QIC Limited

ACN 130 539 123

Consolidated annual financial statements and directors' report

for the year ended 30 June 2023

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 2023.

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 I Martin AM (reappointed 1 October 2022)
Mr J Battams
Ms G Brown (reappointed 13 October 2022)
Ms S Desmarchelier (reappointed 13 October 2022)
Mr P Gallagher
Mr B Himbury
Mr R Jones (appointed 13 October 2022)
Ms S MacDonald
Ms J Perry
Mr J Wilson (term ended 30 September 2022)

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:

	2023 **$'000**	2022 $'000
Dividends provided for and declared	**68,173**	**-**

Review of operations

The profit from ordinary activities, after related income tax expense, amounts to $88.2 million (2022: $92.2 million).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the group during the year.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2023 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

No likely developments have arisen since the end of the year ended 30 June 2023 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 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 2023 and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit Committee		Risk Committee		HR and Remuneration Committee	
	A	B	A	B	A	B	A	B
Mr I Martin AM	11	11	7	7	4	4	8	8
Mr J Battams	11	11	7	7	4	4	-	-
Ms G Brown	10	11	7	7	4	4	-	-
Ms S Desmarchelier	11	11	-	-	4	4	8	8
Mr P Gallagher	11	11	7	7	4	4	8	8
Mr B Himbury(3)	11	11	-	-	2	2	8	8
Mr R Jones(1)(2)(3)	7	7	3	3	2	2	-	-
Ms S MacDonald(4)	11	11	-	-	4	4	3	3
Ms J Perry	11	11	7	7	4	4	-	-
Mr J Wilson(5)	3	4	-	-	-	-	1	3

A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the committee during the year.
(1) = Appointed 13 October 2022
(2) = Appointed to Audit committee from 5 December 2022
(3) = Appointed to Risk Committee from 1 January 2023
(4) = Appointed to HR & Remuneration Committee from 1 January 2023
(5) = Term ended 30 September 2022

Insurance of officers

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

Environmental regulation

The group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia. The group's operations are subject to the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER Act) in Australia. The group reports on its sustainability-related activity in its annual QIC Sustainability Report, which is available on www.qic.com.au.

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 I Martin AM
Chairman

Brisbane
29 August 2023

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 2023, 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

(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.

29 August 2023

B.P. Worrall

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane

QIC Limited

ACN 130 539 123

Consolidated annual financial report - 30 June 2023

Contents

Consolidated statement of profit or loss and other comprehensive income

	Notes	2023 $'000	2022 $'000
Revenue from contracts with customers	B1	**633,852**	604,890
Net income from financial assets at fair value through profit or loss	B2	**19,269**	11,100
Gain on recognition of net investment in sublease		**-**	546
Interest income from cash at bank and financial assets at amortised cost		**1,059**	69
Net unrealised income from derivative financial instruments	C6	**286**	-
Net gain on disposal of property, plant and equipment and intangible assets		**26**	-
Total revenue and other income		**654,492**	616,605
Employee benefits expense	B3	**306,006**	274,880
Competitive neutrality fee	B1	**125,000**	125,000
Professional services		**25,221**	23,964
Computer operating costs		**18,805**	20,833
Depreciation and amortisation expense	C7, C8, C9	**13,914**	13,753
Travel expenses		**8,774**	2,975
Information and research services		**7,606**	5,207
Staff development and recruitment		**6,259**	4,667
Insurance costs		**3,839**	3,433
Tenancy expenses		**3,706**	2,546
Interest expense		**1,674**	1,019
Communication expenses		**1,438**	1,539
Auditor's remuneration	G2	**577**	626
Foreign exchange losses		**327**	2,021
Net loss on disposal of property, plant and equipment and intangible assets		**-**	139
Other expenses		**4,220**	3,506
Total expenses		**527,366**	486,108
Profit before income tax		**127,126**	130,497
Income tax expense	B4	**38,953**	38,317
Total profit after income tax for the year attributable to owners		**88,173**	92,180
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	A5	**1,247**	2,831
Other comprehensive income for the year, net of tax		**1,247**	2,831
Total comprehensive income for the year attributable to owners		**89,420**	95,011

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	**2023 $'000**	2022 $'000
ASSETS			
Current assets			
Cash at bank	C1	**25,595**	21,880
Financial assets at fair value through profit or loss	C4	**205,321**	139,013
Other financial assets at amortised cost	C5	**159,786**	154,177
Net investment in sublease	C9	**745**	860
Current tax assets		**147**	-
Derivative financial instruments	C6	**286**	-
Prepayments		**4,837**	5,584
Total current assets		**396,717**	321,514
Non-current assets			
Financial assets at fair value through profit or loss	C4	**153,861**	144,283
Other financial assets at amortised cost	C5	**9,975**	11,493
Property, plant and equipment	C7	**11,226**	10,996
Intangible assets	C8	**8,710**	9,886
Right-of-use assets	C9	**24,593**	29,894
Net investment in sublease	C9	**430**	1,208
Deferred tax assets	B4	**43,290**	50,367
Total non-current assets		**252,085**	258,127
Total assets		**648,802**	579,641
LIABILITIES			
Current liabilities			
Payables	C10	**59,307**	58,389
Current tax liabilities		**-**	17,021
Dividends payable	E2	**68,173**	-
Employee benefits	D1	**125,541**	124,847
Deferred revenue	B1	**12,832**	13,644
Refund liability	B1	**228**	483
Lease liabilities	C9	**7,669**	6,876
Borrowings	C12	**25,367**	-
Total current liabilities		**299,117**	221,260
Non-current liabilities			
Employee benefits	D1	**17,397**	17,117
Provisions	C11	**1,606**	1,259
Lease liabilities	C9	**22,100**	28,499
Deferred revenue	B1	**18,351**	18,505
Borrowings	C12	**-**	24,017
Total non-current liabilities		**59,454**	89,397
Total liabilities		**358,571**	310,657
Net assets		**290,231**	268,984

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	**2023 $'000**	2022 $'000
EQUITY			
Contributed equity	E1	**37,475**	37,475
Other reserves		**2,490**	1,243
Retained earnings		**250,266**	230,266
Equity and reserves attributable to owners of QIC Limited		**290,231**	268,984
Total equity		**290,231**	268,984

