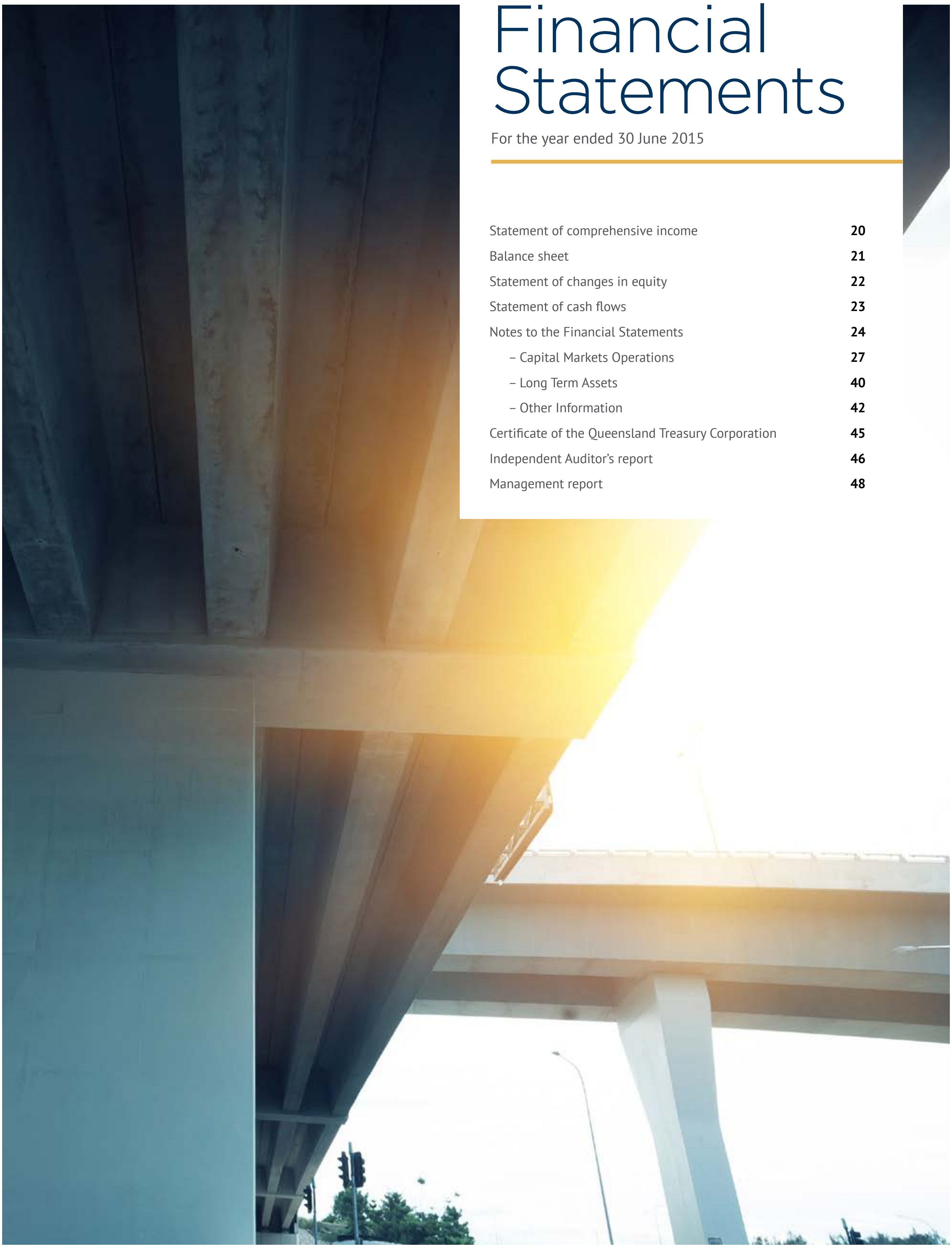

Financial Statements

For the year ended 30 June 2015

Statement of comprehensive income

For the year ended 30 June 2015

	NOTE	2015 $000	2014 $000
CAPITAL MARKETS OPERATIONS			
Net interest income			
Interest income	3	**5 633 402**	6 914 445
Interest expense	3	**(5 593 409)**	(6 814 855)
		39 993	99 590
Other income			
Fees		**69 774**	67 164
Lease income		**49 586**	49 983
Amortisation of cross border lease deferred income		**4 324**	14 322
Gain on sale of property, plant and equipment		**12**	1 159
		123 696	132 628
Expenses			
Administration expenses	4	**(67 333)**	(64 095)
Depreciation on leased assets		**(32 731)**	(33 292)
Impairment on property, plant and equipment	13	**(12 533)**	-
Other		**(27)**	(1 146)
		(112 624)	(98 533)
Profit from capital markets operations before income tax		**51 065**	133 685
Income tax expense	5	**(9 785)**	(14 465)
Profit from capital markets operations after income tax		**41 280**	119 220
LONG TERM ASSETS			
Net return from investments in long term assets			
Net change in fair value of unit trusts		**2 484 580**	5 386 325
Interest on fixed rate notes		**(2 234 064)**	(2 166 897)
Management fees		**(99 238)**	(91 471)
Profit from Long Term Assets		**151 278**	3 127 957
Total net profit for the year after tax		**192 558**	3 247 177
Total comprehensive income attributable to the owner		**192 558**	3 247 177
Total comprehensive income derived from:			
Capital Markets Operations		**41 280**	119 220
Long Term Assets		**151 278**	3 127 957
Total comprehensive income		**192 558**	3 247 177

The notes on pages 24 to 44 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 note 1).

Balance sheet

As at 30 June 2015

	NOTE	2015 $000	2014 $000
ASSETS – CAPITAL MARKETS OPERATIONS			
Cash and cash equivalents	6	**2 116 642**	2 674 962
Receivables		**4 207**	4 384
Financial assets at fair value through profit or loss	7	**18 368 652**	12 024 485
Derivative financial assets	8	**309 914**	252 543
Onlendings	9	**89 418 719**	85 609 405
Property, plant and equipment	13	**180 806**	227 558
Intangible assets		**2 752**	2 274
Deferred tax asset		**3 029**	3 134
		110 404 721	100 798 745
ASSETS – LONG TERM ASSETS			
Financial assets at fair value through profit or loss	15	**34 655 724**	33 431 249
		34 655 724	33 431 249
Total Assets		**145 060 445**	134 229 994
LIABILITIES – CAPITAL MARKETS OPERATIONS			
Payables		**67 094**	148 167
Derivative financial liabilities	8	**428 093**	344 827
Financial liabilities at fair value through profit or loss			
- Interest bearing liabilities	10	**101 431 958**	94 026 880
- Deposits	10	**7 724 892**	5 477 942
Other liabilities		**42 151**	90 676
		109 694 188	100 088 492
LIABILITIES – LONG TERM ASSETS			
Financial liabilities at amortised cost		**33 056 371**	31 983 174
		33 056 371	31 983 174
Total Liabilities		**142 750 559**	132 071 666
NET ASSETS		**2 309 886**	2 158 328
EQUITY – CAPITAL MARKETS OPERATIONS			
Retained surplus		**710 533**	710 253
		710 533	710 253
EQUITY – LONG TERM ASSETS			
Retained surplus		**1 599 353**	1 448 075
		1 599 353	1 448 075
Total Equity		**2 309 886**	2 158 328

The notes on pages 24 to 44 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2015

	NOTE	CAPITAL MARKETS OPERATIONS	LONG TERM ASSETS	
		RETAINED SURPLUS $000	RETAINED SURPLUS $000	TOTAL EQUITY $000
Balance at 1 July 2013		711 033	(1 679 882)	(968 849)
Profit for the year		119 220	3 127 957	3 247 177
Transactions with owners in their capacity as owners: Dividends provided for or paid	23	(120 000)	-	(120 000)
Balance at 30 June 2014		**710 253**	**1 448 075**	**2 158 328**
Balance at 1 July 2014		710 253	1 448 075	2 158 328
Profit for the year		41 280	151 278	192 558
Transactions with owners in their capacity as owners: Dividends provided for or paid	23	(41 000)	-	(41 000)
Balance at 30 June 2015		**710 533**	**1 599 353**	**2 309 886**

The notes on pages 24 to 44 are an integral part of these financial statements.

