	728	42	721	136,446
At 30 June 2020	107,242	3,546	1,287	4,340	116,415

C6 Property, plant and equipment

2021	**Office equipment, furniture and fittings $'000**	**Computer equipment $'000**	**Assets in the course of construction $'000**	**Total $'000**
Opening net book amount at 1 July 2020	**10,004**	**6,213**	**343**	**16,560**
Additions	**44**	**1,271**	**5,427**	**6,742**
Depreciation expense	**(2,349)**	**(3,181)**	**-**	**(5,530)**
Impairment charges[(1)]	**(1,211)**	**(252)**	**-**	**(1,463)**
Disposals at net book amount	**(886)**	**(239)**	**(2)**	**(1,127)**
Reclassifications at net book value[(2)]	**5,214**	**-**	**(5,214)**	**-**
Net foreign currency exchange differences in net book value	**(358)**	**(84)**	**-**	**(442)**
Closing net book amount at 30 June 2021	**10,458**	**3,728**	**554**	**14,740**
Cost	**30,598**	**12,354**	**554**	**43,506**
Accumulated depreciation	**(17,249)**	**(8,184)**	**-**	**(25,433)**
Accumulated impairment	**(2,891)**	**(442)**	**-**	**(3,333)**
Net book amount at 30 June 2021	**10,458**	**3,728**	**554**	**14,740**

[(1)] Refer to note C8 Key estimates and judgements.

[(2)] Refers to the reclassification of assets in the course of construction from work in progress to property, plant and equipment.

C ASSETS AND LIABILITIES (continued)

C6 Property, plant and equipment (continued)

2020	Office equipment, furniture and fittings $'000	Computer equipment $'000	Assets in the course of construction $'000	Total $'000
Opening net book amount at 1 July 2019	12,360	4,866	1,739	18,965
Additions	1,465	3,521	343	5,329
Depreciation expense	(2,160)	(3,558)	-	(5,718)
Impairment charges [(1)]	(1,827)	(238)	-	(2,065)
Disposals at net book amount	(1)	(127)	-	(128)
Reclassifications at net book value[(2)]	-	1,739	(1,739)	-
Net foreign currency exchange differences in net book value	167	10	-	177
Closing net book amount at 30 June 2020	**10,004**	**6,213**	**343**	**16,560**
Cost or fair value	28,033	16,193	343	44,569
Accumulated depreciation	(16,195)	(9,741)	-	(25,936)
Accumulated impairment	(1,834)	(239)	-	(2,073)
Net book amount at 30 June 2020	**10,004**	**6,213**	**343**	**16,560**

[(1)] Refer to note C8 Key estimates and judgements.

[(2)] Refers to the reclassification of assets in the course of construction from work in progress to property, plant and equipment.

Recognition and measurement

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

Items of property, plant and equipment with a cost in excess of $1,000 are capitalised in the year of acquisition. Items of lesser value are expensed at the time of purchase.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount and the asset's carrying amount is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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

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

Computer equipment	2 - 8 years
Office equipment, furniture and fittings	3 - 15 years

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

C ASSETS AND LIABILITIES (continued)

C6 Property, plant and equipment (continued)

Recognition and measurement (continued)

Change in accounting estimate

(i) Revision of useful lives of property, plant & equipment assets

During the year the depreciation period of office equipment, furniture and fittings was revised to reflect management's assessment of the asset's updated useful life. The effect of the changes in the current financial year was an increase in depreciation expense and accumulated depreciation for the group of $0.1 million.

C7 Intangible assets

2021	Computer software $'000	Intangible assets in the course of construction $'000	Total $'000
Opening net book amount at 1 July 2020	**6,893**	**3,274**	**10,167**
Additions	**-**	**3,974**	**3,974**
Disposals at net book value	**(43)**	**-**	**(43)**
Amortisation charge	**(2,474)**	**-**	**(2,474)**
Reclassifications at net book value[1]	**738**	**(738)**	**-**
Net foreign currency exchange differences in net book value	**(58)**	**-**	**(58)**
Closing net book amount at 30 June 2021	**5,056**	**6,510**	**11,566**
Cost	**7,331**	**6,510**	**13,841**
Accumulated amortisation	**(2,275)**	**-**	**(2,275)**
Net book amount at 30 June 2021	**5,056**	**6,510**	**11,566**
2020 Restated*			
Opening net book amount at 1 July 2019	7,421	3,718	11,139
Additions	603	1,761	2,364
Disposals at net book value	(29)	-	(29)
Amortisation charge	(3,381)	-	(3,381)
Reclassifications at net book value[1]	2,209	(2,209)	-
Net foreign currency exchange differences in net book value	70	4	74
Closing net book amount at 30 June 2020	**6,893**	**3,274**	**10,167**
Cost	31,133	3,274	34,407
Accumulated amortisation	(24,240)	-	(24,240)
Net book amount at 30 June 2020	**6,893**	**3,274**	**10,167**

[1] Refers to the reclassification of software from work in progress to intangible assets.

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

C ASSETS AND LIABILITIES (continued)

C7 Intangible assets (continued)

<u>Recognition and measurement</u>

(i) Intangible assets

Intangible assets of the group comprise purchased software, internally developed software and cloud software arrangements that meet the definition of an intangible asset under AASB 138 *Intangible Assets*. Purchased software with a historical cost equal to or greater than $1,000 are recognised in the consolidated financial statements. Items of a lesser value are expensed at the time of purchase. Software maintenance costs are expensed as incurred.