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			
		Contributed equity $'000	**Other reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2021		37,475	(1,628)	138,126	173,973
Profit after income tax		-	-	92,180	92,180
Other comprehensive loss		-	2,871	(40)	2,831
Total comprehensive income for the year		**-**	**2,871**	**92,140**	**95,011**
Balance at 30 June 2022		**37,475**	**1,243**	**230,266**	**268,984**
Balance at 1 July 2022		37,475	1,243	230,266	268,984
Profit after income tax		-	-	88,173	88,173
Other comprehensive income		-	1,247	-	1,247
Total comprehensive income for the year		**-**	**1,247**	**88,173**	**89,420**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	E2	-	-	(68,173)	(68,173)
Balance at 30 June 2023		**37,475**	**2,490**	**250,266**	**290,231**

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	**2023 $'000**	2022 $'000
Cash flows from operating activities			
Receipts from customers		**768,508**	702,535
Payments to suppliers and employees		**(648,046)**	(569,432)
Net realised income received from financial assets at fair value through profit or loss		**2,179**	1,335
Income taxes paid		**(49,044)**	(26,958)
Net cash provided by operating activities	C2	**73,597**	107,480
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets	C7, C8	**(5,642)**	(2,540)
Proceeds from sale of property, plant and equipment		**26**	31
Proceeds from net investment in sublease		**893**	427
Payments for financial assets at fair value through profit or loss		**(42,823)**	(79,816)
Proceeds from sale of financial assets at fair value through profit or loss		**232**	347
Payments for other financial assets at amortised cost		**(233)**	(11,439)
Net realised income received from financial assets at fair value through profit or loss		**1,950**	3,917
Proceeds from sale of other financial assets at amortised cost		**2,173**	8,297
Interest paid		**(1,674)**	(1,019)
Interest received		**1,021**	64
Loans to related parties		**-**	99
Net cash used in investing activities		**(44,077)**	(81,632)
Cash flows from financing activities			
Proceeds from borrowings	C3	**-**	22,167
Repayment of borrowings	C3	**-**	(21,200)
Principal elements of lease payments	C3	**(7,979)**	(7,733)
Dividends paid to shareholders	E2	**-**	(45,143)
Net cash used in financing activities		**(7,979)**	(51,909)
Net increase in cash and cash equivalents		**21,541**	(26,061)
Cash and cash equivalents at the beginning of the year		**160,271**	188,721
Effects of exchange rate changes on cash and cash equivalents		**198**	46
Net unrealised income received from financial assets at fair value through profit or loss		**1,548**	(2,435)
Cash and cash equivalents at the end of the year	C1	**183,558**	160,271

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 consolidated financial statements for the group 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 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 29 August 2023. The directors have the power to amend and reissue the consolidated financial statements.

A3 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of QIC Limited and its subsidiaries as at 30 June 2023 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 relevant 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.

A4 Functional and presentation currency

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

A BASIS OF PREPARATION (continued)

A5 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.

A6 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	B4
Intangible assets	C8
Leases	C9
Employee benefits	D1

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.

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.

	2023 $'000	2022 $'000
Revenue from contracts with customers recognised over time		
Investment management fees	**469,004**	444,775
Property management fees	**105,376**	85,633
Investment performance fees	**42,036**	45,339
Product administration fees - related parties	**7,958**	10,420
Other revenue	**9,478**	17,860
Total revenue from contracts with customers recognised over time	**633,852**	604,027
Revenue from contracts with customers recognised at a point in time		
Investment advisory fees	**-**	863
Total revenue from contracts with customers recognised at a point in time	**-**	863
Total revenue from contracts with customers	**633,852**	604,890

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.

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.

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 includes break fee revenue, consulting fee revenue and product related cost recoveries that are presented net of the costs recovered.

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.

(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 $73.0 million (2022: $45.9 million) where the group acts as agent.

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 2023 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.

B PERFORMANCE FOR THE YEAR (continued)

B1 Revenue from contracts with customers (continued)

Recognition and measurement (continued)

Key estimates and judgements (continued)

(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.

At 30 June 2023, deferred revenue of $30.8 million (2022: $29.3 million) has been recognised in relation to investment performance fees.

Of the deferred revenue opening balance of $29.3 million at 1 July 2022, $11 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 2023 deferred revenue balance of $30.8 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 2023, deferred revenue of $0.3 million (2022: $2.9 million) has been recognised. Of this amount, $0.3 million (2022: $nil) relates to investment management fees received in advance and $0.03 million (2022: $2.9 million) relates to the break fees received in the 2020-2021 financial year for the termination of existing service agreements.

In relation to the opening deferred revenue balance relating to break fees of $2.9 million at 1 July 2022, $2.9 million was recognised in break fee revenue during the current year. The amount recognised as revenue in the current year relates to the successful divestment of four US based retail assets. Management expects the remaining deferred revenue balance of $0.03 million will be recognised as revenue in the next financial year.

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. The group invoices for property management fees as 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 2023, a refund liability of $0.2 million (2022: $0.5 million) has been recognised.

Of the deferred revenue opening balance of $0.5 million at 1 July 2022, $0.3 million was recognised in property management 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 2023 deferred revenue balance of $0.2 million as revenue.

B2 Net income from financial assets at fair value through profit or loss

	2023 **$'000**	2022 $'000
Net realised income	**4,129**	5,252
Net unrealised income	**15,140**	5,848
Total net income from financial assets at fair value through profit or loss	**19,269**	11,100

Recognition and measurement

Net realised income from financial instruments at fair value thought profit and loss (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 at FVTPL. Interest income is recognised as accrued, based on the contractual coupon interest rate. Dividend income and distribution income is recognised on the date the dividend and/or distribution is declared.

Net unrealised income 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 Expenses

Profit before income tax includes the following specific expenses:	2023 $'000	2022 $'000
Employee benefits expense		
Salary and related costs	**285,117**	257,965
Provision for long service leave and annual leave	**18,134**	14,999
Other employee benefits expense	**2,755**	1,916
Total employee benefits expense	**306,006**	274,880

B4 Taxation

(i) Reconciliation of income tax expense

	2023 $'000	2022 $'000
Profit before income tax	**127,126**	130,497
Tax expense at the Australian tax rate of 30.0% (2022: 30.0%)	**38,138**	39,149
Non-deductible entertainment	**88**	49
Other permanent differences	**(345)**	68
Effect of tax rates in foreign jurisdictions	**37**	(1,033)
Adjustments for current tax of prior periods	**102**	84
Devaluation of deferred tax assets	**933**	-
Income tax expense	**38,953**	38,317
Current tax on profits for the year	**32,808**	44,178
Deferred tax	**7,077**	(6,262)
Adjustments for current tax of prior periods	**(932)**	401
	38,953	38,317