Statement of cash flows

For the year ended 30 June 2015

	NOTE	2015 $000	2014 $000
CAPITAL MARKETS OPERATIONS			
Cash flows from operating activities			
Interest received from onlendings		**4 200 081**	4 181 238
Interest received from investments		**530 259**	806 737
Interest received - other		**49 586**	50 089
Fees received		**69 495**	66 934
GST paid to suppliers		**(11 987)**	(9 050)
GST refunds from ATO		**11 996**	10 048
GST paid to ATO		**(5 898)**	(6 355)
GST received from clients		**10 345**	6 357
Interest paid on interest-bearing liabilities		**(4 085 107)**	(4 442 515)
Interest paid on deposits		**(201 372)**	(172 857)
Administration expenses paid		**(64 232)**	(60 090)
Income tax paid		**(15 467)**	(15 635)
Net cash provided by operating activities	14	**487 699**	414 901
Cash flows from investing activities			
Proceeds from sale of investments		**39 170 204**	36 647 908
Payments for investments		**(45 424 720)**	(30 471 584)
Net onlendings		**(2 919 503)**	(4 212 638)
Payments for property, plant and equipment		**(414)**	(11 245)
Payments for intangibles		**(2 502)**	(252)
Proceeds from sale of property, plant and equipment		**11**	4 595
Dividend received		**-**	261
Net cash (used in) / provided by investing activities		**(9 176 924)**	1 957 045
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		**38 076 222**	55 621 832
Repayment of interest-bearing liabilities		**(32 072 581)**	(56 386 648)
Net deposits		**2 247 264**	(649 842)
Dividends paid		**(120 000)**	-
Net cash provided by / (used in) financing activities		**8 130 905**	(1 414 658)
Net (decrease)/increase in cash and cash equivalents held		**(558 320)**	957 288
Cash and cash equivalents at 1 July		2 674 962	1 717 674
Cash and cash equivalents at 30 June		**2 116 642**	2 674 962
LONG TERM ASSETS			
No external cash flow is generated from the long term assets (refer note 1).			

The notes on pages 24 to 44 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2015

CONTENTS

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.

As the Queensland Government's central financing authority, QTC plays a pivotal role in securing the State's financial success. With a focus on whole-of-State outcomes, QTC provides a range of financial services to the State and its public sector entities, including local governments. These services include debt funding and management, cash management facilities, financial risk management advisory services, and specialist public finance education.

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. However QTC's Capital Markets Operations can generate a profit 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 with an interest rate of 7.1 per cent (reducing to 7.0 per cent from 1 July 2015) which is the expected long term average rate of return on the portfolio. This 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 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).

The accounting policies for each operating segment are applied consistently.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements for the year ended 30 June 2015 have been prepared in accordance with the requirements of the *Financial Accountability Act 2009* and Australian Accounting Standards 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.

Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- *Cash and cash equivalents:* QTC has amended the classification of cash and cash equivalents to include money market deposits. The change has resulted in a closer alignment of cash and cash equivalents under AASB 107 Statement of Cash Flows which defines cash and cash equivalents as 'comprising cash on hand and demand deposits including short term highly liquid investments that are readily convertible to known amounts of cash'. Comparative figures within the Balance Sheet and Statement of Cash Flows have been adjusted to reflect this change.

New accounting standards: A number of new and amended accounting standards were mandatory from 1 July 2014. While these new and amended standards may have resulted in disclosure changes, there has been no change to the amounts recognised in these statements.

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 material changes from these standards and interpretations are set out below.

Effective for annual periods beginning on or after 1 January 2017:

- AASB 15 *Revenue from Contracts with Customers* will replace AASB 111 *Construction Contracts* and AASB 118 *Revenue*. This standard establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The introduction of this standard is not expected to change the way QTC currently recognises revenue.

Effective for annual periods beginning on or after 1 January 2018:

- AASB 9 *Financial Instruments* will replace AASB 139 *Financial Instruments: Recognition and measurement*. The new standard specifies new classification and measurement requirements for financial assets and financial liabilities 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 classification and measurement criteria currently contained in AASB 139. 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 the new standard 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 minor 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) 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.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and money market deposits.

(d) 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 exit 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 with consideration for the effect of counterparty credit.

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—Capital Markets Operations

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

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

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

Onlendings

Onlendings are included in the balance sheet at market or fair value which is the redemption value.

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.

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 investments in discount securities, semi-government bonds and floating rate notes. Unrealised gains and losses are brought to account in the statement of comprehensive income.

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.
- **Deposits**
  Client deposits are accepted to either the Working Capital Facility (11AM Fund) or the QTC 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.

Classification—Long Term Assets

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

- Financial assets 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.

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include investments held in unit trusts.

- **Investments in unit trusts**
  Investments in unit trusts consist of investments held and managed by QIC and include cash, Australian equities, international equities and other diversified products (refer note 15). 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 amortised cost: Financial liabilities at amortised cost consist of fixed rate notes issued to the State Government in exchange for a portfolio of 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 have a term of 50 years. Interest on the fixed rate notes is capitalised monthly and the rate is reviewed annually.

(e) 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 pre-redemption 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.

(f) 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.

(g) 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 (refer note 11).

(h) 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.

(i) 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.

(j) Cross border leases - income recognition

Income received on cross border leases is deferred and amortised over the term of the lease.

(k) Fee income

Fee income includes:

- Management fee income which represents income earned from the management of QTC's onlendings and deposits recognised on an accrual basis when the service has been provided; and
- Professional fees which are recognised to the extent that it is probable that the economic benefits will flow to QTC, regardless of when payment is expected. In determining the extent to which revenue is recognised, QTC takes into account the size and nature of the transaction and whether it is acting as principal or agent. Where QTC is assessed as acting as an agent in a transaction, having passed on all associated significant risks and rewards to the principal, QTC would offset any costs and associated recovery in the financial statements.

(l) 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.

(m) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight line basis over the estimated useful life of the assets.

Depreciation rates for each class of asset are as follows:

Asset class	Depreciation rate
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.

(n) Intangible assets

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.

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 ten years. The amount of fully depreciated software at balance date totalled $7.701 million (2014: $2.679 million).

(o) Impairment

The carrying values of non-financial assets are reviewed at each reporting date or where there is an indication of impairment. For the purpose of impairment testing, assets are grouped by the lowest level of Cash-Generating Unit (CGU) applicable with impairment losses recorded in the statement of comprehensive income.

If an indicator of possible impairment exists, the asset's recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The asset's recoverable amount is determined as the higher of the asset's fair value less costs of disposal or value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

(p) 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 segment.