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

The estimated useful lives used to calculate the amortisation rate for software are 3 - 15 years.

Internal and external costs directly incurred in the purchase and development of computer applications, including subsequent upgrades and enhancements, are capitalised where the costs meet the definition of intangible asset and exceed $100,000. Costs incurred in planning or evaluating software proposals are not capitalised.

(ii) Cloud software arrangements

Cloud software arrangements are service contracts providing the group with the right to access the cloud service provider's application software over the contract period. Therefore, access fees paid to the service provider in relation to cloud software arrangements are expensed as incurred.

Internal and external costs directly incurred in the implementation of cloud software arrangements are expensed as incurred, except where:

- the cloud software arrangement itself meets the definition of an intangible asset; or
- costs are incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset.

These costs are recognised as intangible software assets and accounted for in line with the Group's intangible asset accounting policy.

External costs directly incurred in the configuration and customisation of cloud software arrangements where the configuration and customisation service is provided by the service provider (or their agent) and it is not distinct from access provided to the underlying cloud software, the costs incurred are treated as a prepayment and expensed over the service contract term.

(iii) Impairment of assets

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

An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount and the asset's carrying amount is written down immediately to its recoverable amount.

C ASSETS AND LIABILITIES (continued)

C7 Intangible assets (continued)

Recognition and measurement (continued)

Change in accounting estimate

(iv) Revision of useful lives of intangible assets

During the year the amortisation period of computer software was revised to reflect management's assessment of the asset's updated useful life. The effect of the changes in the current financial year was an increase in amortisation charge and accumulated amortisation for the group of $0.7 million.

Key estimates and judgements

(i) Determination whether configuration and customisation services are distinct from the cloud software access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. Where the cloud software arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the cloud application software.

Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the cloud software contract term. Non-distinct customisation activities significantly enhance or modify a cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based application is significant or not.

(ii) Capitalisation of configuration and customisation costs in cloud software arrangements

Certain cloud software arrangements meet the definition of an intangible asset. Customisation and configuration costs related to these cloud arrangements are capitalised as incurred. In addition, in implementing cloud software arrangements, the group has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the cloud-based application. Judgement has been applied in determining whether the cloud software arrangement or the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

C8 Leases

Right-of-use assets

	2021 $'000	2020 $'000
Opening balance	**33,884**	**41,351**
Additions	**11,406**	**3,758**
Depreciation expense	**(10,190)**	**(8,956)**
Impairment charge[1]	**(775)**	**(2,182)**
Disposals	**(1,439)**	**(275)**
Foreign currency exchange differences in asset value	**(346)**	**188**
Closing balance	**32,540**	**33,884**

[1] Refer to note C8 Key estimates and judgements.

Lease liabilities

	2021 $'000	2020 $'000
Current	**8,391**	8,504
Non-current	**28,565**	32,108
Total lease liabilities	**36,956**	40,612

C ASSETS AND LIABILITIES (continued)

C8 Leases (continued)

Maturity analysis

The following tables sets out a maturity analysis of future undiscounted lease payments to be made under the group's leases.

	2021	2020
	$'000	$'000
Less than 1 year	**9,378**	9,596
1 to 2 years	**10,181**	9,475
2 to 3 years	**9,048**	9,825
3 to 4 years	**4,484**	8,664
4 to 5 years	**3,301**	4,079
More than 5 years	**2,129**	5,826
Total	**38,521**	47,465

Recognition and measurement

(i) Accounting treatment of leasing activities

The group leases various offices, typically for fixed periods of between three to 10 years, but may have extension options as described in the note below.

Contracts may contain both lease and non-lease components. For leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the group's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and interest expense. The interest expense is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

C ASSETS AND LIABILITIES (continued)

C8 Leases (continued)

Recognition and measurement (continued)

(i) Accounting treatment of leasing activities (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2021 **$'000**	2020 $'000
Depreciation charge on right-of-use assets	**10,190**	8,956
Impairment charges on non-financial assets	**775**	2,182
Interest expense on lease liabilities and investment in sublease	**533**	595
Gain on recognition of net investment in sublease	**922**	116
Expenses relating to short-term leases[1]	**111**	71
Total cash outflow for leases	**(10,660)**	(10,744)

[1] Disclosed in Other expenses.

(iii) Leases as Lessor

The group has sublet leased office space. At 30 June 2021, the total of future minimum sublease payments expected to be received under non-cancellable subleases is $1.3 million (USD $1.0 million) (2020: $0.3 million; USD $0.2 million). The subleases are assessed to be a finance lease.

Maturity analysis

The following tables sets out a maturity analysis of future undiscounted lease payments receivable under the group's finance leases.

	2021 **$'000**	2020 $'000
Less than 1 year	**345**	191
1 to 2 years	**282**	111
2 to 3 years	**282**	-
3 to 4 years	**282**	-
4 to 5 years	**117**	-
Total	**1,308**	302

C ASSETS AND LIABILITIES (continued)

C8 Leases (continued)

Key estimates and judgements

(i) Extension and termination options

Extension and termination options are included in a number of property leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. All extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in office leases have not been included in the lease liability, because the group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms and termination options was an increase in recognised lease liabilities and right-of-use assets of $7.1 million (2020: $3.8 million).

