FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

CONTENTS

AUDAX AT FIDELIS

QUEENSLAND TREASURY CORPORATION

CELEBRATING 25 YEARS EST. 1988

Statement of comprehensive income

For the year ended 30 June 2013

	NOTE	2013 $000	2012 $000
CAPITAL MARKETS OPERATIONS			
Net interest income			
Interest income	4	**3 529 909**	9 427 424
Interest expense	4	**(3 326 556)**	(9 383 618)
		203 353	43 806
Other income			
Fees	6	**69 112**	58 514
Lease income		**48 321**	42 281
Amortisation of cross border lease deferred income		**6 438**	6 438
		123 871	107 233
Expenses			
Administration expenses	7	**(57 159)**	(68 674)
Depreciation on leased assets		**(31 808)**	(27 911)
Loss on sale of property, plant and equipment		**(9)**	-
Other expenses		**26**	20
		(88 950)	(96 565)
Share of associate's net profit		**521**	491
Profit from capital markets operations before income tax		**238 795**	54 965
Income tax expense	8	**(15 911)**	(8 056)
Profit from capital markets operations after income tax		**222 884**	46 909
LONG TERM ASSETS			
Net return from investments in long term assets			
Net change in fair value of unit trusts	5	**3 370 042**	2 556 924
Interest on fixed rate notes		**(2 302 032)**	(2 285 211)
Management fees		**(77 662)**	(84 484)
Profit from long term assets		**990 348**	187 229
Total net profit for the year after tax		**1 213 232**	234 138
Total comprehensive income attributable to the owner		**1 213 232**	234 138
Total comprehensive income derived from:			
Capital markets operations	3	**222 884**	46 909
Long term assets	3	**990 348**	187 229
Total comprehensive income		**1 213 232**	234 138

The notes on pages 28 to 57 are an integral part of these financial statements.

Note: Throughout these financial statements the capital markets operations and the long term assets operations have been disclosed separately to distinguish between QTC's main central treasury management role and its additional responsibilities following the transfer of the State's superannuation and other long-term assets (refer notes 1 and 3).

Balance sheet

As at 30 June 2013

	NOTE	2013 $000	2012 $000
ASSETS			
Capital markets operations			
Cash		**197**	743
Receivables	9	**3 568**	9 022
Financial assets at fair value through profit or loss	10	**20 194 045**	17 126 850
Derivative financial assets	11	**788 461**	475 056
Onlendings	12	**79 118 832**	72 289 635
Property, plant and equipment	13	**322 697**	286 131
Investments accounted for using the equity method	30	**1 407**	1 377
Intangible assets	14	**4 147**	5 110
Deferred tax asset	8	**2 132**	2 438
		100 435 486	90 196 362
Long term assets			
Financial assets at fair value through profit or loss	10	**29 767 721**	29 182 448
		29 767 721	29 182 448
Total Assets		**130 203 207**	119 378 810
LIABILITIES			
Capital markets operations			
Payables	15	**138 809**	106 020
Tax liabilities	8	**15 635**	8 619
Derivative financial liabilities	16	**167 726**	247 589
Financial liabilities at fair value through profit or loss			
- Interest bearing liabilities	17	**93 274 588**	84 268 842
- Client deposits	17	**6 127 695**	5 077 143
		99 724 453	89 708 213
Long term assets			
Financial liabilities at amortised cost	18	**31 447 603**	31 852 678
		31 447 603	31 852 678
Total Liabilities		**131 172 056**	121 560 891
Net Assets		**(968 849)**	(2 182 081)
EQUITY			
Capital markets operations			
Retained surplus		**711 033**	488 149
		711 033	488 149
Long term assets			
Retained deficit		**(1 679 882)**	(2 670 230)
		(1 679 882)	(2 670 230)
Total Equity		**(968 849)**	(2 182 081)

The notes on pages 28 to 57 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2013

	CAPITAL MARKETS OPERATIONS	LONG TERM ASSETS	
	RETAINED SURPLUS $000	RETAINED SURPLUS $000	TOTAL EQUITY $000
Balance at 1 July 2011	441 240	(2 857 459)	(2 416 219)
Profit for the year	46 909	187 229	234 138
Balance at 30 June 2012	488 149	(2 670 230)	(2 182 081)
Balance at 1 July 2012	**488 149**	**(2 670 230)**	**(2 182 081)**
Profit for the year	**222 884**	**990 348**	**1 213 232**
Balance at 30 June 2013	**711 033**	**(1 679 882)**	**(968 849)**

The notes on pages 28 to 57 are an integral part of these financial statements.

Statement of cash flows

For the year ended 30 June 2013

	NOTE	2013 $000	2012 $000
CAPITAL MARKETS OPERATIONS			
Cash flows from operating activities			
Interest received from onlendings		**3 995 758**	3 436 540
Interest received from investments		**988 338**	848 000
Interest received – other		**49 961**	43 440
Fees received		**68 975**	58 475
GST paid to suppliers		**(14 175)**	(13 131)
GST refunds from ATO		**17 021**	10 818
GST paid to ATO		**(6 236)**	(5 135)
GST received from clients		**6 250**	5 207
Interest paid on interest-bearing liabilities		**(4 006 685)**	(4 195 720)
Interest paid on deposits		**(169 177)**	(170 683)
Administration expenses paid		**(52 504)**	(53 830)
Income tax paid		**(8 588)**	(20 585)
Net cash provided by/(used in) operating activities	19	**868 938**	(56 604)
Cash flows from investing activities			
Proceeds from sale of investments		**40 610 160**	74 752 834
Payments for investments		**(43 718 896)**	(71 843 789)
Net onlendings		**(8 081 846)**	(8 474 211)
Payments for property, plant and equipment		**(69 750)**	(91 079)
Payments for intangibles		**(1 166)**	(5 454)
Proceeds from sale of property, plant and equipment		**13**	-
Dividend received		**491**	89
Net cash used in investing activities		**(11 260 994)**	(5 661 610)
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		**58 192 475**	65 942 151
Repayment of interest-bearing liabilities		**(48 850 999)**	(59 730 111)
Net deposits		**1 050 034**	(484 249)
Net cash provided by financing activities		**10 391 510**	5 727 791
Net (decrease)/increase in cash held		**(546)**	9 577
Cash at 1 July		**743**	(8 834)
Net cash at 30 June		**197**	743

LONG TERM ASSETS

No external cashflow is generated from the long term assets (refer notes 1 and 3).

The notes on pages 28 to 57 are an integral part of these financial statements.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

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1 General information

Queensland Treasury Corporation (QTC) is constituted under the *Queensland Treasury Corporation Act 1988* (the Act), with the Under Treasurer designated as the Corporation Sole under section 5 (2) of the Act.

QTC is the State's central financing authority and corporate treasury services provider, with responsibility for providing debt funding, liability management, cash management and financial risk management advice to public sector clients. These services, which form part of QTC's Capital Markets Operations segment, are undertaken on a cost-recovery basis with QTC lending at an interest rate based on its cost of funds and with the benefits/costs of liability and asset management being passed on to its clients being Queensland public sector entities.

QTC's Capital Markets Operations can generate a profit, however, largely reflecting the interest earned from the investment of its equity. In undertaking its Capital Markets activities, QTC maintains adequate capital to manage its risks.

QTC holds a portfolio of assets which were transferred to QTC by the State Government. These assets are the investments of QTC's Long Term Assets segment and are held to fund superannuation and other long-term obligations of the State such as insurance and long service leave. In return, QTC has issued to the State fixed rate notes which has resulted in the State receiving a fixed rate of return on the notes, while QTC bears the impact of fluctuations in the value and returns on the asset portfolio (refer notes 3 & 5).

The Long Term Asset Advisory Board is responsible for the oversight of the Long Term Assets which do not form part of QTC's day-to-day Capital Markets Operations. The Long Term Assets are held in unit trusts managed by QIC Limited (QIC).

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements for the year ended 30 June 2013 have been prepared in accordance with the requirements of the *Financial Accountability Act 2009* and Australian Accounting Standards and Interpretations, adopted by the Australian Accounting Standards Board.

Compliance with International Financial Reporting Standards

QTC's financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. While QTC is designated as a not-for-profit entity, the Corporation has elected to comply with the requirements of IFRS as if it is a for-profit entity.

New accounting standards

A number of new and amended accounting standards are mandatory from 1 July 2012. None of these have been deemed to have a material impact on the financial statements or the performance of the Corporation.

Standards and interpretations not yet adopted

Certain new accounting standards have been published that are not mandatory for the current reporting period. The Corporation's assessment of the impact of these standards and interpretations are set out below.

Effective for annual periods beginning on or after 1 January 2013:

- AASB 10 *Consolidated Financial Statements* requires a parent to present consolidated financial statements as those of a single economic entity and introduces a single model of control. This is wider than the current definition of control and is based on an entity's exposure to the rights and variability of returns through power to direct the activities of an investee.
- AASB 11 *Joint Arrangements* clarifies all joint arrangements as either joint operations or joint ventures based on the rights and obligations of the arrangement. It requires joint ventures where each party has rights to the net assets of the arrangement to be accounted for using the equity method. This is consistent with QTC's current accounting policy for joint venture entities.
- AASB 12 *Disclosure of Involvement with Other Entities* requires qualitative and quantitative disclosures on an entity's interest in, and judgements applied to subsidiaries, joint arrangements, associates and other structured entities.
- AASB 13 *Fair Value Measurement* replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. For all assets and liabilities which are measured at fair value, entities are required to disclose how fair value measurement is determined based on the three level hierarchy system currently used for financial assets and financial liabilities.

Effective for annual periods beginning on or after 1 January 2015:

- AASB 9 *Financial Instruments*, replaces AASB 139 *Financial Instruments*. The new standard specifies new recognition and measurement requirements for financial assets within the scope of AASB 139. The amendments require financial assets to be measured at fair value through profit or loss unless they meet the criteria for amortised cost measurement. For financial liabilities, AASB 9 has largely adopted the recognition and measurement criteria currently contained in AASB 139. One key difference is in relation to the recognition of "own credit" movements for liabilities measured at fair value. Under the revised standard, any change in fair value attributable to an entity's own credit risk is to be shown in other comprehensive income, not as part of profit or loss. An exemption applies to entities which have offsetting risk profiles which allows QTC to measure both financial assets and financial liabilities at fair value through profit or loss. Therefore this is not expected to change the current practice of measuring changes in fair value movements of financial instruments through profit or loss.

Other than as noted above, the adoption of various Australian Accounting Standards and Interpretations on issue but not yet effective is not expected to have a material impact on the financial statements of the Corporation. However, the pronouncements may result in changes to how information is currently disclosed.

Basis of measurement

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Functional and presentation currency

These financial statements are presented in Australian dollars, which is QTC's functional currency.

Classification of assets and liabilities

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

(b) Change in accounting policy

On 1 July 2012, the Corporation changed its accounting policy in relation to the recognition of reserves. At 30 June 2012, QTC held $160.819 million in a reserve for credit risk and $27.0 million in a reserve for basis risk. These reserves are measured for capital adequacy purposes but are not required to be recognised for accounting purposes under Australian Accounting Standards. The change in accounting policy has been made voluntarily to provide greater consistency with market practice around the presentation of these reserves. There is no impact on the financial position of QTC as the change is simply a reclassification to retained earnings within equity.

Comparative figures for 2011-12 have been restated, as required under AASB 108. However, there are no changes to the Statement of Comprehensive Income, Statement of Cash Flows or net assets in the Balance Sheet of QTC due to the reclassification of reserves to retained earnings within equity.

(c) Investment in joint venture entity

QTC's investment in Local Government Infrastructure Services Pty Ltd is accounted for using the equity method in the financial statements. Under the equity method, the share of the profits or losses of the joint venture is recognised in the statement of comprehensive income, and the share of movement in equity is recognised in the balance sheet. Investments in joint venture entities are carried at the equity accounted amount (refer note 30).

(d) Investments in other companies

Investments in other companies are accounted for at cost (refer note 31). The principal activity of QTC's main investment company, Queensland Treasury Holdings Pty Ltd (QTH), is to act as a corporate vehicle through which the Queensland Government undertakes activities of strategic importance to the State.

Queensland Treasury holds a 60 per cent beneficial interest in QTH. The remaining 40 per cent is held by QTC for and on behalf of the Under Treasurer as Corporation Sole of QTC.

QTC does not have significant influence over the financial and operating policies of QTH and therefore does not apply the equity method of accounting to the investment.

(e) Foreign currency

Foreign currency transactions are initially translated into Australian dollars at the rate of exchange applying at the date of the transaction. At balance date, amounts payable to and by QTC in foreign currencies have been valued using current exchange rates after taking into account interest rates and accrued interest.

Exchange gains/losses are brought to account in the statement of comprehensive income.

(f) Cash

Cash assets include only those funds held at bank and do not include money market deposits.

(g) Financial assets and financial liabilities

Recognition and derecognition

Financial assets and financial liabilities are recognised in the balance sheet when QTC becomes party to the contractual provisions of the financial instrument which is the settlement date of the transaction.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by QTC.