(q) Employee benefits

A liability is recognised for benefits accruing to employees in respect of salaries, annual leave, long service leave and short-term incentives 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 service and the obligation is capable of being measured reliably. These are measured on an undiscounted basis where the amounts are expected to be paid within the next 12 months. For amounts where the payment date is expected to exceed 12 months such as long service leave, future pay increases are projected and then discounted using a high quality bond rate. As sick leave is non-vesting, this is recognised as and when this leave is taken.

(r) Rounding

Amounts have been rounded to the nearest thousand dollars except for notes 20 and 21, which are in whole dollars.

(s) Comparative figures

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

(t) 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.

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

3 INTEREST INCOME AND INTEREST EXPENSE

	FOR THE YEAR ENDED 30 JUNE 2015			
	Interest $000	Net unrealised gain/loss $000	Net realised gain/loss $000	Total interest $000
Interest income				
Cash and cash equivalents	17 224	-	-	**17 224**
Financial assets through profit or loss	474 102	16 376	58 032	**548 510**
Derivative financial assets	10 059	(76 106)	43 065	**(22 982)**
Onlendings*	4 203 342	887 308	-	**5 090 650**
Total interest income	**4 704 727**	**827 578**	**101 097**	**5 633 402**
Interest expense				
Financial liabilities through profit or loss				
- Short Term	135 374	47 632	-	**183 006**
- Long Term	3 331 528	1 728 479	(6 903)	**5 053 104**
Derivative financial liabilities	212 663	(110 563)	24 747	**126 847**
Deposits	200 980	78	-	**201 058**
Other expenses	29 394	-	-	**29 394**
Total interest expense	**3 909 939**	**1 665 626**	**17 844**	**5 593 409**

	FOR THE YEAR ENDED 30 JUNE 2014			
	Interest $000	Net unrealised gain/loss $000	Net realised gain/loss $000	Total interest $000
Interest income				
Cash and cash equivalents	33 230	2	-	**33 232**
Financial assets through profit or loss	417 154	37 466	14 124	**468 744**
Derivative financial assets	11 841	(52 482)	76 326	**35 685**
Onlendings*	4 175 727	2 201 057	-	**6 376 784**
Total interest income	**4 637 952**	**2 186 043**	**90 450**	**6 914 445**
Interest expense				
Financial liabilities through profit or loss				
- Short Term	64 960	(10 409)	57	**54 608**
- Long Term	3 537 832	2 015 178	715 611	**6 268 621**
Deposits	173 093	(147)	-	**172 946**
Derivative financial liabilities	31 272	206 234	46 986	**284 492**
Other expenses	34 188	-	-	**34 188**
Total interest expense	**3 841 345**	**2 210 856**	**762 654**	**6 814 855**

** 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 2015, interest rates fell, however not to the same extent as in the previous year when the fall in long term rates was greater, resulting in higher interest income in 2014.*

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

4 ADMINISTRATION EXPENSES

	2015 $000	2014 $000
Salaries and related costs	**38 790**	37 352
Superannuation contributions	**4 120**	3 649
Contractors	**5 245**	2 280
Consultants' fees	**2 110**	3 676
Information and registry services	**2 216**	2 236
Depreciation on property, plant and equipment	**1 913**	1 904
Amortisation on intangible assets	**2 013**	2 167
Information and communication technology	**2 866**	2 489
Property charges	**3 927**	3 650
External audit fees	**384**	414
Internal audit fees	**395**	486
Staff training and development	**658**	649
Investor and market relations program	**346**	450
Other administration expenses	**2 350**	2 693
	67 333	64 095

5 INCOME TAX EXPENSE

	2015 $000	2014 $000
Current tax	**9 679**	15 467
Deferred tax expense	**106**	(1 002)
Total income tax expense recognised in the current year	**9 785**	14 465
Deferred income tax included in income tax expense comprises: Decrease/(increase) in deferred tax assets	**106**	(1 002)
	106	(1 002)

Numerical reconciliation between income tax expense and pre-tax accounting profit

	2015 $000	2014 $000
Profit for the year	**202 343**	3 261 642
Less profit from non-taxable pools:		
Capital markets operations	**(18 471)**	(86 886)
Long term assets	**(151 278)**	(3 127 957)
Operating profit from taxable pools	**32 594**	46 799
Tax at the Australian tax rate of 30% on taxable pools	**9 778**	14 040
Effect of non-deductible items:		
Loss from non-taxable entity	**-**	344
Other	**7**	81
Income tax expense	**9 785**	14 465

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

6 CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Cash at bank	**40**	546
Money market deposits	**2 116 602**	2 674 416
	2 116 642	2 674 962

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 $000	2014 $000
Discount securities	**5 539 737**	4 738 190
Commonwealth and state securities (1)	**1 181 253**	1 151 874
Floating rate notes	**6 065 543**	4 105 618
Term deposits	**4 119 685**	729 476
Other investments	**1 462 434**	1 299 327
	18 368 652	12 024 485

(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.*

As at 30 June 2015, $6,321.5 million (2014: $5,083.1 million) of financial assets will mature after more than 12 months.

8 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

	2015 $000	2014 $000
Derivative financial assets		
Interest rate swaps	**142 098**	32 701
Cross currency swaps	**166 545**	180 966
Forward rate agreements	**-**	38 704
Foreign exchange contracts	**1 271**	172
	309 914	252 543
Derivative financial liabilities		
Interest rate swaps	**290 445**	167 855
Cross currency swaps	**136 298**	112 149
Foreign exchange contracts	**1 350**	64 823
	428 093	344 827
Net derivatives	**(118 179)**	(92 284)

As at 30 June 2015, $-106.6 million (2014: -$27.9 million) of these derivatives have maturity dates exceeding 12 months.

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

9 ONLENDINGS

	2015 $000	2014 $000
Government departments and agencies	**44 938 644**	42 933 073
Government owned corporations	**20 078 008**	19 053 525
Local governments	**6 900 944**	7 478 377
Statutory bodies	**17 044 296**	15 680 569
QTC related entities	**148 302**	157 520
Other bodies	**308 525**	306 341
	89 418 719	85 609 405

As at 30 June 2015, $88,813.2 million (2014 $84,531.6 million) of repayments are expected to be received after more than 12 months.

10 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 $000	2014 $000
Interest-bearing liabilities		
Short-term		
Treasury notes	**4 879 372**	2 152 166
Commercial paper	**277 726**	2 223 522
	5 157 098	4 375 688
Long-term		
AUD Bonds	**87 283 039**	83 123 358
Floating rate notes	**7 076 527**	4 433 159
Global AUD Bonds(1)	**516 741**	766 982
Medium-term notes	**1 147 701**	1 104 502
Other	**250 852**	223 191
	96 274 860	89 651 192
Total interest-bearing liabilities	**101 431 958**	94 026 880

(1) *Consists of AUD denominated 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 11(a) (i).

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

As at 30 June 2015, $81,794.9 million (2014 $78,451.9 million) of debt securities are expected to be settled after more than 12 months.