(ii) Movement in deferred tax balances

2023 $'000	**Net balance at 1 July**	**Charged to profit or loss**	**Net balance at 30 June**	**Deferred tax assets**	**Deferred tax liabilities**
Investment performance fees	**8,371**	**694**	**9,065**	**15,771**	**(6,706)**
Employee benefits	**40,809**	**(1,102)**	**39,707**	**39,707**	**-**
Lease liabilities	**9,182**	**(1,538)**	**7,644**	**7,644**	**-**
Right-of-use assets	**(7,986)**	**1,521**	**(6,465)**	**-**	**(6,465)**
Property, plant and equipment & intangible assets	**3,463**	**943**	**4,406**	**4,406**	**-**
Break fees and refund liability	**814**	**(739)**	**75**	**75**	**-**
Other	**(4,286)**	**(6,856)**	**(11,142)**	**594**	**(11,736)**
Deferred tax assets/(liabilities) before set-off	**50,367**	**(7,077)**	**43,290**	**68,197**	**(24,907)**
Set-off of tax	**-**	**-**	**-**	**(24,907)**	**24,907**
Net deferred tax assets	**50,367**	**(7,077)**	**43,290**	**43,290**	**-**

B PERFORMANCE FOR THE YEAR (continued)

B4 Taxation (continued)

(ii) Movement in deferred tax balances (continued)

2022 **$'000**	**Net balance at 1 July**	**Charged to profit or loss**	**Net balance at 30 June**	**Deferred tax assets**	**Deferred tax liabilities**
Investment performance fees	5,920	2,451	8,371	14,902	(6,531)
Employee benefits	35,568	5,241	40,809	40,809	-
Lease liabilities	9,678	(496)	9,182	9,182	-
Right-of-use assets	(6,328)	(1,658)	(7,986)	-	(7,986)
Property, plant and equipment & intangible assets	(1,798)	5,261	3,463	3,463	-
Break fees and refund liability	2,922	(2,108)	814	814	-
Other	(1,857)	(2,429)	(4,286)	2,082	(6,368)
Deferred tax assets/(liabilities) before set-off	**44,105**	**6,262**	**50,367**	**71,252**	**(20,885)**
Set-off of tax	-	-	-	(20,885)	20,885
Net deferred tax assets	**44,105**	**6,262**	**50,367**	**50,367**	**-**

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)

B4 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. 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

	2023 **$'000**	2022 $'000
Cash at bank	**25,595**	21,880

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	**2023** **$'000**	2022 $'000
Cash at bank		**25,595**	21,880
Investment - Liquid Markets	C4	**157,963**	138,391
Cash and cash equivalents per consolidated statement of cash flows		**183,558**	160,271

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 2.64% (2022: 0.06%). The group's exposure to liquidity risk is discussed in note C15(c).

C ASSETS AND LIABILITIES (continued)

C2 Reconciliation of cash flow from operating activities

	2023 $'000	2022 $'000
Profit after income tax	**88,173**	92,179
Adjustments for:		
Depreciation and amortisation	**13,914**	13,753
Interest paid on investing activities	**1,674**	1,019
Expenses relating to financing activities	**1,351**	1,047
Net foreign exchange differences	**1,247**	2,831
Adjustment to property, plant and equipment due to an increase in capitalisation threshold	**-**	1,926
Expenses relating to other investing activities	**18**	-
Net loss on disposal of property, plant and equipment and intangible assets	**(26)**	139
Interest received on other financial assets at amortised cost	**(1,059)**	(64)
Gain on recognition of net investment in sublease	**-**	(546)
Net realised income received from financial assets at FVTPL	**(1,949)**	(3,917)
Net unrealised income received derivatives	**(286)**	-
Net unrealised income received from financial assets at amortised costs	**(423)**	-
Net unrealised income from financial assets at FVTPL	**(15,140)**	(5,848)
Change in operating assets and liabilities:		
Net change in current tax assets/liabilities	**(17,168)**	17,622
Net change in other financial assets at amortised cost	**(5,571)**	(17,732)
Net change in prepayments	**747**	757
Net change in deferred tax assets	**7,077**	(6,262)
Net change in payables	**918**	(7,362)
Net change in provisions	**347**	(1,960)
Net change in employee benefits	**974**	22,477
Net change in deferred revenue	**(966)**	(1,905)
Net change in refund liability	**(255)**	(674)
Net cash provided by operating activities	**73,597**	107,480

C ASSETS AND LIABILITIES (continued)

C3 Changes in liabilities arising from financing activities

	Leases $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Opening balance at 1 July 2021	36,956	-	22,002	58,958
Proceeds from borrowings	-	-	22,167	22,167
Repayment of borrowings	-	-	(21,200)	(21,200)
Principal elements of lease payments	(7,734)	-	-	(7,734)
New leases	1,537	-	-	1,537
Modification of lease liabilities	3,904	-	-	3,904
Foreign currency exchange differences in liability value	711	-	1,048	1,759
Closing balance at 30 June 2022	**35,374**	**-**	**24,017**	**59,391**
Opening balance at 1 July 2022	**35,374**	**-**	**24,017**	**59,391**
Principal elements of lease payments	**(7,979)**	**-**	**-**	**(7,979)**
New leases	**335**	**-**	**-**	**335**
Modification of lease liabilities	**1,390**	**-**	**-**	**1,390**
Foreign currency exchange differences in liability value	**649**	**1,350**	**-**	**1,999**
Reclassification	**-**	**24,017**	**(24,017)**	**-**
Closing balance at 30 June 2023	**29,769**	**25,367**	**-**	**55,136**

C4 Financial assets at fair value through profit or loss

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

	2023 $'000	2022 $'000
Investment - Liquid Markets	**158,848**	139,013
Investment - Diversified	**43,000**	-
Investment - Private Equity	**3,473**	-
Total current financial assets at FVTPL	**205,321**	139,013
Investment - Infrastructure	**120,593**	72,507
Investment - Diversified	**30,950**	67,529
Investment - Private Equity	**1,775**	3,274
Investment - Liquid Markets	**-**	425
Investment - Real Estate	**45**	50
Investment - Other FVTPL	**498**	498
Total non-current financial assets at FVTPL	**153,861**	144,283

The group's financial assets at FVTPL are classified by the nature of the underlying investment.

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

C ASSETS AND LIABILITIES (continued)

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

The group has the following investment commitments that are still to be funded as at 30 June 2023:

Investment	Amount $'000
Golden Reef Infrastructure Trust	8,686
QIC Direct Opportunities Fund	314
SVA Diversified Impact Fund	210
QIC Global Infrastructure Fund II	12,843
Total investment commitments	22,053

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.

The group's holding in financial assets at FVTPL includes 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. 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 C15(d)(i)) within the fair value hierarchy.