A financial liability is removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

Measurement

Financial assets and liabilities at fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction.

QTC uses mid-market rates as the basis for establishing fair values of quoted financial instruments with offsetting risk positions. In general, the risk characteristics of funds borrowed, together with the financial derivatives used to manage interest rate and foreign currency risks, closely match those of funds onlent. In all other cases, the bid-offer spread is applied where material.

Financial liabilities at amortised cost are measured using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or interest expense over the relevant period. In this way, interest is recognised in the statement of comprehensive income in the period in which it accrues.

Classification

Financial instruments on initial recognition are classified into the following categories:

- Receivables
- Onlendings
- Derivative financial instruments
- Financial assets at fair value through profit or loss
- Financial liabilities at fair value through profit or loss, and
- Financial liabilities at amortised cost.

QTC's accounting policies for significant financial assets and financial liabilities are listed below.

Onlendings

Onlendings, with the exception of loans to cooperative housing societies, are included in the balance sheet at market or fair value which is the redemption value. Loans to cooperative housing societies are based on the balance of each housing society's loans to its members adjusted where necessary for a specific provision for impairment (refer note 2 (x)).

Derivative financial instruments

QTC uses derivative financial instruments to hedge its exposure to interest rate, foreign currency and credit risks as part of asset and liability management activities. In addition they may be used to deliver long term floating rate or long term fixed rate exposure. In accordance with its treasury policy, QTC does not hold or issue derivative financial instruments for speculative purposes.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for Capital Markets Operations and investments held in unit trusts (Long Term Assets).

- **Financial assets – Capital Markets Operations**
  Financial assets – Capital Markets Operations, include investments in money market deposits, discount securities, semi-government bonds and floating rate notes. Unrealised gains and losses are brought to account in the statement of comprehensive income.
- **Investments in unit trusts – Long Term Assets**
  Investments in unit trusts consist of investments held and managed by QIC and include Australian equities, international equities and other diversified products (refer note 10). These investments are measured at market value based on the hard close unit price quoted by QIC adjusted for fees outstanding on the account and net of any GST recoverable.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include interest-bearing liabilities and deposits. Unrealised gains and losses are brought to account in the statement of comprehensive income.

- **Interest-bearing liabilities**
  Interest-bearing liabilities mainly consist of Australian and overseas bonds. Australian bonds include QTC's domestic, capital indexed and public bonds. Overseas bonds include global bonds and Eurobonds. Global bonds are Australian dollar denominated bonds issued overseas.
- **Client deposits**
  Client deposits are accepted to either the Working Capital Facility (11AM Fund) or the Cash Fund. Income derived from the investment of these deposits accrues to depositors daily. The amount shown in the balance sheet represents the market value of deposits held at balance date.

  Collateral held and securities which are sold under agreements to repurchase are disclosed as deposits.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of fixed rate notes issued to the State Government in exchange for a portfolio of assets (Long Term Assets). The fixed rate notes are initially recognised at par value, which equated to the fair value of the financial assets acquired. Deposits and withdrawals can be made from the notes based on changes in the State Government's long-term liabilities. The notes are long-term in nature and have a term of 50 years. Interest on the fixed rate notes is capitalised monthly and the rate is reviewed annually.

(h) Collateral

QTC enters into a range of transactions with counterparties which require the lodgement of collateral subject to agreed market thresholds. Where these thresholds are exceeded, QTC may be required to either pledge assets to, or be entitled to receive pledged assets from, the counterparty to secure these transactions. The assets pledged or received are primarily in the form of cash.

(i) Settlement date accounting

Purchases and sales of financial assets and liabilities at fair value through profit or loss are recognised on settlement date. QTC accounts for any change in the fair value of the asset to be received or the liability issued during the period between the trade date and settlement date in the same way as it accounts for the acquired asset or liability.

(j) Offsetting financial instruments

QTC offsets financial assets and liabilities where there is a legally enforceable right to set off, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Repurchase agreements

Securities sold under agreements to repurchase at an agreed price are retained within the financial assets at fair value through profit or loss category while the obligation to repurchase is disclosed as a deposit.

(l) Lease arrangements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating leases, in which QTC is the lessee, are expensed on a straight line basis over the term of the lease. Leases where QTC has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception based on the present value of the minimum lease payments. The finance cost is charged to profit or loss over the lease period (refer note 24).

(m) Lease income

Lease income from operating leases where QTC is the lessor is recognised as income on a straight line basis over the lease term.

(n) Cross border leases – income recognition

The portion of the cross border lease income received which is regarded as an advisory fee for the transaction is recognised on receipt. The balance of income received is deferred and amortised over the term of each lease.

(o) Interest income and interest expense

The recognition of investment income and borrowing costs includes net realised gains/losses from the sale of investments (interest income) and the preredemption of borrowings (interest expense) together with the net unrealised gains/losses arising from holding investments and certain onlendings (interest income) and net unrealised gains/losses from borrowings (interest expense). These unrealised gains/losses are a result of revaluing to market daily.

The majority of onlendings are provided to clients on a pooled basis. Interest costs are allocated to clients based on the daily movement in the market value of the pool.

(p) Fee income

Management and professional fee income represent income earned from the management of QTC's onlendings and deposits and is recognised on an accrual basis when the service has been provided. Asset and liability management fee income integral to the yield of an originated financial instrument is recognised proportionately over the period the product is provided.

(q) Net change in fair value of investments in unit trusts

Changes in the net market value of investments are recognised in the period in which they occur. The net market value is based on the closing unit redemption

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

price and includes both realised and unrealised movements, net of allowances for costs expected to be incurred in realising these investments. Distributions are reinvested into the trusts.

(r) Profits/losses

Unless otherwise determined by the Governor in Council, the *Queensland Treasury Corporation Act 1988* requires that all profits shall accrue to the benefit of the State Consolidated Fund and all losses shall be the responsibility of the State Consolidated Fund.

(s) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Costs are recognised where asset values exceed $5,000 and includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is calculated on a straight line basis over the estimated useful life of the assets. Where depreciation relates to plant and equipment held to generate lease revenue, depreciation expenditure has been classified separately in the statement of comprehensive income as depreciation on leased assets. Land is held at fair value and is not depreciated as it has an indefinite useful life. Revaluations are undertaken with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at reporting date. A comprehensive revaluation is conducted at least once every three to five years.

Assets under construction are held at cost. Costs include expenditure that is directly attributable to the acquisition of the asset.

Depreciation rates for each class of asset are as follows:

ASSET CLASS	DEPRECIATION RATE
Land	0%
Information technology & office equipment	6 – 40%
Plant and machinery	10 – 30%

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

(t) Intangible assets

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are between two and five years.

Costs associated with the development of internally generated software are capitalised only when the designated project is technically and commercially feasible and is expected to generate future economic benefits to QTC. The expenditure capitalised comprises all directly attributable costs including some labour costs. All other costs associated with the development of software are expensed as incurred. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortisation and impairment losses. Amortisation of the asset begins when the development is complete and the asset is available for use.

Computer software development costs recognised as assets are amortised on a straight-line basis over the period of expected benefit, which is usually between three and five years.

(u) Impairment

The carrying values of non-financial assets are reviewed at each reporting date or where there is an indication of impairment. Where an asset is no longer expected to provide substantial service potential or there are significant reductions in the capabilities, functions or intended use, the asset is written down to its recoverable amount. For the purpose of impairment testing, assets are grouped by the lowest level of cash-generating unit applicable with impairment losses recorded in the statement of comprehensive income.

(v) Income tax

QTC is exempt from the payment of income tax under section 50-25 of the *Income Tax Assessment Act 1997* (as amended).

QTC makes a payment in lieu of income tax to the Queensland Government's Consolidated Fund. The calculation of the income tax liability is based on the income of certain activities controlled by QTC's Capital Markets Operations. No income tax is payable on the Long Term Assets.

In calculating the payment in lieu of income tax expense, tax effect accounting principles are adopted for income received and expenses paid in relation to the management and administration of clients' borrowings and deposits as well as for advisory services and structured finance transactions. For all other QTC operations on which a payment in lieu of income tax is made, tax effect accounting principles are not applied.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences arising from prepayments of expenditure of QTC. Deferred income tax assets are recognised for deductible temporary differences arising from accruals of expenditure, employee benefits and depreciation charged on property, plant and equipment.

Deferred tax assets are recognised where it is probable that future taxable income will be available against which the temporary differences can be utilised.

QTC's controlled and jointly controlled entities are defined as State and Territory bodies under section 24AO of the *Income Tax Assessment Act 1936* and as a consequence, are exempt from Commonwealth tax under section 24AM of this Act.

(w) Employee benefits

Employee benefit obligations such as annual leave and long service leave entitlements are measured on an undiscounted basis where the amounts are due to be settled at balance date.

A liability is recognised for short-term bonuses based on the amount expected to be paid where there is a present or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

Wages, salaries, annual and long service leave due but unpaid at reporting date are recognised in other creditors and include related on-costs such as payroll tax, worker's compensation premiums and employer superannuation contributions. As sick leave is non-vesting, this is recognised as and when this leave is taken.

Contributions made by QTC to employee contributory superannuation funds (to provide benefits for employees and their dependants on retirement, disability or death) are charged to the statement of comprehensive income. QTC is not responsible for any shortfalls.

Key executive management personnel and remuneration disclosures are made in accordance with the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury (refer note 28) and in accordance with AASB 124 *Related Party Disclosures*.

(x) Provisions

Impaired loans

Over the period 1996 to 2000, QTC, at the direction of the Queensland Government, acquired loans provided by financial institutions to a number of cooperative housing societies at a cost equivalent to book value. At the time of acquisition, there were a number of non-performing loans. Specific provisions have been made where full recovery of principal and interest is considered doubtful based on the net realisable value of the underlying security.

(y) Rounding

Amounts have been rounded to the nearest thousand dollars except for note 26, which is rounded to the nearest million dollars, and notes 28 and 29, which are in whole dollars.

(z) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(aa) Judgements and assumptions

The preparation of the financial statements requires the use of accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates may be significant to the financial statements are shown below:

Fair value of financial assets and financial liabilities

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value by reference to quoted market prices where available. The fair value of financial instruments that are not traded in an active market is determined by reference to market quotes for similar instruments or by use of valuation techniques. Judgement may be needed in selecting valuation methods or assumptions where an active market quote is not available.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

(ab) Operating result

The operating profit after tax for the year ended 30 June 2013 for the Capital Markets Operations segment was $222.9 million. QTC recorded an operating profit of $990.3 million for the Long Term Assets segment.

The accumulated net losses of $968.8 million (2012 $2.2 billion) have no impact on QTC's capacity to meet its obligations as there is no cash flow effect for QTC (refer note 19). In addition, under the *Queensland Treasury Corporation Act 1988*, any losses of the Corporation shall be the responsibility of the Consolidated Fund of the Queensland Government.

3 Segment reporting

An operating segment is identified where QTC engages in a business activity where separate financial information is evaluated regularly by the chief operating decision makers in deciding how to allocate resources.

Revenue and expenses directly associated with each business segment are included to determine their result. The accounting policies for each operating segment are applied consistently.