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

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:

10 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

AS AT 30 JUNE 2015	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
Treasury notes	**4 879 372**	**4 900 000**	**(20 628)**
Commercial paper	**277 726**	**277 909**	**(183)**
	5 157 098	**5 177 909**	**(20 811)**
Long-term			
AUD Bonds	**87 283 039**	**77 752 097**	**9 530 942**
Floating rate notes	**7 076 527**	**7 055 000**	**21 527**
Global AUD Bonds	**516 741**	**486 682**	**30 059**
Medium-term notes	**1 147 701**	**1 000 288**	**147 413**
Other	**250 852**	**244 868**	**5 984**
	96 274 860	**86 538 935**	**9 735 925**
Total interest-bearing liabilities	**101 431 958**	**91 716 844**	**9 715 114**

AS AT 30 JUNE 2014	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
Treasury notes	2 152 166	2 164 000	(11 834)
Commercial paper	2 223 522	2 224 995	(1 473)
	4 375 688	4 388 995	(13 307)
Long-term			
AUD Bonds	83 123 358	74 954 343	8 169 015
Floating rate notes	4 433 159	4 422 000	11 159
Global AUD Bonds	766 982	702 972	64 010
Medium-term notes	1 104 502	1 008 477	96 025
Other	223 191	216 606	6 585
	89 651 192	81 304 398	8 346 794
Total interest-bearing liabilities	94 026 880	85 693 393	8 333 487

	2015 $000	2014 $000
Client deposits		
Local governments	**2 748 353**	1 801 076
Statutory bodies	**2 552 307**	1 729 109
Government owned corporations	**1 193 117**	594 740
Government departments and agencies	**54 897**	61 806
QTC related entities	**64 325**	68 817
Other depositors	**185 850**	201 170
	6 798 849	4 456 718
Collateral held	**104 502**	73 196
Repurchase agreements	**821 541**	948 028
	926 043	1 021 224
Total deposits	**7 724 892**	5 477 942

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11 FINANCIAL RISK MANAGEMENT

QTC's activities expose it to a variety of financial risks including market risk (interest rate, basis spreads, credit spreads and foreign exchange), 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.

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 with reports presented monthly to the Board.

All financial risk management activities are conducted within Board approved policies, as set out in the Financial Markets Risk Policy. New financial instruments must be approved by the QTC Board.

Robust systems are in place for managing financial risk and compliance with financial risk policies is monitored daily. The financial risk management process, including daily measurement and monitoring of market risk, liquidity risk, credit risk and portfolio performance and limit reviews, 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 Markets Risk 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 activities, 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.

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'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. QTC generally holds these assets to maturity and therefore QTC does not pass on the mark-to-market impact of 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. At times, QTC's Cash Fund invests in foreign currency assets. 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		DERIVATIVE CONTRACTS		NET EXPOSURE	
	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000	2015 $000	2014 $000
USD	**(227 909)**	(1 639 017)	**338 608**	104 217	**(110 699)**	1 534 800	**-**	-
NZD	**-**	(737 554)	**-**	-	**-**	737 554	**-**	-
GBP	**-**	(253 328)	**30 667**	27 142	**(30 667)**	226 186	**-**	-
YEN	**(159 542)**	(157 320)	**-**	-	**159 542**	157 320	**-**	-
CHF	**(153 759)**	(131 251)	**-**	-	**153 759**	131 251	**-**	-
EUR	**-**	-	**390 363**	58 036	**(390 363)**	(58 036)	**-**	-

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

11 FINANCIAL RISK MANAGEMENT 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 assets, is managed with consideration given to duration risk, yield curve risk, basis risk and Value-at-Risk (VaR). To manage the risk of non-parallel yield curve movements, QTC manages portfolio cash flows in a series of time periods so that the net interest rate risk in each time period can be measured.

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

In QTC's Funding and Liquidity portfolios, interest rate swaps may be utilised to change the interest rate exposure of medium to long term fixed rate borrowings into that of a floating rate borrowing. Also, at times, floating to fixed swaps may be undertaken to generate a fixed rate term funding profile.

QTC is exposed to basis risk when interest rate swaps are used in the Funding and Liquidity portfolios. Basis risk represents a mark-to-market exposure due to movements between the swap curve and QTC's yield curve.

QTC uses a Board approved Value-at-Risk (VaR) framework to manage QTC's exposure to market risk complemented by other measures such as defined stress tests and PVBP (change in the present value for a one basis point movement). The VaR 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 10 business days.

VaR impact

The VaR at 30 June, along with the minimum, maximum and average exposure over the financial year was as follows:

INTEREST RATE RISK VAR	2015 $M	2014 $M
As at 30 June	**7.7**	5.5
Average for the year	**7.9**	7.3
Financial year - minimum	**3.6**	4.0
Financial year - maximum	**12.2**	15.7

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 and the Cross Border Lease portfolio. At 30 June 2015, QTC had an exposure of approximately $0.8 million per basis point to changes in credit spreads of assets held in the QTC Cash Fund.

(b) Liquidity and financing risks

QTC has a robust internal framework whereby extensive liquidity scenario analysis and forecasting is undertaken to understand assumption sensitivities to ensure there is appropriate forward looking visibility of the State's liquidity position.

QTC debt is a Level 1 (prudentially required) asset for Australian banks under Basel III reforms with a 0% capital risk weighting. In normal and difficult market circumstances, QTC debt is likely to be in high demand. The ability to issue debt is considered a potential source of liquidity.

QTC holds appropriate liquidity (allowing for suitable haircuts of liquid assets) to meet minimum liquidity requirements as estimated today and as forecast into the future. QTC measures the minimum liquidity requirement to comfortably meet the following four scenarios simultaneously:

- Going Concern – progressively pre-fund term maturities 6 months from maturity
- Market Disruption - 90 days survival horizon (severe market circumstances)
- Name Crisis – 30 days survival horizon (extreme market circumstances)
- Standard & Poor's Liquidity Ratio – maintain a ratio greater than 80%.

Further to this QTC holds liquid assets to support Queensland Public Sector (QPS) deposits and the State's Long Term Assets. QTC considers these liquid assets as potential sources of liquidity in a liquidity crisis. To ensure liquidity is accessible as required, QTC holds a minimum of 5 working days' net cash requirements in 11AM cash to fund the net cash flows from assets and liabilities on QTC's balance sheet (included in money market deposits as per note 6).

QTC maintains its AUD 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.

The following table sets out the contractual cash flows relating to financial assets and financial 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 greater than five year time band with no interest payment assumed in this time band.

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For the year ended 30 June 2015

11 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity and financing risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2015	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 and cash equivalents	2 116 642	-	-	-	-	**2 116 642**	**2 116 642**
Receivables	4 207	-	-	-	-	**4 207**	**4 207**
Onlendings#	1 202 322	1 187 468	2 390 928	19 015 580	80 581 033	**104 377 331**	**89 418 719**
Financial assets through profit or loss	8 308 050	3 359 911	1 836 227	6 064 168	707 755	**20 276 111**	**18 368 652**
Total	**11 631 221**	**4 547 379**	**4 227 155**	**25 079 748**	**81 288 788**	**126 774 291**	**109 908 220**
Financial liabilities							
Payables	(16 416)	(50 678)	-	-	-	**(67 094)**	**(67 094)**
Deposits	(7 704 665)	(20 227)	-	-	-	**(7 724 892)**	**(7 724 892)**
Financial liabilities through profit or loss							
- Short-term	(3 152 792)	(2 025 117)	-	-	-	**(5 177 909)**	**(5 157 098)**
- Long-term	(1 401 078)	(6 277 458)	(6 987 547)	(53 680 242)	(41 081 337)	**(109 427 662)**	**(96 274 859)**
Total liabilities	**(12 274 951)**	**(8 373 480)**	**(6 987 547)**	**(53 680 242)**	**(41 081 337)**	**(122 397 557)**	**(109 223 943)**
Derivatives							
Interest rate swaps	(23 995)	(2 553)	(35 278)	(122 903)	12 629	**(172 100)**	**(148 347)**
Cross currency swaps	(273 321)	(42 709)	11 984	348 035	(282 906)	**(238 917)**	**30 247**
Foreign exchange contracts	584	(1 493)	-	-	-	**(909)**	**(79)**
Net derivatives	**(296 732)**	**(46 755)**	**(23 294)**	**225 132**	**(270 277)**	**(411 926)**	**(118 179)**
Net assets/(liabilities)	**(940 462)**	**(3 872 856)**	**(2 783 686)**	**(28 375 362)**	**39 937 174**	**3 964 808**	**566 097**
Cumulative	**(940 462)**	**(4 813 318)**	**(7 597 004)**	**(35 972 366)**	**3 964 808**		