(ii) Impairment charges

The decision was made during the reporting period to permanently close the Los Angeles office and to sublease the office space. This decision was identified to be an indicator of potential impairment, resulting from a change in the manner that the right-of-use asset and related fit out, furniture and equipment were to be used. Management conducted an impairment test of these assets and an impairment charge of $2.4 million was recognised in the consolidated statement of profit or loss and other comprehensive income in accordance with AASB 136 *Impairment of Assets*.

For the prior financial year, the decision to appoint a Service Manager to perform the property management and leasing functions for the eight US retail assets was identified to be an indicator of potential impairment of the property management and leasing cash-generating unit (CGU). This CGU is substantially comprised of the Cleveland office lease which is included within the right-of-use assets and related office fit out and furniture which are included within property, plant and equipment. Management conducted an impairment test of the CGU and an impairment charge of $4.2 million was recognised in the consolidated statement of profit or loss and other comprehensive income in accordance with AASB 136. This impairment charge was allocated across the relevant property, plant and equipment and right-of-use assets on a pro rata basis.

The impairment charge was estimated based on the following key judgemental assumptions:

- estimated market rate for sub-leasing of the vacated office space;
- expected future cash flows which were included in a discounted cash flow model; and
- discount rate of 0.5% (2020: 2.1%) was based on the three-year (2020: ten-year) daily US Treasury yield curve rate adjusted for a risk premium to reflect the group's credit risk.

C ASSETS AND LIABILITIES (continued)

C9 Payables

	2021 $'000	2020 $'000
Accrued expenses	**60,828**	49,743
Accounts payable	**4,923**	7,044
Total payables	**65,751**	56,787

Recognition and measurement

(i) Payables

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

Payables are initially measured at fair value which is reflected by the transaction price, and subsequently measured at amortised cost.

The group derecognises a payable when they are paid or the obligation is extinguished.

(ii) Fair value

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

C10 Provisions

	2021			2020		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Other provisions	**-**	**3,219**	**3,219**	-	-	-
Restructuring costs	**-**	**-**	**-**	4,268	-	4,268
	-	**3,219**	**3,219**	4,268	-	4,268

Recognition and measurement

Provisions are recorded when the group has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

(i) Other provisions

The group has recognised a provision in relation to the costs required to restore the leased premises of its office leases to their original condition at the end of the respective lease terms.

(ii) Restructuring costs

No restructuring provision has been recognised at 30 June 2021. A restructuring provision was recognised at 30 June 2020 in relation to outsourcing of the group's non-strategic US property management functions and was fully utilised in December 2020.

C ASSETS AND LIABILITIES (continued)

C10 Provisions (continued)

Recognition and measurement (continued)

(iii) Movements in provisions

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

2021	Other provisions $'000	Restructuring costs $'000	Total $'000
Opening balance at 1 July 2020	-	4,268	4,268
Provision recognised	3,139	-	3,139
Charged to consolidated statement of profit or loss and other comprehensive income	80	(4,268)	(4,188)
Closing balance at 30 June 2021	3,219	-	3,219

C11 Borrowings

	2021 $'000	2020 $'000
Borrowings	22,002	32,839
Total borrowings	22,002	32,839

(i) Borrowings

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

(ii) Compliance with loan covenants

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

Recognition and measurement

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

The fair value of borrowings subsequently measured at amortised cost is set out in note C14(d)(iii).

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are split between current and non-current liabilities based on the portion of borrowings that is due to be settled within 12 months after the reporting period.

C ASSETS AND LIABILITIES (continued)

C12 Contingent liabilities

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

(i) Trustee obligations

As at 30 June 2021, QIC Limited or its controlled entities were trustee of 157 trusts (the 'Trusts').

The trustee is potentially liable for liabilities of the Trust. However, under the Trust Deeds, each trustee is entitled to be indemnified out of the assets of the Trust against any losses or outgoings sustained in its role as trustee, provided the trustee has acted within the terms of the Trust Deed. As at 30 June 2021, total assets exceed total liabilities in the majority of 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).

Funds managed by the group in a trustee capacity totalled $92.4 billion at 30 June 2021 (2020: $78.9 billion). These figures exclude cross holdings between trusts.

(ii) Subsidiary and associate undertakings

In accordance with the QIC US Management, Inc lease at Fifth Third Building, 600 Superior Avenue East, Cleveland, United States, QIC Limited guarantees the payment of rent and all other amounts required to be paid under the lease for a period of 68 months from the commencement of the lease. The guarantee will expire in November 2023 and the amount guaranteed as at 30 June 2021 is USD$1.1 million (AUD equivalent $1.4 million) (2020: USD$1.5 million; AUD equivalent $2.2 million).

(iii) Litigation

Litigation is in progress involving the parent entity and some of its controlled entities, in their capacity as trustee or manager, in relation to disputes pertaining to property 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.

C13 Commitments

(i) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised in the consolidated statement of financial position of the group are as follows:

	2021 $'000	2020 Restated* $'000
Intangible assets	**830**	32

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

(ii) Investment commitments

Refer to note C4 for investment commitments that are still to be funded.