The results from QTC's operating segments are shown below:

SEGMENT REVENUE AND EXPENSES	FOR THE YEAR ENDED 30 JUNE 2013			FOR THE YEAR ENDED 30 JUNE 2012		
	Capital markets operations $000	Long term assets $000	Total $000	Capital markets operations $000	Long term assets $000	Total $000
Income						
Interest income	3 529 909	-	**3 529 909**	9 427 424	-	9 427 424
Net change in fair value of unit trusts	-	3 370 042	**3 370 042**	-	2 556 924	2 556 924
Other income	123 871	-	**123 871**	107 233	-	107 233
Total income	**3 653 780**	**3 370 042**	**7 023 822**	**9 534 657**	**2 556 924**	**12 091 581**
Expenses						
Interest expense	3 326 556	2 302 032	**5 628 588**	9 383 618	2 285 211	11 668 829
Depreciation on leased assets	31 808	-	**31 808**	27 911	-	27 911
Management fees	-	77 662	**77 662**	-	84 484	84 484
Other expenses	57 142	-	**57 142**	68 654	-	68 654
Total expenses	**3 415 506**	**2 379 694**	**5 795 200**	**9 480 183**	**2 369 695**	**11 849 878**
Share of associate's net profit	521	-	**521**	491	-	491
Profit before income tax	**238 795**	**990 348**	**1 229 143**	**54 965**	**187 229**	**242 194**
Income tax expense	15 911	-	**15 911**	8 056	-	8 056
Profit for the year	**222 884**	**990 348**	**1 213 232**	**46 909**	**187 229**	**234 138**

SEGMENT ASSETS AND LIABILITIES	30 JUNE 2013			30 JUNE 2012		
	Capital markets operations $000	Long term assets $000	Total $000	Capital markets operations $000	Long term assets $000	Total $000
Assets						
Onlendings	79 118 832	-	**79 118 832**	72 289 635	-	72 289 635
Financial assets	20 194 045	29 767 721	**49 961 766**	17 126 850	29 182 448	46 309 298
Other assets	1 122 609	-	**1 122 609**	779 877	-	779 877
Total assets	**100 435 486**	**29 767 721**	**130 203 207**	**90 196 362**	**29 182 448**	**119 378 810**
Liabilities						
Financial liabilities	99 402 283	31 447 603	**130 849 886**	89 345 985	31 852 678	121 198 663
Other liabilities	322 170	-	**322 170**	362 228	-	362 228
Total liabilities	**99 724 453**	**31 447 603**	**131 172 056**	**89 708 213**	**31 852 678**	**121 560 891**
Net assets	**711 033**	**(1 679 882)**	**(968 849)**	**488 149**	**(2 670 230)**	**(2 182 081)**

SEGMENT EQUITY	30 JUNE 2013			30 JUNE 2012		
	Capital markets operations $000	Long term assets $000	Total $000	Capital markets operations $000	Long term assets $000	Total $000
Equity 1 July	488 149	(2 670 230)	**(2 182 081)**	441 240	(2 857 459)	(2 416 219)
Profit after tax	222 884	990 348	**1 213 232**	46 909	187 229	234 138
Equity 30 June	**711 033**	**(1 679 882)**	**(968 849)**	**488 149**	**(2 670 230)**	**(2 182 081)**

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

4 Interest income and interest expense from capital markets operations

	FOR THE YEAR ENDED 30 JUNE 2013			
	INTEREST $000	NET UNREALISED GAIN/LOSS $000	NET REALISED GAIN/LOSS $000	TOTAL INTEREST $000
Interest income from financial assets				
Money market deposits	25 199	1	-	**25 200**
Discount securities	176 159	75	3 649	**179 883**
Commonwealth and state securities	198 725	(130 415)	94 417	**162 727**
Floating rate notes	185 754	39 230	8 030	**233 014**
Other investments	114 031	(2 139)	1 223	**113 115**
Medium-term notes	7 296	39 238	-	**46 534**
Onlendings*	3 908 008	(1 164 924)	-	**2 743 084**
Interest income from derivatives				
Forward rate agreements	-	(75 561)	125 104	**49 543**
Cross currency swaps	15 862	(39 386)	-	**(23 524)**
Credit default swaps	136	197	-	**333**
Total interest income	**4 631 170**	**(1 333 684)**	**232 423**	**3 529 909**
Interest expense from financial liabilities				
Treasury notes	71 167	(1 498)	8	**69 677**
Domestic benchmark bonds	3 579 065	(1 206 739)	828 012	**3 200 338**
Credit foncier loans	(13)	7	-	**(6)**
Floating rate notes	11 429	19	-	**11 448**
Commercial paper	10 855	532 545	-	**543 400**
Global benchmark bonds	56 413	(12 009)	11 429	**55 833**
Medium-term notes	50 212	(26 633)	(990)	**22 589**
Deposits	169 685	11	-	**169 696**
Interest expense from derivatives				
Interest rate swaps	(56 658)	(3 358)	-	**(60 016)**
Cross currency swaps	44 567	(98 997)	-	**(54 430)**
Futures contracts	-	(114 399)	(112 662)	**(227 061)**
Foreign exchange contracts	-	(452 436)	889	**(451 547)**
Other				
Registration and issue costs	8 339	-	-	**8 339**
Commissions on futures	1 490	-	-	**1 490**
Commonwealth Government Guarantee Fee	36 806	-	-	**36 806**
Total interest expense	**3 983 357**	**(1 383 487)**	**726 686**	**3 326 556**

**The majority of onlendings are provided to clients on a pooled fund basis. Interest costs are allocated to clients based on the daily movement in the market value of the pooled fund. In periods of falling interest rates, the market value of the funding pool will rise leading to higher interest income from onlendings. During the year ended 30 June 2013, long term interest rates rose while short term interest rates fell, resulting in significantly lower interest income compared to the prior year when interest rates across all terms fell.*

	FOR THE YEAR ENDED 30 JUNE 2012			
	INTEREST $000	NET UNREALISED GAIN/LOSS $000	NET REALISED GAIN/LOSS $000	TOTAL INTEREST $000
Interest income from financial assets				
Money market deposits	79 510	6	-	**79 516**
Discount securities	376 079	686	1 258	**378 023**
Commonwealth and state securities	255 900	6 497	402 380	**664 777**
Floating rate notes	200 671	(7 139)	773	**194 305**
Other investments	79 667	19 785	11 019	**110 471**
Medium-term notes	8 189	11 283	-	**19 472**
Onlendings	3 634 251	4 165 171	-	**7 799 422**
Interest income from derivatives				
Forward rate agreements	-	90 509	86 136	**176 645**
Cross currency swaps	27 584	(24 325)	-	**3 259**
Credit default swaps	1 585	(51)	-	**1 534**
Total interest income	**4 663 436**	**4 262 422**	**501 566**	**9 427 424**
Interest expense from financial liabilities				
Treasury notes	109 592	999	51	**110 642**
Domestic benchmark bonds	3 581 134	4 440 914	560 514	**8 582 562**
Credit foncier loans	(27)	6	-	**(21)**
Floating rate notes	13 207	(24)	-	**13 183**
Commercial paper	11 198	(13 737)	-	**(2 539)**
Global benchmark bonds	84 817	85 925	14 157	**184 899**
Medium-term notes	49 773	57 034	-	**106 807**
Deposits	178 939	43	-	**178 982**
Interest expense from derivatives				
Interest rate swaps	(67 428)	(52 530)	-	**(119 958)**
Futures contracts	-	(7 305)	137 412	**130 107**
Cross currency swaps	54 603	(23 932)	-	**30 671**
Foreign exchange contracts	-	(68 501)	189 976	**121 475**
Other				
Registration and issue costs	3 457	-	-	**3 457**
Commissions on futures	1 640	-	-	**1 640**
Commonwealth Government Guarantee Fee	41 711	-	-	**41 711**
Total interest expense	**4 062 616**	**4 418 892**	**902 110**	**9 383 618**

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

5 Net change in fair value of unit trusts

Changes in the fair value of the unit trusts are as follows:

ACCOUNT	2013 $000	2012 $000
QLQ Trust No. 1	**1 248 352**	1 684 057
QLQ Trust No. 2	**(636)**	27 743
QLQ Trust No. 3	**3 487**	2 459
QLQ Real Property Holding Trust	**30 858**	-
QIC Property Fund	**96 767**	96 674
QIC Diversified Infrastructure Fund No. 2	**274 971**	152 548
QIC Strategy Fund No. 2	**660 751**	115 625
QIC Strategy Fund No. 3	**2 290**	153
QIC Private Equity Fund No. 2	**224 270**	89 801
QIC Private Equity Fund No. 3	**18 483**	5 623
QIC Global Strategic Fund 2A	**21 895**	-
Queensland BioCapital Fund No. 1	**(14 205)**	2 398
Queensland BioCapital Fund No. 2	**(16 332)**	3 928
QIC Treasury Infrastructure Trust	**2**	(4)
QIC Treasury Infrastructure Trust No. 1	**754 714**	258 395
QIC Treasury Infrastructure Trust No. 2	**17**	77
QIC Treasury Infrastructure Trust No. 2 Redeemable Pref Units	**64 358**	117 597
QIC Cash Fund	**-**	145
QIC Healthcare Ventures US Dollar Cash	**-**	135
QIC Healthcare Ventures	**-**	(430)
	3 370 042	2 556 924

Refer to note 10 for details of balances held at year end and asset allocations.

6 Fees

	2013 $000	2012 $000
Fees – management [1]	**67 366**	57 200
Fees – professional	**1 033**	579
Fees – other	**713**	735
	69 112	58 514

(1) Management fees represent income earned from the management of QTC's onlendings and deposits. A further amount of $7.958 million (2012 $7.322 million), derived from fees on certain managed funds and pools is included under interest income as it forms part of the interest rate applied.

7 Administration expenses

	2013 $000	2012 $000
Salaries and related costs	**33 113**	27 405
Superannuation contributions	**3 389**	3 217
Consultants' fees (i)	**4 412**	6 859
Outsourced services (ii)	**2 131**	1 934
Depreciation on property, plant and equipment	**1 424**	1 478
Amortisation on intangible assets	**2 059**	341
Impairment on intangible assets	**-**	14 811
Computer charges	**2 563**	2 519
Property charges	**4 359**	4 314
External audit fees	**369**	438
Internal audit fees	**479**	446
Staff training and development	**417**	368
Investor and market relations program	**542**	818
Telephone, postage, printing and stationery	**474**	532
Other administration expenses	**1 428**	3 194
	57 159	68 674

(i) Consultants' fees

Legal costs professional/technical	**753**	856
Information technology	**482**	136
Contractors/secondments	**2 313**	4 859
Finance/accounting	**258**	22
Human resource management	**232**	237
Communications	**6**	57
Other	**368**	692
	4 412	6 859

(ii) Outsourced services

Information services	**1 076**	977
Registry charges	**152**	162
Domestic and international clearing charges	**770**	641
Bank charges	**106**	118
Other	**27**	36
	2 131	1 934

Notes to and forming part of the Financial Statements
For the year ended 30 June 2013

8 Income tax expense

	2013 $000	2012 $000
Current tax	**15 635**	8 589
Deferred tax	**276**	(533)
Income tax expense	**15 911**	8 056
Deferred income tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**306**	(517)
Decrease in deferred tax liabilities	**(30)**	(16)
	276	(533)
Numerical reconciliation between income tax expense and pre-tax accounting profit		
Profit for the year	**1 229 143**	242 194
Less profit from non-taxable pools:		
Capital markets operations	**(185 788)**	(27 849)
Long term assets	**(990 348)**	(187 229)
Operating profit from taxable pools	**53 007**	27 116
Tax at the Australian tax rate of 30% on taxable pools	**15 902**	8 135
Effect of non-deductible items:		
Share of profit from non-taxable entity	**(156)**	(147)
Other	**165**	68
Income tax expense	**15 911**	8 056
Income tax assets and liabilities at 30 June relates to the following:		
Deferred tax assets		
Accruals	**97**	627
Employee benefits	**2 023**	1 811
Property, plant and equipment	**12**	-
	2 132	2 438
Deferred tax liability		
Property, plant and equipment	**-**	30
Current tax liability	**15 635**	8 589
Deferred tax liability	**-**	30
Tax liabilities	**15 635**	8 619

9 Receivables

	2013 $000	2012 $000
GST receivable	**643**	3 503
Sundry debtors	**1 372**	4 174
Prepayments	**1 309**	1 101
Operating lease receivables	**244**	244
	3 568	9 022

10 Financial assets at fair value through profit or loss

CAPITAL MARKETS OPERATIONS	2013 $000	2012 $000
Money market deposits	**1 717 477**	1 016 311
Discount securities	**7 743 703**	4 483 548
Commonwealth and state securities (1)	**3 642 350**	4 251 514
Floating rate notes	**4 314 169**	4 377 749
Term deposits	**552 625**	1 686 129
Other investments	**2 223 721**	1 311 599
	20 194 045	17 126 850

(1) QTC maintains holdings of its own stocks. These holdings are netted off and therefore excluded from financial assets and financial liabilities at fair value through profit or loss (refer note 17).

The total includes investments made to manage:

- deposits of $6,127.695 million (2012 $5,077.143 million)
- surpluses of $711.033 million (2012 $488.149 million)
- cross border lease deferred income of $52.267 million (2012 $58.705 million)

The remaining investments are used to facilitate management of liquidity and interest rate risk or result from QTC borrowing in advance of requirements to manage financing/refinancing risk.

As at 30 June 2013, $8,354.4 million (2012 $8,133.3 million) of financial assets will mature after more than 12 months.