 # A large proportion of QTC's onlendings 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 the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

11 FINANCIAL RISK MANAGEMENT CONTINUED

(b) Liquidity and financing risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2014	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 and cash equivalents	2 674 962	-	-	-	-	**2 674 962**	**2 674 962**
Receivables	4 384	-	-	-	-	**4 384**	**4 384**
Onlendings	1 360 947	1 338 062	2 692 737	19 566 983	78 295 529	**103 254 258**	**85 609 405**
Financial assets through profit or loss	5 521 286	844 820	740 228	4 723 722	798 603	**12 628 659**	**12 024 485**
Total	**9 561 579**	**2 182 882**	**3 432 965**	**24 290 705**	**79 094 132**	**118 562 263**	**100 313 236**
Financial liabilities							
Payables	(132 700)	(15 467)	-	-	-	**(148 167)**	**(148 167)**
Deposits	(5 461 658)	(20 273)	-	-	-	**(5 481 931)**	**(5 477 942)**
Financial liabilities through profit or loss							
- Short-term	(3 439 640)	(950 001)	-	-	-	**(4 389 641)**	**(4 375 688)**
- Long-term	(1 343 257)	(3 627 813)	(2 058 532)	(52 887 637)	(45 828 330)	**(105 745 569)**	**(89 651 192)**
Total	**(10 377 255)**	**(4 613 554)**	**(2 058 532)**	**(52 887 637)**	**(45 828 330)**	**(115 765 308)**	**(99 652 989)**
Derivatives							
Interest rate swaps	(9 735)	489	(19 570)	(91 777)	(19 966)	**(140 559)**	**(135 154)**
Cross currency swaps	(473 915)	(4 268)	(45 713)	693 579	(329 898)	**(160 215)**	**68 817**
Forward rate agreements	(280 000)	(314 276)	(72 365)	747 750	-	**81 109**	**38 704**
Foreign exchange contracts	(69 139)	-	-	-	-	**(69 139)**	**(64 651)**
Net derivatives	**(832 789)**	**(318 055)**	**(137 648)**	**1 349 552**	**(349 864)**	**(288 804)**	**(92 284)**
Net assets/(liabilities)	**(1 648 465)**	**(2 748 727)**	**1 236 785**	**(27 247 380)**	**32 915 938**	**2 508 151**	**567 963**
Cumulative	**(1 648 465)**	**(4 397 192)**	**(3 160 407)**	**(30 407 787)**	**2 508 151**		

(c) Credit risk

(i) Financial markets counterparties

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.

Credit exposure is QTC's estimate of the potential loss at balance date in relation to investments and derivative contracts in the event of non-performance by all counterparties. The credit exposure for non-derivative investments is calculated based on the market value of the exposure together with the VaR while exposure to derivative contracts is based only on VaR. QTC utilises collateral arrangements to limit its derivatives' credit exposure (refer (iv) master netting arrangements).

The following tables represent QTC's exposure to credit risk at 30 June:

BY CREDIT RATING(1) 30 JUNE 2015	AAA $000	AA+ $000	AA $000	AA- $000	A+ $000	A $000	OTHER(2) $000	TOTAL $000
Cash & equivalents	**-**	**-**	**-**	**2 116 642**	**-**	**-**	**-**	**2 116 642**
Financial assets(3)	**2 729 485**	**579 141**	**60 538**	**13 718 639**	**570 929**	**102 201**	**456 017**	**18 216 950**
Derivatives	**-**	**-**	**-**	**469 106**	**-**	**42 865**	**-**	**511 971**
Other	**-**	**-**	**-**	**9 190**	**852 968**	**-**	**-**	**862 158**
	2 729 485	**579 141**	**60 538**	**16 313 577**	**1 423 897**	**145 066**	**456 017**	**21 707 721**
	12%	**3%**	**-**	**75%**	**7%**	**1%**	**2%**	**100%**

BY CREDIT RATING (1) 30 JUNE 2014								
Cash & equivalents	-	-	-	2 574 757	-	100 205	-	2 674 962
Financial assets(3)	2 680 978	593 640	23 547	7 551 292	495 791	174 430	314 363	11 834 041
Derivatives	-	-	-	276 246	-	8 118	8 603	292 967
Other	-	-	-	19 909	697 059	-	-	716 968
	2 680 978	593 640	23 547	10 422 204	1 192 850	282 753	322 966	15 518 938
	17%	4%	-	67%	8%	2%	2%	100%

(1) Credit rating as per Standard & Poor's or equivalent agency

(2) Includes long term ratings of A-, or a short term rating of A-1+ & A-2

(3) Financial assets are based on unsettled face value and consist mainly of discount securities, Commonwealth & State securities, floating rate notes and term deposits

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

11 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk continued

(i) Financial markets counterparties continued

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 analysis team performing its own credit assessment of QTC's capital markets counterparties. The country of domicile, the counterparty's credit metrics, size of its funding programs, asset composition and quality of the underlying security are key 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 (90 per cent of exposures are AA- or better) and to invest in highly liquid securities.

(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 with approximately 75 per cent of these onlendings having an explicit State Government guarantee. As a consequence, these exposures are not included in QTC's total credit exposure.

(iii) Fair value attributable to credit risk of QTC's liabilities

QTC's borrowings are guaranteed by the State Government, and in the case of certain borrowings, by the Commonwealth. As a result, credit risk is not a significant factor in the determination of fair value. Changes in fair value are mainly attributable to market fluctuations and changes in market conditions.

(iv) Master netting arrangements

QTC enters into all derivative transactions under International Swaps and Derivatives Association (ISDA) Master Agreements. QTC does not currently have any master netting arrangements where a default event has occurred, and has therefore presented all derivative financial instruments on a gross basis in the statement of financial position. QTC also has Credit Support Annexes (CSAs) in place with each ISDA, under which collateral is transferred every business day. This further reduces QTC's credit exposure.

The following table presents the financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset. The column 'net amount' shows the impact on QTC's balance sheet if all set-off rights were exercised.