C ASSETS AND LIABILITIES (continued)

C14 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 consolidated financial statements disclosures, these methods include sensitivity analysis in the case of foreign exchange and price risks and ageing analysis for credit and liquidity risks.

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

(a) Market risk

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

(i) Foreign exchange risk

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

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

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

Sensitivity

The sensitivity of the group's financial instruments held at 30 June 2021 (and in the prior year) to movements in the British pound, Euro and United States dollar with all other variables held constant has been assessed and is not material. The group's exposure to other foreign currency exchange movements is not material.

(ii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Interest rate risk is managed in accordance with the Corporate Treasury Risk Management Standard. During 2021, the group's borrowings at variable rates were denominated in Australian dollars, United States dollars and Euro.

Sensitivity

The sensitivity of the group's long-term borrowings at 30 June 2021 to movements in the interest rate with all other variables held constant has been assessed and is not material.

(iii) Price risk

Exposure

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

C ASSETS AND LIABILITIES (continued)

C14 Financial risk management (continued)

(a) Market risk (continued)

(iii) Price risk (continued)

Exposure (continued)

The market risk of an investment holding comprises the risk that the unit price of the trust will change during the next reporting period (price risk). The change in unit price is determined by dividing the hypothetical change in the Net Asset Value ('NAV') of the trust by the number of units on issue at reporting 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.

Sensitivity

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

	Impact on post-tax profit	
	2021	2020
	$'000	$'000
QIC Global Infrastructure Fund - increase 10% (2020: 10%)	**2,419**	1,814
QIC Global Infrastructure Fund - decrease 10% (2020: 10%)	**(2,419)**	(1,814)
QIC Infrastructure Portfolio - increase 18% (2020: 17%)	**2,236**	2,039
QIC Infrastructure Portfolio - decrease 16% (2020: 16%)	**(2,028)**	(1,921)
Golden Reef Infrastructure Trust - increase 20% (2020: 20%)	**987**	889
Golden Reef Infrastructure Trust - decrease 19% (2020: 19%)	**(937)**	(845)
QIC Long Term Diversified Fund - increase 11% (2020: N/A)	**881**	-
QIC Long Term Diversified Fund - decrease 11% (2020: N/A)	**(881)**	-
QIC Direct Opportunities Fund - increase 18% (2020: 18%)	**568**	512
QIC Direct Opportunities Fund - decrease 16% (2020: 17%)	**(505)**	(484)

The impact on the group's profit from increases/(decreases) in unit prices for the group's remaining financial assets at FVTPL are deemed immaterial.

A sensitivity analysis was conducted on the impact of a movement in the unit price of the group's material investments in current financial assets at FVTPL held at 30 June 2021 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

(b) Credit risk

(i) Risk management

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

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at the reporting date for the group is $391.1 million (2020: $350.6 million).

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

(ii) Guarantees

Credit risk further arises in relation to guarantees given to certain parties (refer to note C12). Such guarantees are provided in limited circumstances.

C ASSETS AND LIABILITIES (continued)

C14 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, QIC Short Term Income Fund and the USD Investment Account, which are highly liquid. The group regularly reviews its liquidity, having regard to expected future cash flow obligations.

The majority of the group's financial liabilities have a contractual maturity of less than a year except for the group's borrowings and lease liabilities. The amounts due are the contractual undiscounted cashflows.

(d) Fair value measurements

(i) Fair value hierarchy

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

Fair value measurements At 30 June 2021	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at FVTPL					
Unlisted unit trusts	C4	**-**	**181,450**	**56,026**	**237,476**
Unlisted debt securities	C4	**-**	**-**	**497**	**497**
Total financial assets		**-**	**181,450**	**56,523**	**237,973**

Fair value measurements At 30 June 2020	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at FVTPL					
Unlisted unit trusts	C4	-	171,614	40,560	212,174
Unlisted debt securities	C4	-	-	497	497
Total financial assets		-	171,614	41,057	212,671

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

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

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

C ASSETS AND LIABILITIES (continued)

C14 Financial risk management (continued)

(d) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments in unlisted debt & equity investments are recorded at the redemption value per unit as reported by the managers of such trusts. Where such equity investments are in QIC managed trusts, the underlying assets are valued independently at least annually in accordance with QIC's Investment Valuation Policy.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 30 June 2021 and 30 June 2020:

	Unlisted unit trusts $'000	Unlisted debt investments $'000	Total $'000
Opening balance at 1 July 2019	**31,543**	**603**	**32,146**
Acquisitions	12,840	210	13,050
Disposals	(124)	(316)	(440)
Net unrealised loss from financial assets at FVTPL	(3,699)	-	(3,699)
Closing balance at 30 June 2020	**40,560**	**497**	**41,057**
Acquisitions	**10,491**	**-**	**10,491**
Disposals	**(80)**	**-**	**(80)**
Net unrealised gain from financial assets at FVTPL	**5,055**	**-**	**5,055**
Closing balance at 30 June 2021	**56,026**	**497**	**56,523**

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

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

All other financial assets and financial liabilities held by the group are measured at amortised cost, which management have assessed to be not materially different to its fair value at reporting date.