LONG TERM ASSETS	2013 $000	2012 $000
INVESTMENTS IN UNIT TRUSTS AND OTHER HOLDINGS – QIC:		
QLQ Trust No. 1	**-**	19 458 681
QLQ Trust No. 2	**-**	305 737
QLQ Trust No. 3	**29 156**	25 672
QLQ Real Property Holding Trust	**387 406**	-
QIC Property Fund	**1 216 520**	1 118 844
QIC Diversified Infrastructure Fund No. 2	**1 714 938**	1 463 208
QIC Strategy Fund No. 2	**3 451 352**	2 555 640
QIC Strategy Fund No. 3	**18 878**	7 907
QIC Private Equity Fund No. 2	**1 253 720**	848 431
QIC Private Equity Fund No. 3	**94 500**	45 702
QIC Global Strategic Fund 2A	**336 700**	-
Queensland BioCapital Fund No. 1	**7 733**	21 122
Queensland BioCapital Fund No. 2	**8 795**	24 308
QIC Treasury Infrastructure Trust	**122**	120
QIC Treasury Infrastructure Trust No. 1	**2 850 317**	2 002 790
QIC Treasury Infrastructure Trust No. 2	**87**	69
QIC Treasury Infrastructure Trust No. 2 – Redeemable Pref Units	**1 298 473**	1 304 217
Queensland Investment Trust No.2 *	**17 099 024**	-
	29 767 721	29 182 448

** Previously QLQ Trust No. 1*

MOVEMENT DURING THE YEAR:		
Opening balance	**29 182 448**	28 248 333
Net withdrawals	**(2 784 769)**	(1 622 809)
Net change in fair value of unit trusts	**3 370 042**	2 556 924
Closing balance	**29 767 721**	29 182 448

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

10 Financial assets at fair value through profit or loss continued

The underlying assets of the trusts consist of the following asset classes:

	2013 $000	2012 $000
Growth assets		
Global equities	**8 186 123**	11 497 884
Diversified alternatives & other	**4 703 300**	3 239 252
Unlisted assets		
Infrastructure	**2 351 650**	2 509 691
Private equity	**1 547 922**	1 050 568
Real estate	**2 530 256**	2 334 596
Defensive assets		
Fixed interest	**595 354**	1 108 933
Cash	**9 853 116**	7 441 524
	29 767 721	29 182 448

The Long Term Assets investments consist of units in unlisted trusts and other holdings held with QIC.

11 Derivative financial assets

	2013 $000	2012 $000
Interest rate swaps	**149 229**	185 768
Cross currency swaps	**136 217**	120 831
Forward rate agreements	**86 378**	161 938
Foreign exchange contracts	**416 637**	6 519
	788 461	475 056

12 Onlendings

	2013 $000	2012 $000
Government departments and agencies	**38 258 994**	30 520 239
Government owned corporations	**22 008 582**	21 085 227
Local governments	**6 632 514**	5 859 780
Queensland water entities	**10 881 269**	10 825 970
Statutory bodies	**757 394**	1 113 361
QTC related entities	**321 179**	2 659 158
Other bodies	**258 900**	225 900
	79 118 832	72 289 635

As at 30 June 2013, $77,520 million (2012 $70,541 million) of repayments are expected to be received after more than 12 months.

13 Property, plant and equipment

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

DESCRIPTION	LAND & BUILDINGS (1) $000	INFORMATION TECHNOLOGY AND OFFICE EQUIPMENT $000	PLANT AND MACHINERY (2) $000	TOTAL $000
GROSS CARRYING AMOUNT				
Balance at 1 July 2011	-	8 323	267 322	275 645
Acquisitions	32 682	2 766	55 631	91 079
Balance at 30 June 2012	32 682	11 089	322 953	366 724
Balance at 1 July 2012	**32 682**	**11 089**	**322 953**	**366 724**
Acquisitions	**-**	**1 345**	**40 413**	**41 758**
Disposals	**-**	**(7 108)**	**-**	**(7 108)**
Work in Progress	**28 063**	**-**	**-**	**28 063**
Balance at 30 June 2013	**60 745**	**5 326**	**363 366**	**429 437**
ACCUMULATED DEPRECIATION				
Balance at 1 July 2011	-	6 168	45 036	51 204
Depreciation expense	-	1 502	27 887	29 389
Balance at 30 June 2012	-	7 670	72 923	80 593
Balance at 1 July 2012	**-**	**7 670**	**72 923**	**80 593**
Disposals	**-**	**(7 086)**	**-**	**(7 086)**
Depreciation expense	**-**	**1 424**	**31 809**	**33 233**
Balance at 30 June 2013	**-**	**2 008**	**104 732**	**106 740**
Net book value 30 June 2012	32 682	3 419	250 030	286 131
Net book value 30 June 2013	**60 745**	**3 318**	**258 634**	**322 697**

(1) Land & buildings includes land purchased and costs incurred to construct a bus depot which is subject to a 25 year leasing arrangement.
(2) Plant and machinery consists mainly of buses and ferries which QTC leases to public sector entities under a whole-of-Government lease facility.

14 Intangible assets

	2013 $000	2012 $000
GROSS CARRYING AMOUNT		
Balance at 1 July	**8 128**	17 487
Acquisitions	**1 096**	5 452
Disposals	**(171)**	-
Writeoffs	**-**	(14 811)
Balance at 30 June	**9 053**	8 128
ACCUMULATED DEPRECIATION AND IMPAIRMENT		
Balance at 1 July	**3 018**	2 677
Disposals	**(171)**	-
Amortisation for the year	**2 059**	341
Balance at 30 June	**4 906**	3 018
Net book value 30 June	**4 147**	5 110

Notes to and forming part of the Financial Statements
For the year ended 30 June 2013

15 Payables

	2013 $000	2012 $000
Cross border lease deferred income	**52 267**	58 705
Whole of Government Debt Pool net position	**67 533**	26 738
Administration expenses	**10 868**	12 083
Employee benefits	**6 239**	5 653
Unearned revenue	**1 065**	1 061
Other creditors	**837**	1 780
	138 809	106 020

16 Derivative financial liabilities

	2013 $000	2012 $000
Interest rate swaps	**51 266**	78 064
Cross currency swaps	**116 402**	127 130
Foreign exchange contracts	**58**	42 207
Credit default swaps	**-**	188
	167 726	247 589

17 Financial liabilities at fair value through profit or loss

	2013 $000	2012 $000
INTEREST-BEARING LIABILITIES – CAPITAL MARKETS OPERATIONS		
Domestic		
Treasury notes	**1 237 105**	2 405 545
Bonds	**85 167 737**	76 637 478
Floating rate notes	**350 884**	351 142
Other	**186 182**	220 092
	86 941 908	79 614 257
Offshore		
Commercial paper	**4 013 185**	1 688 197
Bonds (1)	**1 263 077**	1 685 383
Medium-term notes	**1 056 418**	1 084 426
Floating rate notes	**-**	196 579
	6 332 680	4 654 585
Total interest-bearing liabilities	**93 274 588**	84 268 842

(1) Consists of AUD denominated global bonds which are borrowed in the United States and Euro markets.

Derivatives are used to hedge offshore borrowings resulting in no net exposure to any foreign currency.
Details of QTC's exposure to foreign currencies and the derivatives used to hedge this exposure are disclosed in note 21 (a)(i).

QTC borrowings are guaranteed by the Queensland Government under the *Queensland Treasury Corporation Act 1988*.

As at 30 June 2013, $78,662.2 million (2012 $75,398.5 million) of debt securities are expected to be settled after more than 12 months.

17 Financial liabilities at fair value through profit or loss continued

The difference between the carrying amount of financial liabilities and the amount contractually required to be paid at maturity to the holder of the obligation is set out in the following table:

AS AT 30 JUNE 2013	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
INTEREST-BEARING LIABILITIES – CAPITAL MARKETS OPERATIONS			
Domestic			
Treasury notes	**1 237 105**	**1 243 000**	**(5 895)**
Bonds	**85 167 737**	**78 280 328**	**6 887 409**
Floating rate notes	**350 884**	**350 000**	**884**
Other	**186 182**	**179 210**	**6 972**
	86 941 908	**80 052 538**	**6 889 370**
Offshore			
Commercial paper	**4 013 185**	**4 015 203**	**(2 018)**
Bonds	**1 263 077**	**1 169 002**	**94 075**
Medium-term notes	**1 056 418**	**943 111**	**113 307**
	6 332 680	**6 127 316**	**205 364**
Total interest-bearing liabilities	**93 274 588**	**86 179 854**	**7 094 734**

AS AT 30 JUNE 2012	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
INTEREST-BEARING LIABILITIES – CAPITAL MARKETS OPERATIONS			
Domestic			
Treasury notes	2 405 545	2 420 000	(14 455)
Bonds	76 637 478	68 983 329	7 654 149
Floating rate notes	351 142	350 000	1 142
Other	220 092	210 881	9 211
	79 614 257	71 964 210	7 650 047
Offshore			
Commercial paper	1 688 197	1 691 888	(3 691)
Bonds	1 685 383	1 537 179	148 204
Medium-term notes	1 084 426	906 588	177 838
Floating rate notes	196 579	196 589	(10)
	4 654 585	4 332 244	322 341
Total interest-bearing liabilities	**84 268 842**	**76 296 454**	**7 972 388**

	2013 $000	2012 $000
CLIENT DEPOSITS – CAPITAL MARKETS OPERATIONS		
Local governments	**1 930 247**	1 660 901
Government owned corporations	**1 045 335**	1 198 786
Statutory bodies	**979 605**	911 802
Queensland water entities	**223 597**	189 057
Government departments and agencies	**64 007**	135 972
QTC related entities	**57 270**	43 829
Other depositors	**201 336**	219 618
	4 501 397	4 359 965
Collateral	**552 721**	107 457
Repurchase agreements	**1 073 577**	609 721
Total deposits	**6 127 695**	5 077 143

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

18 Financial liabilities at amortised cost

	2013 $000	2012 $000
FIXED RATE NOTES – LONG TERM ASSETS		
State Government	**31 447 603**	31 852 678

The Board considers that the carrying value of financial liabilities recorded at amortised cost in the financial statements approximates their fair value.

19 Notes to the statement of cash flows

(a) Reconciliation of profit after tax to net cash provided by operating activities – capital markets operations

	2013 $000	2012 $000
Profit for the year	**222 884**	46 909
NON-CASH FLOWS IN OPERATING SURPLUS		
Interest-bearing liabilities - net unrealised (gain)/loss	**(1 309 368)**	1 991 771
Interest-bearing liabilities - net unrealised exchange (gain)/loss	**5 664**	29 722
Deposits - net unrealised loss	**11**	43
Onlendings net unrealised loss/(gain)	**1 255 992**	(4 358 197)
Financial assets at fair value through profit or loss – net unrealised loss/(gain)	**284 430**	(339 138)
Financial assets at fair value through profit or loss – net unrealised exchange gain	**(73 985)**	(11 879)
Depreciation of property, plant and equipment	**33 233**	29 389
Amortisation of intangibles	**2 059**	341
Net gain on sale of property, plant and equipment	**9**	-
Impairment of intangibles	**-**	14 811
Doubtful debts writeback cooperative housing societies	**(26)**	(20)
Share of profit from investments accounted for using the equity method	**(521)**	(491)
CHANGES IN ASSETS AND LIABILITIES		
Decrease in financial assets at fair value through profit or loss - net accrued interest	**43 878**	10 685
Increase in financial assets at fair value through profit or loss - net discount/premium	**(51 160)**	(438 485)
Decrease/(increase) in deferred tax asset	**306**	(518)
Increase in onlendings - net accrued interest	**(3 317)**	(4 684)
Decrease in receivables	**5 661**	4 265
Increase in prepayments	**(208)**	(53)
Increase in interest-bearing liabilities - net accrued interest	**107 526**	97 325
Increase in interest-bearing liabilities - net discount/premium	**305 558**	2 937 019
Decrease/(Increase) in deposits - net accrued interest	**507**	(665)
Increase/(decrease) in payables	**32 788**	(52 742)
Decrease in deferred tax liability	**(30)**	(16)
Increase/(decrease) in income tax payable	**7 047**	(11 996)
Net cash provided by/(used in) operating activities	**868 938**	(56 604)

19 Notes to the statement of cash flows continued

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

- loan advances to and redemptions from clients
- receipt and withdrawal of client deposits, and
- money market and other deposits.

(c) Long term assets

No external cashflow is generated from the Long Term Assets as deposits and withdrawals from the fixed rate notes result in a corresponding change to the investments held. Interest on the fixed rate notes is capitalised. Earnings, market movement and fees on the investment are recognised in the valuation of the investment (refer notes 2 (g) and 3).

20 Financial risk management

CAPITAL MARKETS OPERATIONS

QTC's activities expose it to a variety of financial risks including market risk (currency, interest rate and price risks), credit risk and liquidity risk. QTC's financial risk management focuses on minimising financial risk exposures and managing volatility, and seeks to mitigate potential adverse effects of financial risks on the financial performance of QTC and its clients. To assist in managing financial risk, QTC uses derivative financial instruments such as foreign exchange contracts, interest rate swaps and futures contracts to manage certain risk exposures.

QTC ensures that in undertaking its capital markets activities it has adequate capital to manage its risks. While QTC's capital is not subject to regulatory oversight, QTC operates under self-imposed capital requirements based on prudential statements published by APRA and utilises a capital adequacy approach based on Basel II: *International Convergence of Capital Measurements and Capital Standards* and applies these principles in its day to day management of capital.

Capital requirements are calculated for credit risk, market risk and operational risk with stress testing applied. Capital requirements are then applied against QTC's Tier 1 and Tier 2 capital held. Capital usage is calculated daily and monitored against approved limits with management reports presented quarterly to the Board.

All financial risk management activities are conducted within Board approved policies. The Board approves policies for overall risk management, as well as specifically for managing foreign exchange, interest rate and credit risks, the use of derivative financial instruments and managing and investing liquid funds.