	GROSS AND NET AMOUNTS ON THE BALANCE SHEET $000	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENTS $000	FINANCIAL INSTRUMENTS COLLATERAL $000	NET AMOUNT $000
2015				
Derivative assets: - subject to master netting arrangements	**309 914**	**(151 521)**	**-**	**158 393**
Collateral held – cash & other	**-**	**-**	**(158 393)**	**(158 393)**
	309 914	**(151 521)**	**(158 393)**	**-**
Derivative liabilities: - subject to master netting arrangements	**(428 093)**	**151 521**	**-**	**(276 572)**
Collateral given	**-**	**-**	**266 036**	**266 036**
	(428 093)	**151 521**	**266 036**	**(10 536)**
Net exposure	**(118 179)**	**-**	**107 643**	**(10 536)**
2014				
Derivative assets: - subject to master netting arrangements - not subject to master netting arrangements	213 839 38 704	(72 490) -	- -	141 349 38 704
Collateral held – cash & other	-	-	(141 349)	(141 349)
	252 543	(72 490)	(141 349)	38 704
Derivative liabilities: - subject to master netting arrangements	(344 827)	72 490	-	(272 337)
Collateral given	-	-	239 248	239 248
	(344 827)	72 490	239 248	(33 089)
Net exposure	(92 284)	-	97 899	5 615

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

12 FAIR VALUE HIERARCHY

Financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 13 *Fair Value Measurement*. The fair value hierarchy is categorised into three levels based on the observability of the inputs used.

Level 1 – quoted prices (unadjusted) in active markets that QTC can access at measurement date for identical assets and liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments at fair value through profit or loss 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 at fair value through profit or loss are classified under Level 3.

Financial assets classified as Level 1 consist primarily of short-term and tradable bank deposits, Commonwealth and semi-government bonds and futures contracts where an active market has been established. Financial liabilities classified as Level 1 consist of QTC benchmark Bonds.

Financial assets classified as Level 2 include non-actively traded corporate and semi-government bonds, certain money market securities, floating rate notes, term deposits, QTC onlendings and all over the counter derivatives. The principal inputs in determining fair value include benchmark interest rates such as interbank rates, quoted interest rates in the swap, bond and futures markets, trading margins to the swap curve and counterparty credit spreads for similar instruments adjusted for changes in the credit worthiness of the counterparty. A margin may be applied based on the original purchase margin where the instrument is not actively traded. QTC onlendings are priced based on the underlying liability portfolio.

Financial liabilities classified as Level 2 include commercial paper, treasury notes, medium term notes, floating rate notes, QTC Capital Index Bonds, QTC 2033 Bonds and client deposits. The principal inputs in determining fair value include benchmark interest rates such as interbank rates and quoted interest rates in the swap and bond markets. Valuations may include a fixed margin to LIBOR or swap curve. Client deposits are principally held in the QTC Cash Fund which is capital guaranteed.

Over the counter derivatives are typically valued as Level 2 and include FX forwards, FX swaps, interest rate and cross currency swaps. The principal inputs in determining fair value include quoted interest rates in the swap market, spot FX and basis curves.

QTC applies mid-market pricing as a practical and consistent expedient for fair value measurements within the bid-ask spread.

Classification of instruments into fair value hierarchy levels is reviewed semi-annually and where there has been a significant change to the valuation inputs and a transfer is deemed to occur, this is effected at the end of the relevant reporting period. There were no transfers between Level 1 and Level 2 during the year ended 30 June 2015.

AS AT 30 JUNE 2015	QUOTED PRICES LEVEL 1 $000	OBSERVABLE INPUTS LEVEL 2 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	2 116 642	-	**2 116 642**
Financial assets through profit or loss	13 240 840	5 127 812	**18 368 652**
Onlendings	-	89 418 719	**89 418 719**
Derivative financial assets	-	309 914	**309 914**
Total financial assets	**15 357 482**	**94 856 445**	**110 213 927**
Financial liabilities			
Financial liabilities through profit or loss			
- Short term	-	5 157 098	**5 157 098**
- Long term	92 701 853	3 573 006	**96 274 859**
Deposits	-	7 724 892	**7 724 892**
Derivative financial liabilities	-	428 093	**428 093**
Total financial liabilities	**92 701 853**	**16 883 089**	**109 584 942**
AS AT 30 JUNE 2014			
Financial assets			
Cash and cash equivalents	2 674 962	-	**2 674 962**
Financial assets through profit or loss	10 294 792	1 729 693	**12 024 485**
Onlendings	-	85 609 405	**85 609 405**
Derivative financial assets	-	252 543	**252 543**
Total financial assets	**12 969 754**	**87 591 641**	**100 561 395**
Financial liabilities			
Financial liabilities through profit or loss			
- Short term	-	4 375 688	**4 375 688**
- Long term	81 986 550	7 664 642	**89 651 192**
Deposits	-	5 477 942	**5 477 942**
Derivative financial liabilities	-	344 827	**344 827**
Total financial liabilities	**81 986 550**	**17 863 099**	**99 849 649**

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

13 PROPERTY, PLANT AND EQUIPMENT

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

DESCRIPTION	INFORMATION TECHNOLOGY AND OFFICE EQUIPMENT $000	PLANT AND MACHINERY (1) $000	TOTAL $000
Year ended 30 June 2015			
Cost at balance date	**10 322**	**354 798**	**365 120**
Accumulated depreciation and impairment	**(6 404)**	**(177 910)**	**(184 314)**
Net carrying amount	**3 918**	**176 888**	**180 806**
Movement			
Net carrying amount at 1 July 2014	**5 406**	**222 152**	**227 558**
Additions	**442**	**-**	**442**
Disposals	**(17)**	**-**	**(17)**
Impairment expense	**-**	**(12 533)**	**(12 533)**
Depreciation expense	**(1 913)**	**(32 731)**	**(34 644)**
Net carrying amount at 30 June 2015	**3 918**	**176 888**	**180 806**
Year ended 30 June 2014			
Cost at balance date	10 046	354 798	364 844
Accumulated depreciation	(4 640)	(132 646)	(137 286)
Net carrying amount	5 406	222 152	227 558
Movement			
Net carrying amount at 1 July 2013	6 891	258 634	265 525
Additions	419	245	664
Disposals	-	(3 435)	(3 435)
Depreciation expense	(1 904)	(33 292)	(35 196)
Net carrying amount at 30 June 2014	5 406	222 152	227 558

(1) Plant and machinery consists mainly of buses and ferries which QTC leases to public sector entities under a whole of government operating lease facility. The leases are non-cancellable and have remaining terms of between 1 and 10 years. During the year the residual values on plant and machinery were revised resulting in an impairment loss of $12.5 million being recognised in the statement of comprehensive income.

Notes to the Financial Statements Capital Markets Operations

For the year ended 30 June 2015

14 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit after tax to net cash provided by operating activities

DESCRIPTION	2015 $000	2014 $000
Profit for the year	**41 280**	119 220
Non-cash flows in operating surplus		
Interest-bearing liabilities - net unrealised loss	**1 564 506**	2 123 944
Interest-bearing liabilities - net unrealised exchange loss	**115 955**	87 063
Deposits - net unrealised loss/(gain)	**77**	(147)
Onlendings net unrealised gain	**(887 308)**	(2 201 057)
Financial assets at fair value through profit or loss		
- net unrealised loss	**67 442**	17 880
Financial assets at fair value through profit or loss		
- net unrealised exchange gain	**(7 711)**	(2 865)
Depreciation and amortisation	**36 657**	37 364
Impairment on property, plant and equipment	**12 533**	-
Net gain on sale of property, plant and equipment	**(11)**	(1 159)
Doubtful debts - cooperative housing societies	**27**	-
Net loss from investment accounted for using the equity method	**-**	1 146
Changes in assets and liabilities		
(Increase)/decrease in financial assets at fair value through profit or loss - net accrued interest	**(14 992)**	26 254
(Increase)/decrease in financial assets at fair value through profit or loss - net discount/premium	**(57 233)**	227 806
Decrease/(increase) in deferred tax asset	**105**	(1 002)
(Increase)/decrease in onlendings - net accrued interest	**(3 261)**	5 512
Decrease in receivables	**4 554**	1 678
Increase in interest-bearing liabilities - net accrued interest	**74 428**	64 173
Increase/(decrease) in interest-bearing liabilities - net discount/premium	**(403 904)**	(51 571)
(Increase)/decrease in deposits - net accrued interest	**(391)**	236
Decrease in payables and other liabilities	**(55 054)**	(39 574)
Net cash provided by operating activities	**487 699**	414 901