D EMPLOYEE BENEFITS

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

D1 Employee benefits

	2021 **$'000**	2020 $'000
Payables	**41,814**	25,421
Provisions	**64,306**	50,537
Total current employee benefits	**106,120**	75,958
Payables	**2,918**	-
Provisions	**10,449**	10,191
Total non-current employee benefits	**13,367**	10,191

(i) Total performance, attraction and retention remuneration

	2021	2020
Aggregate amounts for performance and retention of employees ($'000)	**82,083**	57,927
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided ($'000)	**215,641**	198,440
Number of employees who receive payments for performance and retention purposes	**800**	877

Recognition and measurement

Employee benefits are classified as payables when the timing and amount of the future payment is certain. Employee benefits are classified as provisions when the timing or amount of the future payment is uncertain. Employee benefit provisions are further presented as current if they are expected to be settled within 12 months after the end of the period in which the employees render the related service or as non-current if they are not expected to be settled within 12 months after the end of the period in which the employees render the related service.

(i) Employee benefits

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

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

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

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

D EMPLOYEE BENEFITS (continued)

D1 Employee benefits (continued)

Recognition and measurement (continued)

(ii) Short-term employee benefits

Short-term employee benefits include salaries, annual leave, paid sick leave, at risk performance and retention compensation and any non-monetary benefits provided such as cars or car parking which is expected to be settled within 12 months after the reporting year.

(iii) Long-term employee benefits

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

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

(iv) Post-employment benefits

Post-employment benefits include superannuation contributions and other retirement plans.

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 consolidated statement of financial position, as the liability is held on a Whole of Government basis and reported in the Whole of Government financial statements prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the employee accepts the offer of those benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value using a corporate bond rate that most closely matches the terms of the benefit.

When the group recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of terminations benefits, these are provided for under the restructuring provision. Please refer to note C10.

Key estimates and judgements

(i) Annual leave and long service leave

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

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

Employee benefits that are not wholly expected to be settled within 12 months are discounted using the rates attached to a corporate bond at reporting date, which closely match the terms of maturity of the related liability.

D EMPLOYEE BENEFITS (continued)

D1 Employee benefits (continued)

Key estimates and judgements (continued)

(ii) At risk performance, attraction and retention

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

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

D2 Key management personnel

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

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

(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
G I Martin AM	Chairman (appointed 1 April 2019)	3 years	30 September 2022
J C Battams	Director (reappointed 1 October 2018)	3 years	30 September 2021
G Brown	Director (reappointed 1 October 2019)	3 years	30 September 2022
P Derrington	Director (reappointed 1 October 2020)	1 year	30 September 2021
S A Desmarchelier	Director (reappointed 1 October 2019)	3 years	30 September 2022
S J P Dunne	Director (reappointed 1 October 2018)	3 years	30 September 2021
P A Gallagher	Director (reappointed 1 October 2020)	3 years	30 September 2023
J Perry	Director (appointed 1 October 2018)	3 years	30 September 2021
J Wilson	Director (appointed 1 October 2019)	3 years	30 September 2022
A E King	Director (term ended 30 September 2019)	3 years	30 September 2019

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(b) Senior Executives

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

Position	Name
Chief Executive	D J Frawley[1]
Chief Financial Officer	C M Blake
Executive Director, Human Resources	G A Jackson
Executive Director, Operations and Technology	M D McDonald
Chief Risk Officer	S C O'Sullivan (from 18 January 2021)
Executive Director, Client Solutions and Capital	R Sriskandarajah (from 1 September 2020)
Acting Chief Risk Officer	M Thomsen (from 1 September 2020 to 28 February 2021)
General Counsel	M Thomsen
Chief Risk Officer	D E Clarke (to 18 September 2020)
Executive Director, Global Clients and Marketing	L L Wilkinson (to 28 February 2020)

[1] Mr D J Frawley, Chief Executive, announced his upcoming retirement on 24 June 2021 and continues in the role until a replacement is appointed.

(c) Remuneration principles

(i) Remuneration of shareholding Ministers

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

(ii) Remuneration of directors

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

(iii) Remuneration of senior executives and employees

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

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

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(c) Remuneration principles (continued)

(iii) Remuneration of senior executives and employees (continued)

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

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

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

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

(iv) At risk performance, attraction and retention compensation

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

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

(iv) Remuneration of key management personnel

	2021 $'000	2020 $'000
Short-term benefits	**6,458**	5,856
Long-term benefits	**4,385**	3,060
Post-employment benefits	**345**	351
Termination benefits	**-**	309
	11,188	9,576

Key management personnel remuneration includes the remuneration of directors and senior executives specified in this note for the periods indicated. Remuneration for the reporting period includes accelerated expense phasing for unvested performance based payments of key management personnel on announcement of retirement.