Robust systems are in place for managing financial risk, and compliance with financial risk policies is monitored closely. The financial risk management process, including daily measurement and monitoring of market risk exposure, liquidity, credit risk and actual performance against benchmark performance, as well as the Counterparty Credit Limit Approvals Process, are performed by teams separate from the teams transacting and is subject to review by the Risk Management Team (comprising senior management), the Funding and Markets Committee (comprised of Board members) and the Board.

All breaches of the Financial Risk Management Policy together with the corrective action proposed or taken are required to be immediately reported to the Chief Executive and then to the next Funding and Markets Committee meeting and the next Board Meeting.

(a) Market risk

QTC's borrowing and investment operations, including borrowing in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and also to reduce the risk associated with refinancing maturing loans, exposes QTC to market risk. In addition, interest rate swaps and other derivative financial instruments are used to manage the interest rate risk as required.

As a consequence of market changes, there are residual risk positions which may result in realised and unrealised accounting gains or losses being recorded during the year. Depending on whether these transactions are held to maturity, the unrealised gains or losses may be reversed in subsequent accounting periods.

QTC uses a Board approved Value-at-Risk (VaR) framework to manage QTC's exposure to market risk complemented by other measures such as scenario analysis and PVBP (change in present value for a one basis point movement). The VaR risk measure estimates the potential mark-to-market loss over a given holding period at a 99 per cent confidence level. QTC uses the historical simulation approach to calculate VaR using 18 months of market data with a holding period of either 10 or 20 days.

QTC's investments on behalf of its clients are held in the QTC Cash Fund. Movement in credit spreads will impact on the value of the assets held in the Cash Fund resulting in unrealised mark-to-market accounting gains or losses. It has been QTC's practice to hold these assets to maturity and therefore not to pass on credit margin changes, either positive or negative, in the returns to Cash Fund participants.

(i) Foreign exchange risk

QTC has funding facilities that allow for borrowing in foreign currencies. All foreign currency borrowings are either hedged to Australian dollars (to ensure no currency risk) or invested in financial assets denominated in that currency effectively mitigating any foreign currency exposure.

At times, QTC's Cash Fund invests in foreign currency assets. These investments are always hedged through the use of derivatives to achieve a net Australian dollar exposure.

QTC enters into both forward exchange contracts and cross currency swaps to hedge the exposure of foreign currency borrowings and offshore investments from fluctuations in exchange rates.

The following table summarises the hedging effect that cross currency swaps and forward exchange contracts have had on face value offshore borrowings and investments stated in Australian dollars:

	BORROWINGS		OFFSHORE INVESTMENTS		FORWARD EXCHANGE CONTRACTS		NET EXPOSURE	
	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000	2013 $000	2012 $000
USD	**(4 015 203)**	(1 796 333)	**278 899**	268 691	**3 736 304**	1 527 642	**-**	-
CHF	**(125 552)**	(113 260)	**-**	-	**125 552**	113 260	**-**	-
NZD	**(653 660)**	(608 017)	**-**	-	**653 660**	608 017	**-**	-
EUR	**-**	(58 143)	**108 518**	107 626	**(108 518)**	(49 483)	**-**	-
YEN	**(163 899)**	(185 310)	**-**	-	**163 899**	185 310	**-**	-

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

20 Financial risk management continued

(a) Market risk continued

(ii) Interest rate risk

In managing interest rate risk on behalf of clients, the onlending portfolios are managed against duration benchmarks. Duration is a direct measure of the interest rate sensitivity of a financial instrument or a portfolio of financial instruments and quantifies the change in value of a financial instrument or portfolio due to interest rate movements. All costs or benefits of managing client debt portfolios are passed on to the client meaning that QTC is effectively immunised from interest rate risk with respect to these portfolios.

QTC's interest rate risk, which results from borrowing in advance and investing surplus funds in high credit quality, highly liquid financial investments, is managed against duration risk, yield curve risk, basis risk and VaR limits. To manage the risk of non-parallel yield curve movements, QTC manages portfolio cash flows in a series of time periods with the duration for each of these periods measured against the equivalent benchmark duration.

QTC enters into interest rate swaps, forward rate agreements and futures contracts to assist in the management of interest rate risk.

In some instances, interest rate swaps are utilised to change the interest rate exposure of medium to long term fixed rate borrowings into that of a floating rate borrowing. At times, floating to fixed swaps are undertaken to generate a fixed rate term funding profile.

Where interest rate swaps are used to manage funding, QTC is exposed to basis risk. This risk gives rise to a mark-to-market exposure due to movements between the swap curve and QTC's yield curve.

VaR IMPACT

The VaR at 30 June was as follows:

	2013	2012
Interest rate risk VaR	**$22m**	$39m

The above VaR calculation does not include the potential mark-to-market impact of changes in credit spreads on the value of assets held in the QTC Cash Fund. At 30 June 2013, QTC had an exposure of approximately $974,000 per basis point to changes in credit spreads of assets held in the QTC Cash Fund.

(b) Liquidity and financing risks

The management of liquidity is controlled via a number of formal polices including operational considerations to ensure the amount of liquid assets held by QTC meets the day to day liquidity requirements during normal conditions and under stressed market conditions. To ensure liquidity is accessible as required, QTC holds a minimum of $500 million or 20 working days' cash requirements (whichever is the higher) in 11AM cash to fund unexpected cash outflows (included in money market deposits as per note 10).

QTC maintains its domestic benchmark bond facility as its core medium to long-term funding facility and its domestic treasury note facility, euro-commercial paper facility and US commercial paper facility as its core short-term funding facilities. In addition, QTC has in place Euro and US medium-term note facilities to take advantage of funding opportunities in offshore markets. These facilities ensure that QTC is readily able to access the domestic and international financial markets. QTC's range of funding facilities is detailed in note 26.

Over 2012-13, QTC continued to develop its domestic benchmark bond curve and now has established twelve A$ benchmark bond lines with maturities ranging from 2013 to 2024.

The table below sets out the contractual cashflows relating to assets and liabilities held by QTC at balance date.

With the exception of deposits and payables, the maturity analysis for liabilities has been calculated based on the contractual cash flows relating to the repayment of the principal (face value) and interest amounts over the contractual terms.

Deposits on account of the Cash Fund and Working Capital Facility (11AM Fund) are repayable at call while deposits held as security for stock lending and repurchase agreements are repayable when the security is lodged with QTC.

With the exception of cash and receivables, the maturity analysis for assets has been calculated based on the contractual cash flows relating to the repayment of the principal (face value) and interest amounts over the contractual terms.

In relation to client onlendings, certain loans are interest only with no fixed repayment date for the principal component (ie. loans are made based on the quality of the client's business and its financial strength). For the purposes of completing the maturity analysis, the principal component of these loans has been included in the more than five year time band with no interest payment assumed in this time band.

CONTRACTUAL MATURITIES AS AT 30 JUNE 2013	3 MONTHS OR LESS $000	3 – 6 MONTHS $000	6 – 12 MONTHS $000	1 – 5 YEARS $000	MORE THAN 5 YEARS $000	TOTAL $000	FAIR VALUE $000
FINANCIAL ASSETS							
Cash	197	-	-	-	-	**197**	**197**
Receivables	3 568	-	-	-	-	**3 568**	**3 568**
Onlendings #	1 602 981	1 405 425	2 810 851	19 574 610	74 318 643	**99 712 510**	**79 118 832**
Money market deposits	1 717 479	-	-	-	-	**1 717 479**	**1 717 477**
Discount securities	6 560 300	1 225 000	-	-	-	**7 785 300**	**7 743 703**
Commonwealth and semi-government securities	84 953	63 326	118 814	1 937 821	2 155 984	**4 360 898**	**3 642 350**
Floating rate notes	460 780	319 505	234 992	3 661 988	-	**4 677 265**	**4 314 169**
Term deposits	253 816	304 941	-	-	-	**558 757**	**552 626**
Other investments	302 670	150 129	226 646	1 693 286	-	**2 372 731**	**2 223 721**
Total monetary assets	**10 986 744**	**3 468 326**	**3 391 303**	**26 867 705**	**76 474 627**	**121 188 705**	**99 316 643**
FINANCIAL LIABILITIES							
Payables/tax liability	(138 809)	(15 635)	-	-	-	**(154 444)**	**(154 444)**
Deposits	(6 109 685)	(20 305)	-	-	-	**(6 129 990)**	**(6 127 695)**
Treasury notes	(1 006 000)	(237 000)	-	-	-	**(1 243 000)**	**(1 237 105)**
Domestic bonds	(5 528 519)	(943 810)	(2 102 146)	(45 921 806)	(50 548 588)	**(105 044 869)**	**(85 167 737)**
Floating rate notes	(352 425)	9	17	9	-	**(352 390)**	**(350 884)**
Commercial paper	(2 808 139)	(1 207 065)	-	-	-	**(4 015 204)**	**(4 013 185)**
Global bonds	(374 694)	(11 401)	(24 539)	(944 151)	-	**(1 354 785)**	**(1 263 077)**
Medium-term notes	(25 459)	(2 172)	(25 458)	(842 728)	(428 445)	**(1 324 262)**	**(1 056 418)**
Other	(18 071)	(12 802)	(21 036)	(146 315)	-	**(198 224)**	**(186 182)**
Total monetary liabilities	**(16 361 801)**	**(2 450 181)**	**(2 173 162)**	**(47 854 991)**	**(50 977 033)**	**(119 817 168)**	**(99 556 727)**
DERIVATIVES							
Interest rate swaps	33 803	8 663	(41 606)	(541 333)	(653 241)	**(1 193 714)**	**97 963**
Cross currency swaps	(455 774)	(4 395)	(58 733)	625 695	(340 831)	**(234 038)**	**19 815**
Forward rate agreements	(282 378)	(684 081)	(142 928)	1 282 477	65 090	**238 180**	**86 378**
Foreign exchange contracts	276 463	123 591	-	-	-	**400 054**	**416 579**
Net derivatives	**(427 886)**	**(556 222)**	**(243 267)**	**1 366 839**	**(928 982)**	**(789 518)**	**620 735**
Net monetary assets/(liabilities)	**(5 802 943)**	**461 923**	**974 874**	**(19 620 447)**	**24 568 612**	**582 019**	**380 651**
Cumulative	**(5 802 943)**	**(5 341 020)**	**(4 366 146)**	**(23 986 593)**	**582 019**		

#QTC's onlendings to Government owned corporation clients are based on the quality of the business and financial strength of the client. Funds are therefore onlent on the basis of these businesses being going concerns and continuing to meet key credit metrics criteria such as debt to capital and interest coverage ratios. Accordingly, a significant portion of the onlendings portfolio has a loan maturity profile which is greater than five years with the interest rate risk of these loans being managed based on the client's business risk such that the funding is structured on the underlying business profile. This results in QTC's liability maturity profile being shorter than the asset maturity profile. Though not exposing QTC to interest rate risk, this approach does require QTC to undertake periodic refinancing of its liabilities.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

20 Financial risk management continued

(b) Liquidity and financing risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2012	3 MONTHS OR LESS $000	3 – 6 MONTHS $000	6 – 12 MONTHS $000	1 – 5 YEARS $000	MORE THAN 5 YEARS $000	TOTAL $000	FAIR VALUE $000
FINANCIAL ASSETS							
Cash	743	-	-	-	-	**743**	**743**
Receivables	9 022	-	-	-	-	**9 022**	**9 022**
Onlendings	1 748 021	1 392 382	1 301 373	21 797 545	69 982 706	**96 222 027**	**72 289 635**
Money market deposits	1 016 411	-	-	-	-	**1 016 411**	**1 016 311**
Discount securities	3 278 251	1 240 000	-	-	-	**4 518 251**	**4 483 548**
Commonwealth and semi-government securities	95 267	77 703	311 781	2 456 585	2 025 297	**4 966 633**	**4 251 514**
Floating rate notes	320 058	200 537	575 919	2 773 434	259 676	**4 129 624**	**4 377 749**
Term deposits	585 873	1 121 918	-	-	-	**1 707 791**	**1 686 129**
Other investments	112 946	13 212	127 497	1 156 278	50 875	**1 460 808**	**1 311 599**
Total monetary assets	**7 166 592**	**4 045 752**	**2 316 570**	**28 183 842**	**72 318 554**	**114 031 310**	**89 426 250**
FINANCIAL LIABILITIES							
Payables/tax liability	(106 020)	(8 589)	-	(30)	-	**(114 639)**	**(114 639)**
Deposits	(5 358 799)	(20 434)	-	-	-	**(5 379 233)**	**(5 077 143)**
Treasury notes	(1 720 000)	(700 000)	-	-	-	**(2 420 000)**	**(2 405 545)**
Domestic bonds	(1 013 865)	(1 011 271)	(2 057 683)	(41 684 366)	(48 462 379)	**(94 229 564)**	**(76 637 478)**
Floating rate notes	(353 407)	(196 798)	-	-	-	**(550 205)**	**(547 721)**
Commercial paper	(464 915)	(1 226 973)	-	-	-	**(1 691 888)**	**(1 688 197)**
Global bonds	(32 380)	(15 393)	(46 070)	(1 230 104)	(538 750)	**(1 862 697)**	**(1 685 383)**
Medium-term notes	(23 620)	(2 455)	(24 116)	(200 766)	(1 081 361)	**(1 332 318)**	**(1 084 426)**
Other	(28 837)	(20 828)	(25 086)	(156 346)	(4 864)	**(235 961)**	**(220 092)**
Total monetary liabilities	**(9 101 843)**	**(3 202 741)**	**(2 152 955)**	**(43 271 612)**	**(50 087 354)**	**(107 816 505)**	**(89 460 624)**
DERIVATIVES							
Interest rate swaps	41 675	44 953	99 348	32 736	(116 689)	**102 023**	**107 704**
Cross currency swaps	(538 415)	192 356	(19 676)	(147 218)	292 330	**(220 623)**	**(6 299)**
Forward rate agreements	(237 368)	(811 209)	(492 927)	867 230	1 229 132	**554 858**	**161 938**
Foreign exchange contracts	2 226	(53 561)	-	-	-	**(51 335)**	**(35 688)**
Credit default swaps	73	(103)	-	-	-	**(30)**	**(188)**
Net derivatives	**(731 809)**	**(627 564)**	**(413 255)**	**752 748**	**1 404 773**	**384 893**	**227 467**
Net monetary assets/(liabilities)	**(2 667 060)**	**215 447**	**(249 640)**	**(14 335 022)**	**23 635 973**	**6 599 698**	**193 093**
Cumulative	**(2 667 060)**	**(2 451 613)**	**(2 701 253)**	**(17 036 275)**	**6 599 698**		