Notes to the Financial Statements Long Term Assets

For the year ended 30 June 2015

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 $000	2014 $000
Investments in unit trusts and other holdings - QIC:		
Movement during the year:		
Opening balance	**33 431 249**	29 767 721
Net withdrawals	**(1 260 105)**	(1 722 797)
Net change in fair value of unit trusts	**2 484 580**	5 386 325
Closing balance	**34 655 724**	33 431 249
Comprised of the following asset classes:		
Defensive assets		
Cash	**6 276 207**	4 991 320
Fixed interest	**7 624 976**	5 296 539
Growth assets		
Equities	**4 733 483**	4 967 124
Diversified alternatives	**8 094 333**	6 134 448
Unlisted assets		
Infrastructure	**2 790 404**	8 199 928
Private equities	**2 874 846**	1 903 027
Real estate	**2 261 475**	1 938 863
	34 655 724	33 431 249

16 FINANCIAL RISK MANAGEMENT

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 within the framework provided by the Government. 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, 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. 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 was a reduction in expected return and volatility. In light of this strategy, the expected rate of return on the portfolio on which the interest rate on the fixed rate notes is set was revised from 7.5 per cent to 7.1 per cent on 1 July 2013 (reducing to 7.0 per cent effective 1 July 2015).

(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 15). 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 the Financial Statements Long Term Assets

For the year ended 30 June 2015

16 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk continued

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, the Bank of England official cash rate and real estate capitalisation rates for both Australia and the United Kingdom. The foreign currency exposure of QTC's total investment portfolio is 100% hedged. For this reason sensitivity to foreign exchange rate movements has not been calculated at the asset class level.

Based on these changes to key risk variables and applying a range of valuation methodologies, a reasonably possible change in profit and equity on applicable investments held at 30 June is as follows:

	2015 CHANGE		2015 PROFIT/EQUITY		2014 CHANGE		2014 PROFIT/EQUITY	
	Low	High	Decrease	Increase	Low	High	Decrease	Increase
Cash and fixed interest[1]	**-2%**	**2%**	**(293 856)**	**293 936**	-3%	3%	(275 384)	275 432
Equities	**-10%**	**10%**	**(473 621)**	**473 621**	-10%	10%	(496 795)	496 795
Diversified alternatives[2]	**-9%**	**9%**	**(720 976)**	**720 976**	-10%	10%	(599 625)	599 625
Infrastructure	**-10%**	**10%**	**(280 718)**	**280 718**	-10%	10%	(821 357)	821 357
Private equities	**-10%**	**10%**	**(287 557)**	**287 557**	-10%	10%	(190 334)	190 334
Real estate	**-6%**	**7%**	**(143 057)**	**156 777**	-6%	6%	(120 235)	125 032
			(2 199 785)	**2 213 585**			(2 503 730)	2 508 575

(1) *Cash and fixed interest includes exposure to interest rate and inflation overlays on hedging instruments.*

(2) *Diversified alternatives include exposure to both price and interest rate risk.*

(b) Liquidity risk

No external cash flows 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.

17 FAIR VALUE HIERARCHY

Financial instruments have been classified in accordance with the hierarchy described in AASB 13 *Fair Value Measurement*, as per note 12.

Investments in unit trusts are valued by QIC using fair value methodologies adjusted for fees outstanding. QIC reports the net asset value based on the hard close unit price at measurement date (classified as Level 2 - Observable inputs). As at 30 June 2015, investments in unit trusts are valued at $34,656 million (2014: $33,431 million).

The Board considers that the carrying value of financial liabilities recorded at amortised cost in the financial statements approximates their fair value. For the purposes of the fair value hierarchy, the fixed rate notes are categorised as Level 3 – Unobservable inputs.

Notes to the Financial Statements Other information

For the year ended 30 June 2015

18 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.
- QTC has provided guarantees relating to the trading activities of Ergon Energy, a Queensland Government owned corporation, to the value of $100 million (2014 $102 million) which are supported by a counter indemnity.
- QTC has provided guarantees to the value of $362 million (2014 $345 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 can lend stock to support the liquidity of QTC bonds in the financial markets. At 30 June 2015 and 30 June 2014, no QTC inscribed stock was lent to other financial institutions.

19 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 20.

(c) Investments in companies

Details of investments in associates and other companies are set out in note 22.

(d) Transactions with related parties

Transactions undertaken with related parties during the year include loans issued to public sector entities (refer note 9), the investment of cash surpluses (refer note 10), 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. The nature and amount of any individually significant transactions with principal related parties are disclosed below.

QTC has incurred costs on behalf of the State for the performance of due diligence services for which QTC has been reimbursed. These services are in the form of an agency arrangement for which QTC does not bear any significant risks or benefits and as such costs have been offset in the financial statements. The amount of these costs offset during the financial year totalled $43.6 million.

QTC has interests in other government related entities through various shareholdings. These entities hold deposits (refer note 10) and loans (refer note 9) with QTC that are provided on an arm's length basis and are subject to QTC's normal terms and conditions.

20 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 certain members of the Executive Management Team.

(a) QTC's Boards

QTC has designated its powers to its two boards, the Capital Markets Board and the Long Term Asset Advisory Board. Both boards are appointed by the Governor-in-Council, pursuant to section 10(2) of the *Queensland Treasury Corporation Act 1988*.

(b) Executive management

Executive management are those members of the Executive Management Team who set the strategic direction and control of the major activities of the organisation.

(c) Remuneration principles

Directors – Capital Markets Board

The process for reviewing Board remuneration requires any increase in the Board's remuneration to be approved by the Treasurer and endorsed by Cabinet. Remuneration was last increased effective 1 July 2012.

Directors – Long Term Asset Advisory Board

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

Executives and employees

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

As the majority of QTC's employees are sourced from the financial markets in which it operates, it is crucial that QTC's employment practices are competitive with these markets.

QTC aims to ensure that its remuneration principles enable it to:

- Attract and retain quality employees by offering a total remuneration package commensurate with and competitive against the market and ensuring consistency, transparency and equity in remuneration outcomes
- Drive superior organisational performance, by embedding a high-performance culture and aligning reward with QTC's business and client outcomes
- Maintain rigor in its pay outcomes appropriate to the (financial institutions) market and the environment in which QTC operates, and
- Drive employee engagement, through transparency and consistency of outcomes.

The remuneration framework comprises both fixed and variable remuneration (in the form of an annual short-term incentive (STI) opportunity) which are approved by the QTC Board annually. Both components are market-competitive and linked to performance.

Remuneration governance

The Human Resources Committee of the Board is responsible for governance of remuneration practices and arrangements, with the Board maintaining absolute responsibility and decision making for remuneration matters.

QTC receives annual industry benchmarking data from the Financial Industry Remuneration Group (FIRG) database, which is mapped to relevant organisations within the FIRG membership. Analysis and advice is obtained from external consultants to ensure that we continue to align QTC roles to the market. External validation of QTC's remuneration framework is undertaken as part of the Audit process within the wider Governance arrangements.