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(v) Remuneration of directors

Directors		Board and Board Committees			Short-term employee benefits	Post-Employment	
		QIC	Board Committees	Subsidiary boards	Total	Super	Total
Name	Position	$	$	$	$	$	$
Reporting Period	**1 July 2020 - 30 June 2021**						
G I Martin AM[(1)]	Chairman	161,995	-	-	161,995	15,390	177,385
J C Battams[(2)]	Director	67,911	25,131	10,052	103,094	9,794	112,888
G Brown	Director	67,911	20,104	10,052	98,067	9,316	107,383
P Derrington	Director	67,911	-	10,052	77,963	-	77,963
S Desmarchelier	Director	67,911	20,104	10,052	98,067	11,523	109,590
S J P Dunne	Director	67,911	46,607	-	114,518	10,879	125,397
P A Gallagher [(3)]	Director	67,911	35,181	10,052	113,144	12,540	125,684
J Perry	Director	67,911	20,104	10,052	98,067	9,316	107,383
J Wilson	Director	67,911	10,052	-	77,963	7,407	85,370
P W Forbes [(4)]	Director	-	-	16,978	16,978	1,613	18,591
A C J Solway [(4)]	Director	-	-	53,923	53,923	5,260	59,183
Total remuneration		705,283	177,283	131,213	1,013,779	93,038	1,106,817
Previous Period	1 July 2019 - 30 June 2020						
G I Martin AM	Chairman	161,995	-	-	161,995	15,390	177,385
J C Battams[(2)]	Director	67,911	25,131	10,052	103,094	9,794	112,888
G Brown	Director	67,911	20,104	10,136	98,151	9,257	107,408
P Derrington	Director	67,911	-	10,052	77,963	-	77,963
S Desmarchelier	Director	67,911	20,104	10,052	98,067	11,523	109,590
S J P Dunne	Director	67,911	60,104	-	128,015	12,161	140,176
P A Gallagher [(1)(3)]	Director	67,911	37,694	10,126	115,731	10,099	125,830
J Perry	Director	67,911	15,078	10,136	93,125	8,847	101,972
J Wilson	Director	50,933	5,026	-	55,959	5,316	61,275
A E King	Director	16,978	2,513	2,513	22,004	2,090	24,094
P W Forbes[(4)]	Director	-	-	67,911	67,911	6,452	74,363
A C J Solway [(4)]	Director	-	-	56,469	56,469	5,541	62,010
P J Higgs [(4)]	Director	-	-	27,664	27,664	2,720	30,384
Total remuneration		705,283	185,754	215,111	1,106,148	99,190	1,205,338

Notes:
[(1)] Chair of the HR & Remuneration Committee.
[(2)] Chair of the Risk Committee.
[(3)] Chair of the Audit Committee.
[(4)] Director of QIC Limited subsidiary companies only.

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(vi) Remuneration of senior executives

Senior executives		Short-term employee benefits		Post-employee benefits	Other long-term benefits	Termination benefits	Total remuneration (excluding at -risk performance incentive)
		Salary and fees	Non-monetary benefits	Super	Annual and long service leave		
Name	Position	$	$	$	$	$	$
Reporting Period	**1 July 2020 - 30 June 2021**						
D J Frawley[1]	Chief Executive	751,793	10,296	37,911	50,636	-	850,636
C M Blake	Chief Financial Officer	323,629	27,592	98,778	9,511	-	459,510
G A Jackson	Executive Director, Human Resources	347,614	-	32,386	7,255	-	387,255
M D McDonald	Executive Director, Operations and Technology	363,439	41,561	25,000	26,801	-	456,801
S C O'Sullivan[2]	Chief Risk Officer	180,820	-	10,847	15,227	-	206,894
R Sriskandarajah[3]	Executive Director, Client Solutions and Capital	396,781	-	19,885	21,057	-	437,723
M Thomsen[4]	General Counsel / Acting Chief Risk Officer	528,467	1,109	21,694	3,260	-	554,530
D E Clarke[5]	Chief Risk Officer	85,201	-	5,424	9,214	-	99,839
Total remuneration		2,977,744	80,558	251,925	142,961	-	3,453,188
Previous Period	1 July 2019 - 30 June 2020						
D J Frawley	Chief Executive	754,751	8,030	37,219	45,557	-	845,557
C M Blake	Chief Financial Officer	325,270	25,952	98,778	19,946	-	469,946
D E Clarke[5]	Chief Risk Officer	375,632	15,865	21,002	12,008	-	424,507
G A Jackson	Executive Director, Human Resources	333,690	14,616	31,695	11,942	-	391,943
M D McDonald	Executive Director, Operations and Technology	368,475	35,572	25,954	17,854	-	447,855
M Thomsen	General Counsel	382,775	26,223	21,002	1,741	-	431,741
L L Wilkinson[6]	Executive Director, Global Clients and Marketing	250,915	-	15,752	(31,019)	309,128	544,776
Total remuneration		2,791,508	126,258	251,402	78,029	309,128	3,556,325

Notes:
[1] Mr D J Frawley, Chief Executive, announced his upcoming retirement on 24 June 2021 and continues in the role until a replacement is appointed.
[2] Mr S C O'Sullivan, Chief Risk Officer satisfied the definition of key management personnel from 28 February 2021.
[3] Mr R Sriskandarajah, Executive Director, Client Solutions and Capital satisfied the definition of key management personnel from 1 September 2020.
[4] Ms M Thomsen, General Counsel was the Acting Chief Risk Officer from 1 September 2020 to 28 February 2021.
[5] Mr D E Clarke, Chief Risk Officer, satisfied the definition of key management personnel to 18 September 2020.
[6] Ms L Wilkinson, Executive Director Global Clients and Marketing satisfied the definition of key management personnel from 1 July 2019 to 28 February 2020.

E CAPITAL STRUCTURE

This section provides information relating to the group's capital structure.