(c) Credit risk

(i) Financial markets counterparties

QTC is exposed to credit risk. Credit risk is regularly assessed, measured and managed in strict accordance with QTC's Credit Policy. Exposure to credit risk is managed through regular analysis of the ability of credit counterparties to meet payment obligations. Counterparty credit limits are changed based on QTC's view of the capacity of the counterparty to meet its obligation.

Credit exposure is QTC's estimate of its potential loss at balance date in relation to investments and derivative contracts in the event of non-performance by all counterparties. The credit exposure is calculated based on the market value of the exposure together with the VaR which takes into account the current market value, duration and interest rate and/or exchange rate volatility.

The following table represents QTC's exposure to credit risk at 30 June:

	CREDIT EXPOSURE	
	2013 $000	2012 $000
Investments	**20 858 701**	18 184 112
Derivatives		
Interest rate swaps	**1 025 761**	987 030
Cross currency swaps	**157 086**	181 732
Foreign exchange hedging contracts	**600 218**	51 477
Credit default swaps	**-**	73 723

QTC adopts a conservative approach to the management of credit risk with a strong bias to high credit quality counterparties. QTC maintains a ratings based approach in determining maximum credit exposures to counterparties which is supplemented by QTC's Credit Risk Group performing its assessment of QTC's large counterparties and special purpose issuers. The country of domicile, the counterparty's credit metrics, size of its funding programs, asset composition and quality of the underlying security are also significant considerations when determining limits.

QTC has a significant concentration of credit risk to the banking sector and in particular, the domestic banking sector. This is difficult to avoid given the size of QTC's investment portfolio and the requirement to invest with counterparties rated A- or better (92 per cent of exposures are AA- or better) and to invest in highly liquid securities.

QTC also utilises collateral arrangements to limit its derivatives' credit exposure.

Counterparty exposure by rating for all investments and derivative contracts is listed below:

		CREDIT EXPOSURE			
	RATING	2013 %	2012 %	2013 $000	2012 $000
Long-term rating	AAA	**22**	29	**5 036 145**	5 698 498
	AA+	**3**	6	**607 315**	1 060 667
	AA	**3**	1	**670 257**	254 307
	AA-	**64**	55	**14 503 213**	10 683 951
	A+	**4**	3	**1 014 792**	642 689
	A	**1**	3	**292 571**	549 871
	A-	**1**	1	**292 829**	269 081
Short-term rating	A-1+	**1**	1	**127 008**	185 726
	A-2	**1**	1	**97 636**	133 282

(ii) Onlending counterparties

Counterparties for onlendings, with the exception of some small exposures to private companies, cooperative housing societies and primary producer cooperatives, are Queensland Government sector entities and in some cases an explicit State Government guarantee exists. There is a specific State Government guarantee in place for the Suncorp-Metway Limited loans. As a consequence, these exposures are not included in QTC's total credit exposure.

LONG TERM ASSETS

The Long Term Assets are invested in unlisted unit trusts held with QIC. The trusts hold investments in a variety of financial instruments including derivatives, which expose these assets to credit risk, liquidity risk and market risk due to changes in interest rates, foreign exchange rates, property and equity prices. However, as these investments are long term in nature, market fluctuations are expected to even out over the term of the investment.

The Long Term Asset Advisory Board (LTAAB) determines the investment objectives, risk profiles and strategy for the Long Term Assets. It is responsible for formulating a strategic asset allocation to achieve the objectives of the investments in line with the required risk profile. Risk management policies are established to identify and analyse the risks and to set appropriate risk limits and controls, as well as to monitor risks and adherence against these limits.

QIC provides assistance to the LTAAB in discharging its responsibilities.

QIC's role includes recommending to the LTAAB, investment product objectives, risk profiles and strategic asset allocations to achieve objectives within the targets and risk controls set. As the lead investment manager, QIC is responsible for implementing the investment strategy.

In addition an independent oversight of the investment advice and services provided by QIC including periodic strategic reviews of QIC's activities and performance is provided by an external consultant.

The LTAAB is responsible for setting the interest rate applicable on the fixed rate note liability of QTC, which as at 30 June was 7.5 per cent. Since July 2012, LTAAB has been reducing risk in the Asset Portfolio. The revised asset classes feature reduced weights to listed equities, offset by increased weights to alternatives, global fixed interest and cash. The result is a reduction in expected return and volatility. In light of this strategy, the rate of return on the portfolio has been revised from 7.5 per cent to 7.1 per cent, effective 1 July 2013.

(a) Market risk

The Long Term Assets expose QTC to market risk, including interest rate risk, foreign currency risk, property and equity price risk, resulting from its investments in unit trusts.

Market risk is mitigated through a diversified portfolio of investments in unit trusts held with QIC in accordance with the investment strategy approved by the LTAAB (refer note 10). The investment strategy targets a widely diversified portfolio across a broad range of asset classes.

QIC adheres to prudential controls contained in the Investment Management Agreement. Under this agreement, derivative products are not permitted to be used for speculative purposes but are used as hedging instruments against existing positions or for efficient trading and asset allocation purposes to assist in achieving the overall investment returns and volatility objectives of the portfolio.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

20 Financial risk management continued

(a) Market risk continued

(i) Sensitivity analysis

The market risk of the Long Term Assets comprises the risk that the unit price of the funds in which the assets are invested will change during the next reporting period (effectively price risk). A sensitivity analysis for the key types of market risk that apply to the investments of the funds has been undertaken by QIC. QIC has provided a range of reasonably possible changes in key risk variables including the ASX 200, the MSCI World ex Australia Equities Index, the RBA official cash rate and a large number of currencies.

Based on this assessment, a reasonably possible change in profit and equity on applicable investments held at 30 June is as follows:

	2013 PRICE RISK		2013 PROFIT/EQUITY		2012 PRICE RISK		2012 PROFIT/EQUITY	
	LOW	HIGH	DECREASE $000	INCREASE $000	LOW	HIGH	DECREASE $000	INCREASE $000
INVESTMENTS IN UNIT TRUSTS – QIC:								
QLQ Trust No. 1	-	-	-	-	-8%	8%	(1 556 695)	1 556 695
QLQ Trust No. 2	-	-	-	-	-13%	15%	(39 746)	45 861
QLQ Trust No. 3	**-14%**	**15%**	**(4 082)**	**4 373**	-8%	8%	(2 054)	2 054
QLQ Real Property Holding Trust	**-15%**	**17%**	**(58 111)**	**65 859**	-	-	-	-
QIC Property Fund	**-3%**	**4%**	**(36 496)**	**48 661**	-3%	3%	(33 565)	33 565
QIC Diversified Infrastructure Fund No. 2	**-13%**	**13%**	**(222 942)**	**222 942**	-15%	15%	(219 481)	219 481
QIC Strategic Fund No. 2	**-19%**	**20%**	**(655 757)**	**690 271**	-15%	15%	(383 346)	383 346
QIC Strategic Fund No. 3	**-9%**	**10%**	**(1 699)**	**1 888**	-5%	5%	(395)	395
QIC Private Equity Fund No. 2	**-17%**	**18%**	**(213 132)**	**255 670**	-16%	16%	(135 749)	135 749
QIC Private Equity Fund No. 3	**-15%**	**16%**	**(14 175)**	**15 120**	-19%	20%	(8 683)	9 140
QIC Global Strategic Fund 2A	**-19%**	**20%**	**(63 973)**	**67 340**	-	-	-	-
Queensland BioCapital Fund No. 1	**-11%**	**11%**	**(851)**	**851**	-9%	9%	(1 901)	1 901
Queensland BioCapital Fund No. 2	**-10%**	**11%**	**(879)**	**967**	-9%	9%	(2 188)	2 188
QIC Treasury Infrastructure Trust	**-10%**	**10%**	**(12)**	**12**	-10%	10%	(12)	12
QIC Treasury Infrastructure Trust No. 1	**-10%**	**10%**	**(285 032)**	**285 032**	-10%	10%	(200 279)	200 279
QIC Treasury Infrastructure Trust No. 2	**-10%**	**10%**	**(9)**	**9**	-10%	10%	(7)	7
QIC Treasury Infrastructure Trust No. 2 redeemable pref units	**-10%**	**10**	**(129 847)**	**129 847**	-10%	10%	(130 422)	130 422
QIC Investment Trust No. 2 *	**-8%**	**7%**	**(1 367 921)**	**1 196 931**	-	-	-	-
			(3 054 918)	**2 985 773**			(2 714 523)	2 721 095

**Previously QLQ Trust No. 1*

(b) Liquidity risk

No external cashflows are generated from the Long Term Assets as deposits and withdrawals from the fixed rate notes result in a corresponding change in the investment held and do not expose QTC to liquidity risk arising from these daily movements. Interest on the fixed rate notes and distributions and fees on the Long Term Assets are capitalised.

The fixed rate notes provided to the State Government in exchange for the Long Term Assets have a term of 50 years. Due to the long term nature of this arrangement, no liquidity risk has been identified.

21 Fair value hierarchy

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 7 *Financial Instruments: Disclosures*. The three level fair value hierarchy reflects the significance of the inputs used to determine the valuation of these instruments.

All financial instruments are valued by reference to either quoted market prices or observable inputs with no significant adjustments applied to instruments held and therefore no financial instruments are classified under Level 3.

Level 1 fair value measurements are those derived directly from quoted market prices (unadjusted) in active markets for identical assets and liabilities. Financial instruments under this category consist primarily of short-term and tradable bank deposits and Commonwealth and semi-government bonds where an active market has been established.

Level 2 fair value measurements include instruments valued using quoted market prices in active markets for similar instruments or quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Financial instruments under this category include non actively traded corporate and semi-government bonds (including the QTC 2033 bond and the Capital Indexed bond), certain money market securities (commercial paper and promissory notes) and all derivatives. QTC's onlendings and client deposits are included under this category.

Level 3 fair value measurements are those derived from unobservable inputs or observable inputs to which significant adjustments have been applied.

The principal inputs to determine the valuation of financial instruments are discussed below:

- Interest rates – these are principally benchmark interest rates such as interbank rates and quoted interest rates in the swap, bond and futures markets. QTC applies mid-market rates for establishing fair values of financial instruments.
- Counterparty credit spreads – adjustments are made to market prices for changes in the credit worthiness of the counterparty.
- Interest rate and foreign currency swaps – there are observable markets for both spot and forward contracts.
- Cross currency swaps – these instruments are typically held to maturity and valued using the original trading margin to the swap curve.
- Net Asset Value (NAV) – Units in trust funds are valued by QIC using fair value methodologies. The NAV is based on the hard close unit price at balance date.

There were no transfers between Level 1 and Level 2 or out of Level 3 during the year ended 30 June 2013.