Fixed remuneration

The fixed remuneration of each QTC employee is reviewed in July each year and is benchmarked against the FIRG remuneration data. Fixed remuneration levels are set around the FIRG market median position of a relevant sub-set of the FIRG database, and role scope, experience, skills and performance are considered when determining the remuneration level of each employee.

Variable remuneration - short-term incentives

QTC's variable remuneration framework provides an annual short-term incentive opportunity for eligible employees, aligned to financial year performance.

This opportunity is designed to differentiate and reward outstanding organisational, group and individual performance, and to align performance at these levels with incentive outcomes. It also aims to ensure market competitiveness, with 'target' STI outcomes aligned to the conservative market position and approved at Board level each year. For the 2014–15 year, STI payments were made to eligible staff in July.

Variable remuneration - executive management

For the 2014–15 year, where executive management has performed strongly against corporate and individual KPIs, they will be eligible to receive a 'target' STI payment of 40%-45% of their total fixed remuneration. The actual outcome will vary dependent on performance and for executive management is 75% based on corporate performance, and 25% based on individual performance. This acknowledges the strategic focus of these roles (with STI payments reflecting progress against the *QTC Strategic Plan 2014-18*) and recognises and rewards collaborative behaviour. For exceptional performance, the maximum potential STI payment is 60%-67% of their total fixed remuneration. The maximum percentage determined for 2014–15 was 50%.

Notes to the Financial Statements Other information

For the year ended 30 June 2015

20 KEY MANAGEMENT PERSONNEL CONTINUED

(d) Remuneration by category

	2015 $	2014 $
Capital markets operations		
Directors		
Short-term employment benefits[1]	**299 806**	377 703
Post-employment benefits[4]	**17 405**	17 690
Total	**317 211**	395 393
Executive management		
Short-term employment benefits[2]	**2 540 825**	2 350 422
Long-term employment benefits[3]	**48 707**	62 471
Post-employment benefits[4]	**85 531**	79 273
Total	**2 675 063**	2 492 166

(1) Directors' short-term benefits include board member and committee 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 taken, short-term incentives and non-monetary benefits such as car parks and motor vehicle benefits.

(3) Long-term employment benefits relates to long-service leave.

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

(i) Directors

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

	SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		TOTAL	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Gerard Bradley - Chairman	**122 133**	122 145	**10 529**	10 303	**132 662**	132 448
Warwick Agnew[1]	**-**	-	**-**	-	**-**	-
Alex Beavers[2]	**15 305**	41 425	**-**	-	**15 305**	41 425
Stephen Bizzell	**47 753**	44 273	**-**	-	**47 753**	44 273
Gillian Brown[3]	**6 702**	40 209	**637**	3 719	**7 339**	43 928
Tonianne Dwyer	**40 209**	39 657	**3 820**	3 668	**44 029**	43 325
Neville Ide[4]	**-**	46 950	**-**	-	**-**	46 950
Bill Shields	**42 238**	43 044	**-**	-	**42 238**	43 044
Jim Stening[5]	**25 466**	-	**2 419**	-	**27 885**	-
Total	**299 806**	377 703	**17 405**	17 690	**317 211**	395 393

(1) Appointed 13 November 2014 – From the date of appointment, no remuneration is payable to the Queensland Treasury representative

(2) Resigned 13 November 2014

(3) Resigned 20 August 2014

(4) Resigned 30 June 2014

(5) Appointed 13 November 2014

Notes to the Financial Statements Other information

For the year ended 30 June 2015

20 KEY MANAGEMENT PERSONNEL CONTINUED

(d) Remuneration by category CONTINUED

(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			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TOTAL
30 JUNE 2015	BASE $	SHORT-TERM INCENTIVE $	NON-MONETARY $	$	$	$
Chief Executive	**613 094**	**317 000**	**29 152**	**18 700**	**16 056**	**994 002**
Executive General Manager, Funding & Markets	**439 782**	**201 294**	**9 003**	**18 717**	**13 506**	**682 302**
Chief Operating Officer	**309 445**	**148 761**	**13 429**	**29 397**	**11 055**	**512 087**
Executive General Manager, Client Services	**298 985**	**147 451**	**13 429**	**18 717**	**8 090**	**486 672**
30 JUNE 2014						
Chief Executive	594 041	249 840	22 740	17 714	17 006	901 341
Executive General Manager, Funding & Markets	427 537	169 600	8 519	17 714	14 968	638 338
Chief Operating Officer	294 918	134 000	12 774	26 131	21 011	488 834
Executive General Manager, Client Services	285 879	137 800	12 774	17 714	9 486	463 653

(e) Other transactions

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

21 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:

	2015 $	2014 $
Audit services		
Audit and review of QTC financial statements	**360 000**	375 000

22 INVESTMENTS IN COMPANIES

Investments in the following companies are held at cost:

NAME	PRINCIPAL ACTIVITIES
Queensland Treasury Holdings Pty Ltd (QTH)	Holding company for a number of subsidiaries and strategic investments held on behalf of the State of Queensland
Queensland Lottery Corporation Pty Ltd	Holds the Golden Casket lottery licence and trade marks
DBCT Holdings Pty Ltd	Holds the bulk coal terminal tenure and facilities at Dalrymple Bay near Mackay, which is leased under a long term lease arrangement
Queensland Airport Holdings (Mackay) Pty Ltd	Owns the Mackay airport land and infrastructure which it has leased under a 99 year lease arrangement
Queensland Airport Holdings (Cairns) Pty Ltd	Owns the Cairns airport land and infrastructure which it has leased under a 99 year lease arrangement
Brisbane Port Holdings Pty Ltd	Owns the Port of Brisbane tenure and infrastructure which it has leased under a 99 year lease arrangement
City North Infrastructure Pty Ltd	Project managed the procurement of the Airport Link, Northern Busway and Airport Round-about Upgrade projects

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. QTH holds a 100 per cent beneficial interest in the companies listed above. 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 apply the equity method to its investment in QTH as it does not have power over the entity, exposure or rights to variable returns or power to affect those returns.

23 DIVIDENDS

QTC pays dividends to the Queensland Government from time to time. A dividend of $41.0 million was provided for during the year (2014 $120.0 million).

24 EVENTS SUBSEQUENT TO BALANCE DATE

There are no 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 2015, 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
13 August 2015

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 2015, 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 2014 to 30 June 2015 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
24 AUG 2015
OF QUEENSLAND

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

Management report

for the year ended 30 June 2015

REVIEW OF OPERATIONS

QTC made an operating profit after tax for the year ended 30 June 2015 of AUD 192.558 million consisting of the following operating segment results:

CAPITAL MARKETS OPERATIONS

During the period from 1 July 2014 to 30 June 2015, 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 2015 for the Capital Markets Operations segment was AUD 41.280 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 AUD 151.278 million with all major asset classes of the portfolio delivering positive outcomes for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

During the financial year, financial market conditions were more volatile relative to the prior year due to geo-political risks in the Middle-East, Russia and Ukraine. The collapse of negotiations between Greece and its creditors as well as the uncertainty over the anticipated tightening cycle by US monetary policymakers and the volatility in China's equity markets provide uncertainties leading into 2015–16. A sustained market reaction to any of these issues would make QTC's funding task more difficult compared to the past. However QTC has established a long track record of attracting investors and raising funds in a cost effective manner across a variety of market conditions and as such, the volatile market conditions are not expected to materially impact on QTC's performance or its ability to fund the State's borrowing requirement in 2015–16.