C5 Other financial assets at amortised cost

	2023 $'000	2022 $'000
Investment management, property management and investment performance fees receivable	**159,786**	154,177
Total current other financial assets at amortised cost	**159,786**	154,177
Loan receivable	**835**	835
Monies held in escrow	**9,140**	10,658
Total non-current other financial assets at amortised cost	**9,975**	11,493

Recognition and measurement

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

Receivables arise when the group provides investment management, property management and investment performance fees 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* (AASB 9). 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.

C ASSETS AND LIABILITIES (continued)

C5 Other financial assets at amortised cost (continued)

(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. A 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. There were no impairment amounts at 30 June 2023 (2022: $nil).

As at 30 June 2023, receivables of $9.0 million (2022: $17.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no history of credit default. The ageing analysis of receivables is as follows:

		Days overdue			
	Within trading terms $'000	**1-30 $'000**	**30-60 $'000**	**Over 60 $'000**	**Total $'000**
At 30 June 2023	150,818	2,276	3,893	2,799	159,786
At 30 June 2022	136,263	4,952	7,361	5,601	154,177

C6 Derivatives

The group has the following derivative financial instruments:

	2023 $'000	2022 $'000
Foreign currency forwards	**286**	-
Total derivative financial instrument assets	**286**	-

Classification, recognition and measurement

The group's derivatives comprise of foreign currency forward contracts. Derivatives are used to manage the foreign currency risk associated with the holding investments denominated in foreign currencies.

Derivatives are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial instrument. These are recognised on the date the group becomes party to the contractual agreement (trade date). Transaction costs on derivative financial instruments and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, derivatives are measured at fair value with changes in their fair value recorded in the consolidated statement of profit or loss and other comprehensive income.

Derivatives are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting date, otherwise they are classified as non-current.

C ASSETS AND LIABILITIES (continued)

C6 Derivatives (continued)

Classification, recognition and measurement (continued)

Derivative financial instrument assets are derecognised where:

- the contractual rights to the cash flow from the asset have expired; or
- the rights attached to the asset has been transferred and either the group:
    - has transferred substantially all the risks and rewards of the asset; or
    - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Derivative financial instrument liabilities are derecognised when its contractual obligations are discharged or cancelled, or expire.

Information about the group's exposure to credit and market risks, and fair value measurement, is included in note C15.

(i) Amounts recognised in profit or loss

	2023 $'000	2022 $'000
Unrealised income from derivative financial instruments	**286**	**-**
Total unrealised income on derivative financial instruments	**286**	-

Recognition and measurement

Net unrealised income represents the difference between the carrying amount of the derivative 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.

C7 Property, plant and equipment

2023	**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 2022	**8,549**	**2,429**	**18**	**10,996**
Additions	**3,984**	**153**	**-**	**4,137**
Depreciation expense	**(2,703)**	**(1,194)**	**-**	**(3,897)**
Disposals at net book amount	**(10)**	**(32)**	**-**	**(42)**
Reclassifications at net book value(1)	**18**	**-**	**(18)**	**-**
Net foreign currency exchange differences in net book value	**26**	**6**	**-**	**32**
Closing net book amount at 30 June 2023	**9,864**	**1,362**	**-**	**11,226**
Cost	**34,199**	**6,580**	**-**	**40,779**
Accumulated depreciation	**(21,066)**	**(5,204)**	**-**	**(26,270)**
Accumulated impairment	**(3,269)**	**(14)**	**-**	**(3,283)**
Net book amount at 30 June 2023	**9,864**	**1,362**	**-**	**11,226**

C ASSETS AND LIABILITIES (continued)

C7 Property, plant and equipment (continued)

2022	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 2021	10,458	3,728	554	14,740
Additions	-	555	18	573
Depreciation expense	(2,300)	(1,358)	-	(3,658)
Disposals at net book amount	(65)	(35)	(18)	(118)
Adjustment for change in accounting policy	(190)	(1,735)	-	(1,925)
Reclassifications at net book value[(1)(2)]	536	1,267	(536)	1,267
Net foreign currency exchange differences in net book value	110	7	-	117
Closing net book amount at 30 June 2022	**8,549**	**2,429**	**18**	**10,996**
Cost	30,230	8,024	18	38,272
Accumulated depreciation	(18,529)	(5,119)	-	(23,648)
Accumulated impairment	(3,152)	(476)	-	(3,628)
Net book amount at 30 June 2022	**8,549**	**2,429**	**18**	**10,996**

[(1)] Refers to the reclassification of assets in the course of construction from work in progress to property, plant and equipment.
[(2)] Balance has been reclassified from C8 Intangibles

Recognition and measurement

Property plant and equipment are initially recognised at cost, being the fair value of the assets provided as consideration at the date of acquisition 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 equal to or greater than of $5,000 are capitalised in the year of acquisition. Items of lesser value are expensed at the time of purchase.

Assets held at cost 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.

C ASSETS AND LIABILITIES (continued)

C7 Property, plant and equipment (continued)

Recognition and measurement (continued)

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.

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

During the year the depreciation period for office equipment, furniture and fittings was revised to reflect 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.

C8 Intangible assets

2023	**Computer software $'000**	**Assets in the course of construction $'000**	**Total $'000**
Opening net book amount at 1 July 2022	**8,052**	**1,834**	**9,886**
Additions	**4**	**1,501**	**1,505**
Amortisation charge	**(2,681)**	**-**	**(2,681)**
Reclassifications at net book value[1]	**3,335**	**(3,335)**	**-**
Closing net book amount at 30 June 2023	**8,710**	**-**	**8,710**
Cost	**15,994**	**-**	**15,994**
Accumulated amortisation	**(7,284)**	**-**	**(7,284)**
Net book amount at 30 June 2023	**8,710**	**-**	**8,710**
2022			
Opening net book amount at 1 July 2021	5,056	6,510	11,566
Additions	227	1,740	1,967
Disposals at net book value	-	(52)	(52)
Amortisation charge	(2,328)	-	(2,328)
Reclassifications at net book value[1][2]	5,097	(6,364)	(1,267)
Closing net book amount at 30 June 2022	**8,052**	**1,834**	**9,886**
Cost	12,655	1,834	14,489
Accumulated amortisation	(4,603)	-	(4,603)
Net book amount at 30 June 2022	**8,052**	**1,834**	**9,886**

[1] Refers to the reclassification of software from work in progress to intangible assets.
[2] Balance has been reclassified to C7 Property, plant and equipment.

C ASSETS AND LIABILITIES (continued)

C8 Intangible assets (continued)

Recognition and measurement

(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 $5,000 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 carrying value of a software asset is measured as the cost of the asset minus accumulated amortisation and accumulated impairment, if any.