AS AT 30 JUNE 2013	QUOTED MARKET PRICES LEVEL 1 $000	OBSERVABLE MARKET INPUTS LEVEL 2 $000	UNOBSERVABLE MARKET INPUTS LEVEL 3 $000	TOTAL $000
CAPITAL MARKETS OPERATIONS				
Financial assets				
Onlendings	-	79 118 832	-	**79 118 832**
Money market deposits	1 717 477	-	-	**1 717 477**
Discount securities	7 616 756	126 947	-	**7 743 703**
Commonwealth and state securities	3 642 350	-	-	**3 642 350**
Floating rate notes	4 312 641	1 528	-	**4 314 169**
Term deposits	-	552 626	-	**552 626**
Other investments	125 102	2 098 619	-	**2 223 721**
	17 414 326	**81 898 552**	**-**	**99 312 878**
Derivative financial assets				
Interest rate swaps	-	149 229	-	**149 229**
Cross currency swaps	-	136 217	-	**136 217**
Forward rate agreements	-	86 378	-	**86 378**
Foreign exchange contracts	-	416 637	-	**416 637**
	-	**788 461**	**-**	**788 461**
Total financial assets	**17 414 326**	**82 687 013**	**-**	**100 101 339**
Financial liabilities				
Treasury notes	-	1 237 105	-	**1 237 105**
Commercial paper	-	4 013 185	-	**4 013 185**
Domestic bonds	83 529 812	1 637 925	-	**85 167 737**
Offshore bonds	1 263 077	-	-	**1 263 077**
Other	-	186 182	-	**186 182**
Medium-term notes	-	1 056 418	-	**1 056 418**
Floating rate notes	-	350 884	-	**350 884**
Client deposits	-	4 501 397	-	**4 501 397**
Collateral	-	552 721	-	**552 721**
Repurchase agreements	-	1 073 577	-	**1 073 577**
	84 792 889	**14 609 394**	**-**	**99 402 283**
Derivative financial liabilities				
Interest rate swaps	-	51 266	-	**51 266**
Cross currency swaps	-	116 402	-	**116 402**
Foreign exchange contracts	-	58	-	**58**
	-	**167 726**	**-**	**167 726**
Total financial liabilities	**84 792 889**	**14 777 120**	**-**	**99 570 009**
LONG TERM ASSETS				
Financial assets				
Investments in unit trusts – QIC	-	29 767 721	-	**29 767 721**
	-	**29 767 721**	**-**	**29 767 721**

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

21 Fair value hierarchy continued

AS AT 30 JUNE 2012	QUOTED MARKET PRICES LEVEL 1 $000	OBSERVABLE MARKET INPUTS LEVEL 2 $000	UNOBSERVABLE MARKET INPUTS LEVEL 3 $000	TOTAL $000
CAPITAL MARKETS OPERATIONS				
Financial assets				
Onlendings	-	72 289 635	-	**72 289 635**
Money market deposits	1 016 311	-	-	**1 016 311**
Discount securities	4 228 284	255 264	-	**4 483 548**
Commonwealth and state securities	4 251 514	-	-	**4 251 514**
Floating rate notes	4 375 947	1 802	-	**4 377 749**
Term deposits	-	1 686 129	-	**1 686 129**
Other investments	99 144	1 212 455	-	**1 311 599**
	13 971 200	**75 445 285**	**-**	**89 416 485**
Derivative financial assets				
Interest rate swaps	-	185 768	-	**185 768**
Cross currency swaps	-	120 831	-	**120 831**
Forward rate agreements	-	161 938	-	**161 938**
Foreign exchange contracts	-	6 519	-	**6 519**
	-	**475 056**	**-**	**475 056**
Total financial assets	**13 971 200**	**75 920 341**	**-**	**89 891 541**
Financial liabilities				
Treasury notes	-	2 405 545	-	**2 405 545**
Commercial paper	-	1 688 197	-	**1 688 197**
Domestic bonds	74 976 810	1 660 668	-	**76 637 478**
Offshore bonds	1 685 383	-	-	**1 685 383**
Other	-	220 092	-	**220 092**
Medium-term notes	-	1 084 426	-	**1 084 426**
Floating rate notes	-	547 721	-	**547 721**
Client deposits	-	4 359 965	-	**4 359 965**
Collateral	-	107 457	-	**107 457**
Repurchase agreements	-	609 721	-	**609 721**
	76 662 193	**12 683 791**	**-**	**89 345 984**
Derivative financial liabilities				
Interest rate swaps	-	78 064	-	**78 064**
Cross currency swaps	-	127 130	-	**127 130**
Credit default swaps	-	188	-	**188**
Foreign exchange contracts	-	42 207	-	**42 207**
	-	**247 589**	**-**	**247 589**
Total financial liabilities	**76 662 193**	**12 931 380**	**-**	**89 593 573**
LONG TERM ASSETS				
Financial assets				
Investments in unit trusts – QIC	-	29 182 448	-	**29 182 448**
	-	**29 182 448**	**-**	**29 182 448**

22 Concentrations of borrowings and deposits

There are no material concentrations of borrowings as these funds are raised from diversified sources through various facilities disclosed under funding facilities in note 26. Managed fund depositors are principally Queensland Government sector entities. These deposits are invested in either QTC's Cash Fund or Working Capital Facility (11AM Fund) which have a large core of liquid investments. QTC maintains regular contact with these depositors and therefore has a good knowledge of their forecast liquidity requirements.

Deposits for stock lending and repurchase agreements are invested in the Working Capital Facility (11AM Fund) which can be liquidated daily at no cost.

23 Contingent liabilities

The following contingent liabilities existed at balance date:

- With regard to certain cross border lease transactions, QTC has assumed responsibility for a significant portion of the transaction risk. If certain events occur, QTC could be liable to make additional payments under the transactions. However external advice and history to date indicate the likelihood of these events occurring is remote. In addition, QTC has provided certain guarantees and indemnities to various participants in the cross border lease transactions. Expert external advisors consider, that unless exceptional and extreme circumstances arise, QTC will not be required to make a significant payment under these guarantees and indemnities.
- To facilitate the merger of the former State owned financial institutions, Suncorp and QIDC with Metway Bank Ltd, QTC provided guarantees relating to certain obligations of the Queensland Government and Suncorp General Insurance Ltd. These guarantees are supported by counter indemnities from the Treasurer on behalf of the State of Queensland.
- QTC has provided guarantees relating to the trading activities of Ergon Energy, a Queensland Government owned corporation, to the value of $149 million (2012 $121 million) which are supported by a counter indemnity.
- QTC has provided guarantees to the value of $192 million (2012 $181 million) to support the commercial activities of various Queensland public sector entities. In each case, a counter indemnity has been obtained by QTC from the appropriate public sector entity.
- QTC lends stock on the basis that there is a simultaneous commitment by the other party to return the stock on an agreed date. These loans are made to support the liquidity of QTC bonds in the financial markets and form part of QTC's total exposure to these financial institutions. The likelihood of a loss being incurred through default by a counterparty is remote due to the high credit quality of the counterparty and the short term nature of stock lending. At 30 June 2013 and 30 June 2012, no QTC inscribed stock was lent to other financial institutions.

24 Leases

LEASE COMMITMENTS – QTC AS LESSEE

QTC has entered into the following commercial leases:

- 123 Albert Street, Brisbane, for a period of seven years, with an option to surrender the lease on 1 April 2016 or 1 April 2018. Lease payments include a 4 per cent per annum escalation factor
- 2 Cycas Lane, Eagle Farm, for a period of four years with an option to extend for an additional year. The initial four year term includes a six month rent free period to be taken at the start of the lease, and
- various motor vehicle lease agreements expiring within one to three years.

The future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2013 $000	2012 $000
Leases payable		
Not longer than 1 year	**3 324**	2 357
Longer than 1 year but not longer than 5 years*	**6 305**	7 042
	9 629	9 399

** Excludes any payments due on early surrender of lease.*

LEASING ARRANGEMENTS – QTC AS LESSOR

Operating leases

QTC has entered into operating leases as lessor under the whole of government lease facility which consists mainly of buses and ferries. These non-cancellable leases have remaining terms of between 1 and 10 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	2013 $000	2012 $000
Leases receivable		
Not longer than 1 year	**51 923**	46 859
Longer than 1 year but not longer than 5 years	**166 340**	168 245
Longer than 5 years	**34 829**	44 800
	253 092	259 904

Finance lease

QTC entered into a financial arrangement with a client comprising a headlease and sublease. Under the headlease, QTC made an upfront payment for the rights and limited obligations to a parcel of land for a term of 25 years ending 25 June 2034. Under the sublease, QTC acts as lessor and receives payments over the term.

Finance charges include interest and fees associated with the lease.

The lease is non-cancellable. Details of the minimum rental receivable under the finance lease are as follows:

	2013 $000	2012 $000
Lease receivable		
Not longer than 1 year	**3 242**	3 132
Longer than 1 year but not longer than 5 years	**14 141**	13 663
Longer than 5 years	**80 737**	84 456
	98 120	101 251
Less amounts representing finance charges (1)	**(52 405)**	(55 734)
	45 715	45 517

The present values of finance lease receivables are as follows:

	2013 $000	2012 $000
Lease receivable		
Not longer than 1 year (1)	**(98)**	(196)
Longer than 1 year but not longer than 5 years	**828**	312
Longer than 5 years	**44 985**	45 401
	45 715	45 517

(1) A component of interest is capitalised until 30 June 2014.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

25 Commitments

FORWARD STARTING FIXED RATE LOAN COMMITMENTS

QTC has entered into fixed rate loan agreements with certain clients to lock in interest rates on all or part of future borrowing requirements.

QTC's future borrowing commitments and the period in which funds are to be onlent are as follows:

	2013 $000	2012 $000
Not longer than 1 year	**1 143 782**	1 579 449
Longer than 1 year but not longer than 5 years	**690 000**	1 833 782
	1 833 782	3 413 231

OTHER COMMITMENTS

QTC has entered into an arrangement to purchase and construct a bus depot that will be leased to a public sector entity over a 25 year term.

QTC's future commitments under the construction arrangement are as follows:

	2013 $000	2012 $000
Not longer than 1 year	**9 289**	25 351
Longer than 1 year but not longer than 5 years	**-**	6 486
	9 289	31 837

26 Funding facilities

FACILITY	CURRENCY	LIMIT $M	FACE VALUE ON ISSUE 2013 $M	FACE VALUE ON ISSUE 2012 $M
Onshore facilities				
AUD Bond	AUD	Unlimited	**AUD 77 696**	AUD 70 854
Capital Indexed Bond	AUD	Unlimited	**AUD 811**	AUD 793
Treasury Note	AUD	Unlimited	**AUD 1 243**	AUD 2 420
Other	AUD	N/A	**AUD 529**	AUD 561
Offshore facilities				
Global AUD Bond	AUD	AUD 20 000	**AUD 1 169**	AUD 1 537
Euro Commercial Paper	Multicurrency	USD 10 000	**USD 1 856**	USD 1 496
US Commercial Paper	USD	USD 10 000	**USD 1 862**	USD 225
Euro Medium Term Note	Multicurrency	USD 10 000	**USD 951**	USD 1 002
US Medium Term Note	Multicurrency	USD 10 000	**-**	USD 200

27 Related party transactions

A related party is one that controls, or is controlled by, or under common control with the entity.

(a) Ultimate controlling entity

The immediate controlling entity and ultimate controlling entity is the Under Treasurer of Queensland as the Corporation Sole of QTC.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

(c) Investments in associates and other companies

Details of investments in associates and other companies are set out in notes 30 and 31.

(d) Transactions with related parties

QTC is the Queensland Government's central financing authority and corporate treasury services provider with the responsibility for sourcing and managing the debt funding to finance Queensland's borrowing requirements, whilst also providing financial and risk management advice to the Queensland Government and its public sector entities and investing the State's short to medium-term cash surpluses. Transactions undertaken with related parties during the year include the issuing of loans to public sector entities (refer note 12), the investment of cash surpluses (refer note 17), advisory, banking and company secretarial services. These transactions were in the normal course of business and on commercial terms and conditions. They exclude certain advisory and other services provided to Queensland Treasury, its associated companies and other related parties at no charge.

QTC may from time to time indirectly hold a small amount of investments in QTC Bonds via its investments in unit trusts managed by QIC. QTC does not have direct legal ownership of these assets and therefore no adjustment has been made in the financial statements.

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

Contributions to superannuation funds on behalf of employees are disclosed in note 7.

The nature and amount of any individually significant transactions with principal related parties (refer note 30 & 31) are disclosed below.

The following loans to Queensland Treasury Holdings Pty Ltd (QTH):

- a loan to purchase the rights to licence fees receivable. The market value of the loan was $153.705 million (2012 $148.056 million). Repayments of $0.011 million (2012 $0.011 million) were made during the year. Interest and fees charged totalled $5.660 million (2012 $19.228 million) which have been capitalised.
- a loan to purchase the rights to a series of fixed cashflows. The loan was fully paid out during the year (2012 market value $60.155 million). Interest and fees capitalised totalled $9.104 million (2012 $9.335 million).
- a loan to purchase shares in QR National Pty Ltd (QRN). The loan was fully paid out during the year (2012 market value $2,262.587 million). Interest and fees capitalised totalled $36.513 million (2012 $137.232 million).

A Deed of Guarantee with respect to these facilities has been provided by the State of Queensland. Under the Deed, any shortfall of moneys payable in accordance with the terms of the facilities by QTH to QTC has been guaranteed. All other terms and conditions are consistent with QTC's general lending arrangements.

QTC has interests in other government related entities through various shareholdings. These entities hold deposits (refer note 17) and loans (refer note 12) with QTC that are provided on an arm's length basis and are subject to QTC's normal terms and conditions.

28 Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of QTC, being members of the Board and the Executive Management Team.

(a) QTC Capital Markets Board

The QTC Capital Markets Board is appointed by the Governor-in-Council, pursuant to section 10(2) of the *Queensland Treasury Corporation Act 1988*. Remuneration of the Board is reviewed on an annual basis by reference to the Consumer Price Index.

(b) Executive management

Executive management are those officers who are members of the Executive Management Team involved in the strategic direction, general management and control of the major activities of the business at an organisational level.

(c) Remuneration policy

QTC employees (including executive management) are employed on individual contracts and are appointed pursuant to the *Queensland Treasury Corporation Act 1988*.

QTC seeks to attract and retain high-calibre employees with a range of skills and competencies critical to the ongoing success of QTC and its achievement of business objectives. QTC's remuneration policy serves as an attraction and retention strategy and a mechanism to drive superior performance. Structured to comprise fixed and variable remuneration (ie. performance-based incentives), the remuneration system is designed to support its business and people strategies, and reflects the (financial institutions) market and the environment in which QTC operates.

QTC's fixed remuneration policy is reviewed annually and is benchmarked against data from the Financial Institutions Remuneration Group (FIRG) taking into account corporate, team and individual performance. Fixed remuneration levels are set around the FIRG market median data.

The incentive program provides an annual incentive plan and establishes clear alignment between performance and reward with line-of-sight accountability to corporate measures and incentive targets, allocated across three performance areas (corporate, team and individual). The integrated reward program supports the delivery of corporate performance goals in QTC's business strategy and operating environment and incentives are drawn from the following as appropriate:

- corporate performance that is measured against organisational key performance indicators and success factors
- team performance achievements and contribution to corporate outcomes, particularly value delivered to QTC's clients, and
- individual performance achievements with performance measures linked to team and corporate strategy and objectives.

The QTC Board approves the entitlement to, and the quantum of, fixed remuneration and performance incentives.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

28 Key management personnel continued

(d) Remuneration by category

	2013 $	2012 $
CAPITAL MARKETS OPERATIONS		
Directors		
Short-term employment benefits (1)	**364 395**	371 636
Post-employment benefits (3)	**19 095**	20 827
Total	**383 490**	392 463
Executive management		
Short-term employment benefits (2)	**2 642 901**	3 022 115
Post-employment benefits (3)	**90 900**	140 540
Total	**2 733 801**	3 162 655

(1) Directors' short-term benefits include board members fees, and in relation to the Chairman, also includes the provision of a car park.

(2) Executive management personnel's short-term benefits include wages, annual leave, long service leave, bonuses and non-monetary benefits such as car parks and motor vehicle benefits. Long service leave is included under short-term benefits as QTC has no minimum service periods before long service leave entitlements are accrued, and staff are eligible to take long service leave after eighteen months of service.

(3) Post-employment benefits include superannuation contributions made by the Corporation.

Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.

LONG TERM ASSETS

No remuneration is payable to the directors of the Long Term Asset Advisory Board.

(i) Directors

Details of the nature and amount of each major element of the remuneration of the Directors are as follows:

	SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		TOTAL	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Gerard Bradley – Chairman (1)	**117 670**	9 701	**10 110**	829	**127 780**	10 530
Stephen Rochester – Chairman (2)	**-**	104 287	**-**	9 122	**-**	113 409
Alex Beavers – Deputy Chairman	**41 431**	45 979	**-**	-	**41 431**	45 979
Gillian Brown	**40 209**	39 576	**3 619**	3 562	**43 828**	43 138
Marian Micalizzi (3)	**22 577**	40 629	**2 032**	3 657	**24 609**	44 286
Bill Shields	**43 044**	44 856	**-**	-	**43 044**	44 856
Shauna Tomkins (3)	**22 577**	40 629	**2 032**	3 657	**24 609**	44 286
Neville Ide (4)	**46 947**	45 979	**-**	-	**46 947**	45 979
Tonianne Dwyer (5)	**14 460**	-	**1 302**	-	**15 762**	-
Stephen Bizzell (5)	**15 480**	-	**-**	-	**15 480**	-

(1) Appointed as Chairman 10 May 2012
(2) Resigned 9 May 2012 (Chairman from 1 September 2010 until 9 May 2012)
(3) Resigned 31 January 2013
(4) Appointed 1 July 2011
(5) Appointed 14 February 2013

(ii) Executive management

Details of the nature and amount of each major element of the remuneration of the executive management personnel are as follows:

	SHORT-TERM EMPLOYMENT BENEFITS (1)		POST-EMPLOYMENT BENEFITS	TOTAL
	BASE $	NON-MONETARY $	$	$
30 JUNE 2013				
Chief Executive	**575 939**	**22 744**	**16 360**	**615 043**
Chief Operating Officer (2)	**279 291**	**8 305**	**24 133**	**311 729**
Executive General Manager, Funding and Markets (3)	**414 174**	**8 305**	**17 793**	**440 272**
Executive General Manager, Business Services (3)	**266 054**	**13 901**	**16 387**	**296 342**
Executive General Manager, Client Services (3)	**265 713**	**8 305**	**16 227**	**290 245**
30 JUNE 2012				
Chief Executive	558 265	30 246	15 721	604 232
General Manager Funding and Markets	384 524	1 791	33 763	420 078
Executive General Manager	271 619	10 252	21 317	303 188
General Manager Risk	250 322	11 825	16 138	278 285
General Manager Business Solutions	243 648	13 927	16 458	274 033
General Manager Strategic Partnering	249 086	3 516	16 128	268 730
General Manager Treasury Department	244 199	3 420	21 015	268 634

(1) Short-term employment benefits exclude at-risk performance payments
(2) Appointed Chief Operating Officer 01 July 2013 (previously Executive General Manager)
(3) Appointed Executive General Manager 24 September 2012

(iii) At-risk performance payments

The aggregate at-risk performance payments to all key executive management personnel are as follows:

	YEAR OF ASSESSMENT	
	2013 $	2012 $
Executive management	**780 170**	745 475

(e) Other transactions

There were no loans to/from key management personnel during the financial year.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2013

29 Auditor's remuneration

The external auditor (Auditor-General of Queensland) does not provide any consulting services to QTC. Details of amounts paid or payable to the auditor of QTC (GST exclusive) are shown below:

	2013 $	2012 $
AUDIT SERVICES		
Audit of QTC	**375 000**	404 050

30 Investment in joint venture entity

ENTITY	PRINCIPAL ACTIVITIES	ORDINARY SHARE OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
		2013	2012	2013	2012
Local Government Infrastructure Services Pty Ltd	Provides assistance to Queensland local governments in relation to infrastructure procurement	**50%**	50%	**50%**	50%

RESULTS OF JOINT VENTURE ENTITY

Summarised financial information of jointly controlled entity:

	2013 $000	2012 $000
STATEMENT OF COMPREHENSIVE INCOME		
Revenues	**9 743**	54 048
Expenses	**8 701**	53 065
Profit before income tax expense	**1 042**	983
Income tax expense	**-**	-
Net profit	**1 042**	983
BALANCE SHEET		
Current assets	**13 253**	18 830
Total assets	**13 253**	18830
Current liabilities	**10 961**	17 059
Total liabilities	**10 961**	17 059
Net assets	**2 292**	1 771

QTC's share of the joint venture entity's results and retained profits, including movements in the carrying amount of the investment consists of:

	2013 $000	2012 $000
SHARE OF POST-ACQUISITION RETAINED PROFITS		
Share of retained profits at 1 July	**1 277**	875
Share of net result	**521**	491
Dividend received	**(491)**	(89)
Share of retained profits at 30 June	**1 307**	1 277
MOVEMENTS IN CARRYING AMOUNT OF INVESTMENT		
Carrying amount at 1 July	**1 377**	975
Share of net result	**521**	491
Dividends received	**(491)**	(89)
Carrying amount at 30 June	**1 407**	1 377

31 Investments in companies

Investments in the following companies are held at cost:

NAME	PRINCIPAL ACTIVITIES	BENEFICIAL INTEREST 2013 %	VOTING RIGHTS 2013 %	BENEFICIAL INTEREST 2012 %	VOTING RIGHTS 2012 %
Queensland Treasury Holdings Pty Ltd (QTH)	Holding company for a number of subsidiaries and strategic investments on behalf of the State of Queensland	**40**	**24**	40	24
Queensland Lottery Corporation Pty Ltd (1)	Holds the lottery licence and trade marks on behalf of the State of Queensland	**40**	**24**	40	24
DBCT Holdings Pty Ltd (1)	Owns & leases bulk coal port facilities in North Queensland	**40**	**24**	40	24
Queensland Airport Holdings (Mackay) Pty Ltd (1)	Owns the land for Mackay airport which it has leased under a 99 year lease arrangement	**40**	**24**	40	24
Queensland Airport Holdings (Cairns) Pty Ltd (1)	Owns the land for Cairns airport which it has leased under a 99 year lease arrangement	**40**	**24**	40	24
Brisbane Port Holdings Pty Ltd (1)	Holds the land for Brisbane Ports which it has leased under a 99 year lease arrangement	**40**	**24**	40	24
City North Infrastructure Pty Ltd (1, 2)	Manages the procurement of the Airport Link and Northern Busway projects	**20**	**12**	20	12
Sunshine Locos Pty Ltd (3)	Dormant	**50**	**50**	50	50
Network Infrastructure Pty Ltd (1)	Dormant	**40**	**24**	40	24

(1) Beneficial interest and voting rights in the Company are held indirectly through QTC's holdings in QTH.
(2) Remaining shares were transferred to QTH on 1 July 2013 increasing the beneficial interest to 40% and voting rights to 24%.
(3) Sunshine Locos Pty Ltd has not been consolidated into these statements due to its immaterial and dormant status.

32 Dividends

QTC is required to pay dividends to the Queensland Government as the Treasurer determines from time to time. No dividend was paid to the State of Queensland during the year (2012 nil).

33 Events subsequent to balance date

There are no other matters or circumstances which have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of QTC, the results of those operations or the state of affairs of QTC in future years.

Certificate of the Queensland Treasury Corporation

The foregoing general purpose financial statements have been prepared in accordance with the *Financial Accountability Act 2009* and other prescribed requirements.

The Directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

We certify that in our opinion:

(i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects

(ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view of Queensland Treasury Corporation's assets and liabilities, financial position and financial performance for the year ended 30 June 2013, and

(iii) the management report includes a fair review of the information required under article 3(2)(c) of the Law of January 11, 2008 on transparency requirements for issuers of securities on the Luxembourg Stock Exchange.

Signed in accordance with a resolution of the Directors.

G P BRADLEY
Chairman

P C NOBLE
Chief Executive

Brisbane
15 August 2013

Independent auditor's report

To the Capital Markets Board of Queensland Treasury Corporation

Report on the Financial Report

I have audited the accompanying financial report of Queensland Treasury Corporation, which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairman and Chief Executive.

The Board's Responsibility for the Financial Report

The Capital Markets Board (the Board), as delegated by the Corporation Sole, is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the Board also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

   (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

   (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Queensland Treasury Corporation for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year; and

   (iii) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Other Matters – Electronic Presentation of the Audited Financial Report

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

AUDITOR GENERAL
20 AUG 2013
OF QUEENSLAND

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

Management report for the year ended 30 June 2013

Review of Operations

QTC made an operating profit after tax for the year ended 30 June 2013 of AUD1,213.2 million consisting of the following operating segment results:

- **Capital Markets Operations**

During the period from 1 July 2012 to 30 June 2013, QTC continued in its ordinary course of business as the State of Queensland's central financing authority and corporate treasury services provider. The operating profit after tax for the year ended 30 June 2013 for the Capital Markets Operations segment was AUD222.9 million.

- **Long Term Assets**

QTC holds a portfolio of assets which were transferred to QTC by the State Government under an administrative arrangement. These assets are the investments of QTC's Long Term Assets segment and were accumulated to fund superannuation and other long-term obligations of the State such as insurance and long service leave. In return, QTC issued to the State fixed rate notes which has resulted in the State receiving a fixed rate of return on the notes, while QTC bears the impact of fluctuations in the value and returns on the asset portfolio.

The operating profit after tax for the Long Term Assets segment was AUD990.3 million. The accumulated net losses incurred by the Long Term Assets segment to date have no impact on QTC's capacity to meet its obligations as there is no cash flow effect for QTC. In addition, under the *Queensland Treasury Corporation Act 1988*, any losses of the Corporation shall be the responsibility of the Consolidated Fund of the Queensland Government.

Principal risks and uncertainties

Financial market conditions improved over the course of 2012-13. Some uncertainty still exists in global financial markets, particularly in relation to US monetary policy and the performance of the Chinese economy which is not expected to impact on QTC's performance or its ability to fund the State's borrowing requirement in 2013-14.

G P BRADLEY
Chairman

P C NOBLE
Chief Executive

Brisbane
15 August 2013