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

E1 Issued capital

	2021 Shares	2020 Shares	**2021 $'000**	2020 $'000
Ordinary shares	**30,300,000**	30,300,000	**37,475**	37,475

(i) Movements in ordinary share capital

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

(ii) Risk management

The group's capital management objectives are to:

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

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

The group is not currently subject to any legal or other regulatory requirement to have a capital base of any specific size. However, QIC European Investment Services Limited, a subsidiary of the group has a regulatory capital or financial resources requirement of €50,000 (2020: £850,000).

E2 Dividends

(i) Ordinary shares

	2021 $'000	2020 $'000
Final dividend of 100% (2020: 100%) of adjusted consolidated profit after income tax	**45,143**	44,199

Recognition and measurement

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

F GROUP STRUCTURE

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

F1 Parent entity disclosures

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

(i) Summary financial information

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

	2021 $'000	2020 Restated* $'000
Balance sheet		
Current assets	**346,162**	337,965
Non-current assets	**118,859**	121,594
Total assets	**465,021**	459,559
Current liabilities	**255,749**	229,796
Non-current liabilities	**70,855**	104,622
Total liabilities	**326,604**	334,418
Equity		
Contributed equity	**37,475**	37,475
Retained earnings	**100,942**	87,666
Total equity	**138,417**	125,141
Profit after income tax	**58,418**	50,144

* See note A9 for details regarding the restatement as a result of a change in accounting policy.

(ii) Contingent liabilities of the parent entity

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

Entity	Agreement date	2021	2020
QIC Private Capital Pty Ltd	28 July 2015	$3.0 million	$3.0 million

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.

F GROUP STRUCTURE (continued)

F1 Parent entity disclosures (continued)

(ii) Contingent liabilities of the parent entity (continued)

During the year, the following Loan Facility Agreements with controlled entities were terminated:

Entity	Agreement date	2021	2020
QIC European Investment Services Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC (UK) Management Limited	15 May 2013	GBP 5.0 million	GBP 5.0 million
QIC US Management, Inc	15 May 2013	USD 5.0 million	USD 5.0 million
QIC Investments No. 1 Pty Ltd	16 July 2013	AUD 5.0 million	AUD 5.0 million

On 22 June 2021, QIC Limited entered into a Loan Facility Agreement with QIC US Management, Inc to provide and receive financial accommodation up to USD5.0 million with no express limit on the amount until 17 June 2031.

On 22 June 2021, QIC Limited entered into a Loan Facility Agreement with QIC European Investment Services Limited to provide and receive financial accommodation up to GBP5.0 million with no express limit on the amount until 17 June 2031.

On 25 June 2021, QIC Limited entered into an Intragroup Facility Agreement with related parties to provide and receive financial accommodation. The parties to the agreement are with other wholly-owned subsidiaries of QIC Limited.

(iii) Guarantees

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

QIC Limited has provided a guarantee to QIC US Management Inc. Under this agreement the parent entity has agreed to supply funding of up to $3.0 million.

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

QIC Limited has provided a guarantee to QICP Pty Ltd. Under this agreement the parent entity has agreed to supply funding of up to $2.0 million.

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

As at 30 June 2021, the parent entity had contractual commitments for the acquisition of intangible assets totalling $0.8 million (30 June 2020: $0.03 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(v) Transactions with controlled entities

The following transactions occurred with QIC Limited subsidiaries.

	30 June 2021 $	30 June 2020 $
Service fees received from controlled entities	**59,645,535**	62,276,310
Service fees paid to controlled entities	**9,415,228**	9,091,829
Amounts paid by subsidiaries under the tax funding agreement	**20,899,211**	41,710,500
Dividend income from controlled entities	**69,498,917**	48,911,960
Current receivables (loans to controlled entities)	**-**	4,841,143
Current receivables (tax funding agreement)	**6,809,044**	7,114,746
Current receivables (dividend income from controlled entities)	**69,498,917**	48,911,960
Current payables (loans from controlled entities)	**98,054,585**	85,513,889

F GROUP STRUCTURE (continued)

F1 Parent entity disclosures (continued)

(v) Transactions with controlled entities (continued)

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

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

F2 Controlled entities

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2021 %	Equity holding 2020 %
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management No.2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 1 Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Investments No. 3 Pty Ltd	Australia	Ordinary	**100**	100
QIC Private Capital Pty Ltd	Australia	Ordinary	**100**	100
QICP Pty Ltd	Australia	Ordinary	**100**	100
QIC Retail Pty Ltd	Australia	Ordinary	**100**	100
QIC European Investment Services Limited	United Kingdom	Ordinary	**100**	100
QIC (UK) Management Limited	United Kingdom	Ordinary	**100**	100
QIC Corporate Management, Inc. *	United States	Ordinary	**100**	100
QIC Global Infrastructure (US), Inc. *	United States	Ordinary	**100**	100
QIC Non-Member Manager LLC **	United States	Ordinary	**100**	100
QIC Properties US, Inc. *	United States	Ordinary	**100**	100
QIC QGIF GP Co No. 1 Inc **	United States	Ordinary	**100**	100
QIC US Investment Services Inc *	United States	Ordinary	**100**	100
QIC US Management, Inc.	United States	Ordinary	**100**	100
QIC US Private Equity, LLC **	United States	Ordinary	**100**	100
QIC US Private Equity No. 2 LLC **	United States	Ordinary	**100**	100
QIC US Regional Shopping Center Fund GP LLC **	United States	Ordinary	**100**	100
QIC US Shopping Centre Fund No.1 GP LLC **	United States	Ordinary	**100**	100
South Bay Managing Member LLC **	United States	Ordinary	**100**	100

* Subsidiary of QIC US Management, Inc.
** Subsidiary of QIC US Investment Services Inc.