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.

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

(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)

C8 Intangible assets (continued)

Recognition and measurement (continued)

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*.

C9 Leases

Right-of-use assets

Buildings	2023 $'000	2022 $'000
Opening balance	29,894	32,540
Additions	1,725	5,539
Depreciation expense	(7,336)	(7,768)
Disposals	-	(713)
Foreign currency exchange differences in asset value	310	296
Closing balance	**24,593**	**29,894**

Lease liabilities

	2023 $'000	2022 $'000
Current	7,669	6,876
Non-current	22,100	28,499
Total lease liabilities	29,769	35,375

C ASSETS AND LIABILITIES (continued)

C9 Leases (continued)

Recognition and measurement

(i) Accounting treatment of leasing activities

The group leases various offices, typically for fixed periods of between three to ten 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.

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.

C ASSETS AND LIABILITIES (continued)

C9 Leases (continued)

Recognition and measurement (continued)

(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:

	2023 $'000	2022 $'000
Depreciation charge on right-of-use assets	**7,336**	7,768
Interest expense on lease liabilities and investment in sublease	**522**	573
Gain on recognition of net investment in sublease	**-**	546
Expenses relating to short-term leases[1]	**225**	12
Total cash outflow for leases	**(9,799)**	(7,010)

[1] Disclosed in Tenancy expenses.

(iii) Leases as Lessor

The group has sublet leased office space. At 30 June 2023, the total of future minimum sublease payments expected to be received under non-cancellable subleases is $1.2 million (USD $0.8 million) (2022: $2.0 million; USD $1.4 million). The subleases are assessed to be a finance lease.

Maturity analysis

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

	2023 $'000	2022 $'000
Less than 1 year	**782**	815
1 to 2 years	**320**	754
2 to 3 years	**133**	308
3 to 4 years	**-**	129
4 to 5 years	**-**	-
More than 5 years	**-**	-
Total	**1,235**	2,006

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.

C ASSETS AND LIABILITIES (continued)

C9 Leases (continued)

Key estimates and judgements (continued)

(i) Extension and termination options (continued)

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 $1.4 million (2022: $5.4 million).

C10 Payables

	2023 $'000	2022 $'000
Accrued expenses	**46,425**	49,665
Accounts payable	**12,882**	8,724
Total payables	**59,307**	58,389

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 it is 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.

C11 Provisions

	2023			2022		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Make good provision	**-**	**1,606**	**1,606**	-	1,259	1,259

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) Make good provision

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.

C ASSETS AND LIABILITIES (continued)

C11 Provisions (continued)

Recognition and measurement (continued)

(ii) Movements in provisions

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

2023	Make good provision $'000
Opening balance at 1 July 2022	**1,259**
Charged to consolidated statement of profit or loss and other comprehensive income	**347**
Closing balance at 30 June 2023	**1,606**

C12 Borrowings

	2023 $'000	2022 $'000
Borrowings	**25,367**	-
Total current borrowings	**25,367**	-

	2023 $'000	2022 $'000
Borrowings	**-**	24,017
Total non-current borrowings	**-**	24,017

(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 C15(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.

C13 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 2023, QIC Limited or its controlled entities were trustee of 211 trusts (the 'Trusts').

C ASSETS AND LIABILITIES (continued)

C13 Contingent liabilities (continued)

(i) Trustee obligations (continued)

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 2023, 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 $102.8 billion at 30 June 2023 (2022: $98.7 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 2023 is USD$0.2 million (AUD equivalent $0.3 million) (2022: USD$0.6 million; AUD equivalent $0.9 million).

(iii) Bank guarantee

In relation to QIC Limited's lease at Level 11, South Tower, 80 Collins Street, Melbourne, QIC Limited has provided a bank guarantee for the sum of $0.6 million to the landlord. The bank guarantee will expire in July 2027.

(iv) 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. At reporting date, it is not possible to reliably estimate the financial effects, if any.

C14 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:

	2023 **$'000**	2022 $'000
Intangible assets	-	1,016

(ii) Investment commitments

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

C ASSETS AND LIABILITIES (continued)

C15 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 2023 (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) Price risk

Exposure

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

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

C ASSETS AND LIABILITIES (continued)

C15 Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Sensitivity

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

	Impact on profit after income tax 2023 $'000	2022 $'000
Investment - Infrastructure - increase 12% (2022: 14%)	**14,911**	9,822
Investment - Infrastructure - decrease 12% (2022: 13%)	**(14,545)**	(9,491)
Investment - Diversified - increase 8% (2022: 12%)	**5,916**	8,104
Investment - Diversified - decrease 9% (2022: 12%)	**(6,656)**	(8,104)
Investment - Private Equity - increase 21% (2022: 21%)	**1,094**	668
Investment - Private Equity - decrease 19% (2022: 19%)	**(990)**	(604)
Investment - Liquid Markets - increase 0.2% (2022: 2%)	**201**	1,292
Investment - Liquid Markets - decrease 0.2% (2022: 2%)	**(201)**	(1,292)

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 2023 (and in the prior year), with all other variables held constant, which indicated that the price risk is not material.

(iii) 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 group's Corporate Treasury Risk Management Standard. During the financial year, 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 2023 to movements in interest rates with all other variables held constant has been assessed and 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 $556.0 million (2022: $470.8 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 timeframe. Where the group has a significant concentration of credit risk, this is only in relation to clients that are part of the Queensland Government.

C ASSETS AND LIABILITIES (continued)

C15 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Guarantees

Credit risk further arises in relation to guarantees given to certain parties (refer to note C13). Such guarantees are provided in limited circumstances.

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its cash outflows obligations 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, QIC Long Term Diversified Fund and a US dollar denominated investment account, which are highly liquid. The group regularly reviews its liquidity, having regard to expected future cash flow obligations.

(i) Maturities of financial liabilities

The table below analyses the group's financial liabilities based on the remaining period to the contractual maturity date at the reporting date.

The amounts disclosed in the table are the contractual undiscounted cash flows. For financial liabilities due within 12 months, the carrying amount is a reasonable approximation of fair value.

2023	**0 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**
Payables	**12,882**	**-**	**-**	**-**	**12,882**
Borrowings	**25,367**	**-**	**-**	**-**	**25,367**
Lease liabilities[(1)]	**10,008**	**9,339**	**31,401**	**72,754**	**123,502**
Total	**48,257**	**9,339**	**31,401**	**72,754**	**161,751**

[(1)] The group has certain leases that it has executed, but does not yet control the underlying assets. Therefore, lease liabilities and right-of-use assets were not recorded for these leases in the group's consolidated statement of financial position at 30 June 2023. These future commitments relate to new office leases.

2022					
Payables	8,724	-	-	-	8,724
Borrowings	-	24,017	-	-	24,017
Lease liabilities	7,778	7,096	20,263	1,679	36,816
Total	16,502	31,113	20,263	1,679	69,557

(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 Australian Accounting Standards. An explanation of each level follows underneath the table.

C ASSETS AND LIABILITIES (continued)

C15 Financial risk management (continued)

(d) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

Fair value measurements At 30 June 2023	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at FVTPL					
Unlisted unit trusts	C4	**-**	**158,847**	**199,840**	**358,687**
Unlisted debt securities	C4	**-**	**-**	**495**	**495**
Derivatives - foreign currency forwards	C6	**-**	**286**	**-**	**286**
Total financial assets at FVTPL		**-**	**159,133**	**200,335**	**359,468**

Fair value measurements At 30 June 2022	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets at FVTPL					
Unlisted unit trusts	C4	-	139,438	143,363	282,801
Unlisted debt securities	C4	-	-	495	495
Total financial assets at FVTPL		-	139,438	143,858	283,296

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.

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.

C ASSETS AND LIABILITIES (continued)

C15 Financial risk management (continued)

(d) Fair value measurements (continued)

(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 2023 and 30 June 2022:

	Unlisted unit trusts $'000	Unlisted debt securities $'000	Total $'000
Opening balance at 1 July 2021	**56,028**	**495**	**56,523**
Acquisitions	79,815	-	79,815
Disposals	(81)	-	(81)
Net realised loss from financial assets at FVTPL	(16)	-	(16)
Net unrealised gain from financial assets at FVTPL	7,617	-	7,617
Closing balance at 30 June 2022	**143,363**	**495**	**143,858**
Acquisitions	**42,794**	-	**42,794**
Disposals	**(3)**	-	**(3)**
Net unrealised gain from financial assets at FVTPL	**13,686**	-	**13,686**
Closing balance at 30 June 2023	**199,840**	**495**	**200,335**

(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

	2023 $'000	2022 $'000
Payables	**46,143**	45,084
Provisions	**79,398**	79,763
Total current employee benefits	**125,541**	124,847
Payables	**5,192**	4,952
Provisions	**12,205**	12,165
Total non-current employee benefits	**17,397**	17,117

(i) Total performance, attraction and retention remuneration

	2023	2022
Aggregate amounts for performance and retention of employees ($'000)	**93,325**	95,667
Aggregate remuneration (including the amounts above) for employees to whom such amounts are paid, payable or provided ($'000)	**246,300**	235,417
Number of employees who receive payments for performance and retention purposes	**860**	775

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 Queensland Government's defined benefit plan (the former QSuper defined benefit categories now administered by the Government Division of the Australian Retirement Trust), 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.

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 employee 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

KMP 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.

KMP include both directors and senior executives who have authority and responsibility for planning, directing and controlling the activities of the group. The group's shareholding Ministers are identified as part of the group's KMP, consistent with AASB 124 *Related Party Disclosures*. These Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Olympic and Paralympic Games' and the Honourable Cameron Dick MP, Treasurer and Minister for Trade and 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
I Martin AM	Chairman (reappointed 1 October 2022)	4 years	30 September 2026
J Battams	Non-Executive Director (reappointed 1 October 2021)	4 years	30 September 2025
G Brown	Non-Executive Director (reappointed 13 October 2022)	1 year	30 September 2023
S Desmarchelier	Non-Executive Director (reappointed 13 October 2022)	1 year	30 September 2023
P Gallagher	Non-Executive Director	3 years	30 September 2023
B Himbury	Non-Executive Director (appointed 9 December 2021)	3 years	30 September 2024
R Jones	Non-Executive Director (appointed 13 October 2022)	3 years	30 September 2025
S MacDonald	Non-Executive Director (appointed 1 October 2021)	3 years	30 September 2024
J Perry	Non-Executive Director (reappointed 1 October 2021)	4 years	30 September 2025
J Wilson	Non-Executive Director (term ended 30 September 2022)	3 years	30 September 2022

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(b) Senior Executives

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

Position	Name
Chief Executive	K Rampa[(1)]
Chief Financial and Operating Officer	C Blake
Chief Risk Officer	S O'Sullivan
Executive Director, Client Solutions and Capital	R Sriskandarajah
Chief Executive	D Frawley[(2)]
Executive Director, Human Resources	G Jackson[(3)]
Executive Director, Operations and Technology	M McDonald[(4)]
General Counsel	M Thomsen[(5)]

Notes:
[(1)] Ms K Rampa, Chief Executive, satisfied the definition of KMP from 4 April 2022.
[(2)] Mr D Frawley, Chief Executive, satisfied the definition of KMP to 31 March 2022.
[(3)] Mr G Jackson, Executive Director, Human Resources satisfied the definition of KMP to 30 June 2022.
[(4)] Mr M McDonald, Executive Director, Operations and Technology satisfied the definition of KMP to 30 June 2022.
[(5)] Ms M Thomsen, General Counsel satisfied the definition of KMP to 30 June 2022.

(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

	2023 $'000	2022 $'000
Short-term benefits	**6,305**	7,815
Long-term benefits	**2,320**	5,804
Post-employment benefits	**304**	362
	8,929	13,981

KMP remuneration includes the remuneration of directors and senior executives specified in this note for the periods indicated. Remuneration for the previous reporting period includes accelerated expense phasing for unvested performance based payments of KMP 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 benefits	
		QIC	Board Committees	Subsidiary boards	Total	Super	Total
Name	Position	$	$	$	$	$	$
Reporting Period	**1 July 2022 - 30 June 2023**						
I Martin AM	Chairman	161,995	22,617	-	184,612	19,384	203,996
J Battams[(2)]	Director	67,911	25,131	10,052	103,094	10,825	113,919
G Brown	Director	67,911	20,104	10,052	98,067	10,297	108,364
S Desmarchelier	Director	67,911	20,104	10,052	98,067	11,523	109,590
P Gallagher [(3)]	Director	67,911	35,183	5,026	108,120	11,353	119,473
B Himbury[(1)]	Director	67,911	19,020	5,026	91,957	9,655	101,612
R Jones[(5)]	Director	48,777	10,814	5,026	64,617	6,785	71,402
S MacDonald	Director	67,911	15,078	5,026	88,015	9,242	97,257
J Perry	Director	67,911	20,104	5,026	93,041	9,769	102,810
A Solway [(4)]	Director	-	-	8,680	8,680	910	9,590
J Wilson	Director	16,978	2,513	-	19,491	2,047	21,538
Total remuneration		703,127	190,668	63,966	957,761	101,790	1,059,551
Previous Period	1 July 2021 - 30 June 2022						
I Martin AM[(1)]	Chairman	161,995	-	-	161,995	16,200	178,195
J Battams[(2)]	Director	67,911	25,131	10,052	103,094	10,309	113,403
G Brown	Director	67,911	20,104	10,052	98,067	9,807	107,874
S Desmarchelier	Director	67,911	20,104	10,052	98,067	11,523	109,590
P Gallagher [(1)(3)]	Director	67,911	35,183	3,617	106,711	10,671	117,382
B Himbury[(6)]	Director	39,615	5,645	-	45,260	4,835	50,095
S MacDonald[(7)]	Director	50,933	6,054	-	56,987	5,699	62,686
J Perry	Director	67,911	20,104	3,846	91,861	9,186	101,047
J Wilson	Director	67,911	10,052	-	77,963	7,796	85,759
A Solway [(4)]	Director	-	-	54,897	54,897	5,441	60,338
P Derrington	Director	19,491	-	-	19,491	-	19,491
S Dunne	Director	16,978	5,026	-	22,004	2,200	24,204
Total remuneration		696,478	147,403	92,516	936,397	93,667	1,030,064

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. Resigned 31 August 2022.
[(5)] Appointed 13 October 2022.
[(6)] Appointed 9 December 2021.
[(7)] Appointed 1 October 2021.

D EMPLOYEE BENEFITS (continued)

D2 Key management personnel (continued)

(vi) Remuneration of senior executives

Senior executives		Short-term employee benefits		Post-employment benefits	Other long -term benefits	Termination benefits	Total remuneration (excluding at -risk performance incentive)
		Salary and fees	Non-monetary benefits	Super	Annual and long service leave		
Name	Position	$	$	$	$	$	$
Reporting Period	**1 July 2022 - 30 June 2023**						
K Rampa	Chief Executive	843,189	10,910	25,292	(5,817)	-	873,574
C Blake	Chief Financial and Operating Officer	415,818	32,965	126,227	51,579		626,589
S O'Sullivan	Chief Risk Officer	419,716	-	25,292	3,724	-	448,732
R Sriskandarajah	Executive Director, Client Solutions and Capital	524,718	-	25,292	(3,076)	-	546,934
Total remuneration		2,203,441	43,875	202,103	46,410	-	2,495,829
Previous Period	1 July 2021 - 30 June 2022						
K Rampa[1]	Chief Executive	206,906	2,497	5,892	17,375		232,670
D Frawley [2]	Chief Executive	565,413	7,749	29,838	58,660	-	661,660
C Blake [6]	Chief Financial Officer	324,887	28,093	99,278	11,083	-	463,341
G Jackson [3]	Executive Director, Human Resources	343,100	4,405	34,403	9,416	-	391,324
M McDonald [4]	Executive Director, Operations and Technology	386,330	18,182	27,646	25,405	-	457,563
S O'Sullivan	Chief Risk Officer	398,245	-	23,863	15,141		437,249
R Sriskandarajah	Executive Director, Client Solutions and Capital	478,750	-	23,760	(458)	-	502,052
M Thomsen[5]	General Counsel	408,425	-	23,733	5,054	-	437,212
Total remuneration		3,112,056	60,926	268,413	141,676	-	3,583,071

Notes:
[1] Ms K Rampa, Chief Executive, satisfied the definition of KMP from 4 April 2022.
[2] Mr D Frawley, Chief Executive, satisfied the definition of KMP to 31 March 2022.
[3] Mr G Jackson, Executive Director, Human Resources satisfied the definition of KMP to 30 June 2022.
[4] Mr M McDonald, Executive Director, Operations and Technology satisfied the definition of KMP to 30 June 2022.
[5] Ms M Thomsen, General Counsel satisfied the definition of KMP to 30 June 2022.
[6] Ms C Blake's position title changed to Chief Financial and Operating Officer from 1 July 2022.

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

	2023 Shares	2022 Shares	**2023 $'000**	2022 $'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 £127,188 (2022: £55,000).

E2 Dividends

(i) Ordinary shares

	2023 $'000	2022 $'000
Final dividend of 100% (2022: $nil) of adjusted consolidated profit after income tax	**68,173**	-

In the prior financial year, the QIC Board resolved not to declare a dividend.

<u>Recognition and measurement</u>

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

	2023 $'000	2022 $'000
Balance sheet		
Current assets	**357,852**	302,339
Non-current assets	**218,603**	236,540
Total assets	**576,455**	538,879
Current liabilities	**290,710**	235,718
Non-current liabilities	**48,954**	76,305
Total liabilities	**339,664**	312,023
Equity		
Contributed equity	**37,475**	37,475
Retained earnings	**199,316**	189,381
Total equity	**236,791**	226,856
Profit after income tax	**78,108**	88,589

(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	2023	2022
QIC Private Capital Pty Ltd	28 July 2015	$3.0 million	$3.0 million
QIC Infrastructure Management Pty Ltd	9 December 2021	$1.5 million	$1.5 million
QIC Infrastructure Management No.2 Pty Ltd	9 December 2021	$1.5 million	$1.5 million
QIC Investments No. 1 Pty Ltd	9 December 2021	$1.7 million	$1.7 million
QIC Investments No. 2 Pty Ltd	9 December 2021	$1.0 million	$1.0 million
QIC Investments No. 3 Pty Ltd	9 December 2021	$0.15 million	$0.15 million
QIC Retail Pty Ltd	9 December 2021	$2.5 million	$2.5 million
QIC Active Retail Property Fund TT Company Pty Ltd	9 December 2021	$0.15 million	$0.15 million
QIC Australia Core Plus Fund TT Company Pty Ltd	9 December 2021	$0.15 million	$0.15 million
QIC Office Fund TT Company Pty Ltd	9 December 2021	$0.15 million	$0.15 million
QIC Property Fund TT Company Pty Ltd	9 December 2021	$0.15 million	$0.15 million
QIC Town Centre Fund TT Company Pty Ltd	9 December 2021	$0.15 million	$0.15 million

F GROUP STRUCTURE (continued)

F1 Parent entity disclosures (continued)

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

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.

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 USD$5.0 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 £5.0 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.

On 31 May 2022, QIC Limited entered into a Loan Facility Agreement with QIDP GP1 S.à r.l. to provide and receive financial accommodation up to €5.0 million with no express limit on the amount until 25 May 2032.

On 22 June 2022, QIC Limited entered into a Loan Facility Agreement with QIC Private Capital Pty Ltd to provide financial accommodation.

On 19 April 2023, QIC Limited entered into a Loan Facility Agreement with QIC QGIF II GP No.1 S.à r.l. to provide and receive financial accommodation up to €5.0 million with no express limit on the amount until 14 April 2033.

On 19 April 2023, QIC Limited entered into a Loan Facility Agreement with QIDF GP USD S.à r.l. to provide and receive financial accommodation up to €5.0 million with no express limit on the amount until 14 April 2033.

(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 2023, the parent entity had no contractual commitments for the acquisition of intangible assets (30 June 2022: $1.0 million). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

F GROUP STRUCTURE (continued)

F1 Parent entity disclosures (continued)

(v) Transactions with controlled entities

The following transactions occurred with QIC Limited subsidiaries.

	30 June 2023 $	30 June 2022 $
Service fees received from controlled entities	**82,302,876**	82,694,679
Service fees paid to controlled entities (administration services)	**28,843,647**	17,325,650
Service fees paid to controlled entities (management and performance fees)	**154,903,821**	130,925,364
Amounts paid by subsidiaries under the tax funding agreement	**37,110,907**	20,845,816
Dividend income from controlled entities	**91,494,337**	83,198,566
Interest income from controlled entities	**854,931**	742,717
Current receivables (loans to controlled entities)	**5,615,830**	10,606,518
Non-current receivable (loans to controlled entities)	**50,069,962**	22,112,524
Current receivables (tax funding agreement)	**8,220,014**	16,946,212
Current receivables (dividend income from controlled entities)	**92,021,915**	83,198,566
Current payables (loans from controlled entities)	**74,486,396**	113,929,547

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.

F GROUP STRUCTURE (continued)

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 2023 %	Equity holding 2022 %
QIC Corporate Holdings Pty Ltd	Australia	Ordinary	**100**	-
QIC Corporate Holdings Trust	Australia	Ordinary	**100**	-
QIC Infrastructure Management No.2 Pty Ltd	Australia	Ordinary	**100**	100
QIC Infrastructure Management Pty Ltd	Australia	Ordinary	**100**	100
QIC Investment Holdings Pty Ltd	Australia	Ordinary	**100**	100
QIC Investment Holdings Trust	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
QICP Pty Ltd	Australia	Ordinary	**100**	100
QIC Private Capital Pty Ltd	Australia	Ordinary	**100**	100
QIC Retail Pty Ltd	Australia	Ordinary	**100**	100
QIC QGIF II GP No.1 S.à r.l. ***	Luxembourg	Ordinary	**100**	-
QIDF GP USD S.à r.l. ***	Luxembourg	Ordinary	**100**	-
QIDP GP1 S.à r.l. ***	Luxembourg	Ordinary	**100**	100
QIC Asian Investment Services Pte. Ltd. ****	Singapore	Ordinary	**100**	-
QIC European Investment Services 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 QGIF GP Co No.1 Inc. **	United States	Ordinary	**100**	100
QIC Properties US, 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 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.
*** Subsidiary of QIC Investment Holdings Pty Ltd as trustee for QIC Investment Holdings Trust
**** Subsidiary of QIC Corporate Holdings Pty Ltd as trustee for QIC Corporate Holdings Trust

F3 Related party information

(i) Transactions with shareholding Ministers

As a Queensland Government Owned Corporation ('GOC'), QIC Limited's shareholding Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Olympic and Paralympic Games' (previously Premier and Minister for the Olympics) and the Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment (previously 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 KMP 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:

2023 **$**	**State of Queensland**	**Other related entities**
Investment management and performance fees	**318,401,199**	**99,403,981**
Property management fees	**-**	**105,375,963**
Other revenue	**1,206,018**	**13,971,904**
Competitive neutrality fee expense	**125,000,000**	**-**
Purchase of goods and services	**27,482,667**	**17,013,749**
Purchase of financial assets at FVTPL	**-**	**42,793,381**
Sale of financial assets at FVTPL	**-**	**3,419**
Payment of income tax	**50,574,211**	**-**
Current receivables	**27,447,557**	**79,202,404**
Current payables	**33,821,722**	**3,712,554**
Dividends payable	**68,172,966**	**-**
Income tax payable	**147,441**	**-**

2022 **$**	**State of Queensland**	**Other related entities**
Investment management and performance fees	299,911,422	94,244,110
Property management fees	-	85,633,415
Other revenue	1,695,934	14,766,654
Competitive neutrality fee expense	125,000,000	-
Purchase of goods and services	30,725,606	20,020,696
Purchase of financial assets at FVTPL	-	79,814,815
Sale of financial assets at FVTPL	-	100,667
Payment of income tax	26,759,955	-
Payment of dividends	45,142,561	-
Current receivables	22,455,724	55,445,548
Current payables	36,906,245	4,229,397
Income tax payable	20,540,925	-

(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

The majority of loans between entities in the group are interest free and repayable on demand, except for an interest-bearing debt facility between QIC Limited and QIC Private Capital Pty Ltd. Outstanding balances are unsecured and are repayable in cash.

F GROUP STRUCTURE (continued)

F3 Related party information (continued)

(v) Terms and conditions (continued)

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

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:

	2023 $	2022 $
Queensland Audit Office		
Audit and review of financial reports	**393,100**	433,500
Audit of regulatory returns	**70,000**	68,500
KPMG and related network firms		
Audit and review of financial reports	**113,958**	123,779
Total remuneration for audit services	**577,058**	625,779

(i) Other services

	2023 $	2022 $
KPMG and related network firms		
Taxation and advisory services	165,151	185,871

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 consolidated 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 2023 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.

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

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

Mr I Martin AM
Director

Brisbane
29 August 2023

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 2023, 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.

The financial report comprises the consolidated statement of financial position as at 30 June 2023, 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 consolidated financial statements including material accounting policy 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.

Recognition of performance fees and probability of clawback ($42.036m)

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 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 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 models used and assessing their design, integrity and appropriateness with reference to the relevant contract
	• assessing management's controls over the performance fee process in line with their model risk standard
	• verifying the inputs, on a sample basis, to the relevant contract
	• 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:
	  o current investment values, by confirming to third party investment administrator records
	  o past benchmark values, by agreeing to the relevant industry indices
	  o 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 the information included in the group's directors' report for the year ended 30 June 2023, but does not include the financial report and my auditor's report thereon.

The company's directors are 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 company's 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 company's 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 company's 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 forming an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of material accounting policy information 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 company's 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 company's 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

30 August 2023

Brendan Worrall
Auditor-General

Queensland Audit Office
Brisbane