F3 Related party information

(i) Transactions with shareholding Ministers

As a Queensland Government Owned Corporation ('GOC'), QIC Limited's shareholding Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for Trade and the Honourable Cameron Dick MP, Treasurer and Minister for Investment.

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

F GROUP STRUCTURE (continued)

F3 Related party information (continued)

(i) Transactions with shareholding Ministers (continued)

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

(ii) Transactions with key management personnel

Directors of QIC Limited and Executives of the Group

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

(iii) Transactions with other related parties

The following transactions occurred with related parties:

2021 **$**	**State of Queensland**	**Other related entities**
Investment management and performance fees	**232,224,195**	**160,160,882**
Competitive neutrality fee	**102,000,000**	**-**
Purchase of goods and services	**8,808,957**	**-**
Purchase of financial assets at FVTPL	**-**	**10,693,151**
Payment of income tax	**20,899,211**	**-**
Payment of dividends	**44,198,640**	**-**
Current receivables	**25,046,150**	**46,679,015**
Current payables	**26,702,486**	**-**
Dividends payable	**45,142,561**	**-**
Income tax payable	**2,448,770**	**-**

2020 **$**	**State of Queensland**	**Other related entities**
Investment management and performance fees	204,543,164	185,987,712
Competitive neutrality fee	102,000,000	-
Purchase of goods and services	8,735,683	-
Purchase of financial assets at FVTPL	-	27,368,714
Payment of income tax	28,035,793	-
Payment of dividends	58,988,533	-
Current receivables	20,019,099	60,253,643
Current payables	26,314,939	-
Dividends payable	44,198,640	-
Income tax payable	470,919	-

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

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

(v) Terms and conditions

Loans between entities in the group are interest free and repayable on demand. Outstanding balances are unsecured and are repayable in cash.

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

G OTHER

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

G1 Subsequent events

At the time of preparation of these consolidated financial statements, some States across Australia have announced lockdowns to contain increasing numbers of COVID-19 cases. These lockdowns effect both capital cities and regional areas. The group acts as a property manager for real estate assets within some of these regions. The group has continued to assess the impacts on asset values (including receivables from QIC trusts that own these properties), liabilities and the going concern of the group. Based on these assessments, there are no material impacts identified.

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

G2 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and controlled entities, and its related network firms:

	2021	2020
	$	$
Queensland Audit Office		
Audit and review of financial reports	**325,000**	320,000
Audit of regulatory returns	**11,700**	11,000
KPMG and related network firms		
Audit and review of financial reports	**112,217**	83,237
Other assurance services	**20,190**	21,789
Total remuneration for audit services	**469,107**	436,026

(i) Other services

	2021	2020
	$'000	$'000
KPMG and related network firms		
Taxation and advisory services	288,520	236,216

G3 Standards and interpretations issued but not yet effective

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

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 54 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

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

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

Mr G I Martin AM
Director

Brisbane
24 August 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of QIC Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of QIC Limited and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2021 and its financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

c) complies with International Financial Reporting Standards as disclosed in Note A4.

The financial report comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit for the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Recognition of performance fees and probability of clawback ($57.736m)

Refer to Note B1 in the financial report

Key audit matter	How my audit addressed the key audit matter
Performance fees are material to QIC Limited (QIC). Performance fees are charged in accordance with individual client contracts. Under these contracts, QIC may be entitled to performance fees when the investment performance exceeds a set benchmark. Some contracts also contain clawback clauses that require QIC to refund performance fees received. This occurs if the investment performance falls below the benchmark during a specified future period (the clawback period). Revenue is recognised in the financial statements for performance fees earned less than the amount of clawbacks recognised as deferred revenue. The methodology used in the calculation of the performance fee and potential clawback is complex as it is dependent on: • estimating the level and volatility of future performance • using past actual performance to estimate future performance.	My procedures included, but were not limited to: • Obtaining an understanding of the model and assessing its design, integrity and appropriateness with reference to the relevant client contract. • Assessing management's controls over the performance fee process in line with their model risk standard. This included evaluating the work of management's experts, who were engaged to evaluate the integrity of certain performance fee models • Verifying the inputs, on a sample basis, to the relevant client contract. • Analysing the movements and volatility of the funds' returns and comparing them to internal and external benchmarks over the past three years. • Analysing the calculation of the over-performance buffer and assessing the factors impacting expectations of future performance used to determine the clawback amount. • Verifying inputs used in the clawback calculations including: – current investment values, by confirming to third party investment administrator records – past benchmark values, by agreeing to the relevant industry indices – past actual performance data, by confirming to third party investment administrator records. • Assessing management's evaluation of the probability of the performance fee criteria being met. This included re-performing the normal distribution to calculate the probability of a material performance fee to be recognised at the end of the performance period and using the results to validate QIC's assessment of what is recognised as revenue, deferred revenue and as a contingent asset.

Other information

Other information comprises financial and non-financial information (other than the audited financial report).

The Board is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B.P. Worrall

26 August 2021

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane