

# FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED  
31 DECEMBER 2013

## CONTENTS

Statement of comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to and forming part of the Financial Statements	8
Certificate of the Queensland Treasury Corporation	19
Independent Auditor's review report	20
Management report	21



QUEENSLAND  
TREASURY  
CORPORATION

# Statement of comprehensive income

## For the half-year ended 31 December 2013

	NOTE	HALF-YEAR ENDED	
		31 DECEMBER 2013 \$000	31 DECEMBER 2012 \$000
<b>CAPITAL MARKETS OPERATIONS</b>			
<b>Net interest income</b>			
Interest income	5	1 891 633	2 934 633
Interest expense	5	(1 812 535)	(2 719 583)
		79 098	215 050
<b>Other income</b>			
Fees	6	34 269	33 478
Lease income		25 166	23 296
Amortisation of cross border lease deferred income		12 160	3 219
Gain on disposal of property, plant and equipment		1 112	-
		72 707	59 993
<b>Expenses</b>			
Administration expenses		(26 930)	(26 000)
Depreciation on leased assets		(16 822)	(15 436)
Other expenses		(15)	(30)
		(43 767)	(41 466)
Share of associate's net profit		146	355
<b>Profit from capital markets operations before income tax</b>		<b>108 184</b>	<b>233 932</b>
Income tax expense	7	(10 263)	(8 574)
<b>Profit from capital markets operations after income tax</b>		<b>97 921</b>	<b>225 358</b>
<b>LONG TERM ASSETS</b>			
<b>Net return from investments in long term assets</b>			
Net change in fair value of unit trusts	8	1 569 595	2 354 994
Interest on fixed rate notes		(1 089 772)	(1 168 220)
Management fees		(33 778)	(32 228)
<b>Profit from long term assets</b>		<b>446 045</b>	<b>1 154 546</b>
<b>Total net profit for the year after tax</b>		<b>543 966</b>	<b>1 379 904</b>
<b>Total comprehensive income attributable to the owner</b>		<b>543 966</b>	<b>1 379 904</b>
<b>Total comprehensive income derived from:</b>			
Capital markets operations	4	97 921	225 358
Long term assets	4	446 045	1 154 546
<b>Total comprehensive income</b>		<b>543 966</b>	<b>1 379 904</b>

The notes on pages 8 to 18 are an integral part of these financial statements.

Note: Throughout these financial statements the capital markets operations and the long term assets operations have been disclosed separately to distinguish between QTC's main central treasury management role and its additional responsibilities following the transfer of the State's superannuation and other long-term assets (refer notes 1 and 4).

# Balance sheet

As at 31 December 2013

	NOTE	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
<b>ASSETS</b>			
<b>Capital markets operations</b>			
Cash		1 535	197
Receivables		4 781	3 568
Financial assets at fair value through profit or loss	9	11 583 878	20 194 045
Derivative financial assets	10	476 915	788 461
Onlendings	11	83 282 974	79 118 832
Property, plant and equipment	12	246 330	326 267
Investments accounted for using the equity method		1 292	1 407
Intangible assets		3 091	4 192
Deferred tax asset		2 012	2 132
		95 602 808	100 439 101
<b>Long term assets</b>			
Financial assets at fair value through profit or loss	9	30 498 110	29 767 721
		30 498 110	29 767 721
<b>Total Assets</b>		<b>126 100 918</b>	<b>130 206 822</b>
<b>LIABILITIES</b>			
<b>Capital markets operations</b>			
Payables		110 799	142 424
Tax liabilities		10 143	15 635
Derivative financial liabilities	13	140 055	167 726
Financial liabilities at fair value through profit or loss			
- Interest bearing liabilities	14	88 718 294	93 274 588
- Deposits	14	5 814 563	6 127 695
		94 793 854	99 728 068
<b>Long term assets</b>			
Financial liabilities at amortised cost	15	31 731 947	31 447 603
		31 731 947	31 447 603
<b>Total Liabilities</b>		<b>126 525 801</b>	<b>131 175 671</b>
<b>Net Assets</b>		<b>(424 883)</b>	<b>(968 849)</b>
<b>EQUITY</b>			
<b>Capital markets operations</b>			
Retained surplus		808 954	711 033
		808 954	711 033
<b>Long term assets</b>			
Retained deficit		(1 233 837)	(1 679 882)
		(1 233 837)	(1 679 882)
<b>Total Equity</b>		<b>(424 883)</b>	<b>(968 849)</b>

The notes on pages 8 to 18 are an integral part of these financial statements.

## Statement of changes in equity

For the half-year ended 31 December 2013

	CAPITAL MARKETS OPERATIONS	LONG TERM ASSETS	TOTAL
	RETAINED SURPLUS \$000	RETAINED SURPLUS \$000	EQUITY \$000
Balance at 1 July 2012	488 149	(2 670 230)	(2 182 081)
Profit for the half-year	225 358	1 154 546	1 379 904
<b>Balance at 31 December 2012</b>	<b>713 507</b>	<b>(1 515 684)</b>	<b>(802 177)</b>
Balance at 1 July 2013	711 033	(1 679 882)	(968 849)
Profit for the half-year	97 921	446 045	543 966
<b>Balance at 31 December 2013</b>	<b>808 954</b>	<b>(1 233 837)</b>	<b>(424 883)</b>

*The notes on pages 8 to 18 are an integral part of these financial statements.*

# Statement of cash flows

For the half-year ended 31 December 2013

	HALF-YEAR ENDED	
	31 DECEMBER 2013 \$000	31 DECEMBER 2012 \$000
<b>CAPITAL MARKETS OPERATIONS</b>		
<b>Cash flows from operating activities</b>		
Interest received from onlendings	2 043 240	2 443 527
Interest received from investments	505 362	494 019
Interest received - other	25 795	27 693
Fees received	33 591	33 522
GST paid to suppliers	(4 968)	(6 372)
GST refunds from ATO	5 370	10 104
GST paid to ATO	(2 813)	(3 262)
GST received from clients	3 474	3 242
Interest paid on interest-bearing liabilities	(2 290 098)	(2 199 656)
Interest paid on deposits	(87 362)	(90 323)
Administration expenses paid	(32 328)	(25 552)
Income tax paid	(15 635)	(8 588)
<b>Net cash provided by operating activities</b>	<b>183 628</b>	<b>678 354</b>
<b>Cash flows from investing activities</b>		
Net proceeds / (payments) of investments	8 695 062	(2 228 304)
Net increase in onlendings	(4 527 434)	(5 074 815)
Payments for property, plant and equipment	(266)	(22 025)
Payments for intangibles	-	(1 734)
Proceeds from sale of property, plant and equipment	4 400	13
Dividend received	260	491
<b>Net cash provided by / (used in) investing activities</b>	<b>4 172 022</b>	<b>(7 326 374)</b>
<b>Cash flows from financing activities</b>		
Net (repayments) / proceeds from interest-bearing liabilities	(4 031 210)	6 587 191
Net (decrease) / increase in deposits	(323 102)	111 887
<b>Net cash (used in) / provided by financing activities</b>	<b>(4 354 312)</b>	<b>6 699 078</b>
<b>Net increase in cash held</b>	<b>1 338</b>	<b>51 058</b>
Cash at 1 July	197	743
<b>Net cash at 31 December</b>	<b>1 535</b>	<b>51 801</b>

## LONG TERM ASSETS

No external cashflow is generated from the long term assets (refer notes 1 and 4).

*The notes on pages 8 to 18 are an integral part of these financial statements.*

# Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2013

## CONTENTS

1	General information	8
2	Summary of significant accounting policies	8
3	Operating result	8
4	Segment reporting	9
5	Interest income and interest expense from capital markets operations	10
6	Fees	11
7	Income tax expense	11
8	Net change in fair value of unit trusts	11
9	Financial assets at fair value through profit or loss	12
10	Derivative financial assets	13
11	Onlendings	13
12	Property, plant and equipment	13
13	Derivative financial liabilities	13
14	Financial liabilities at fair value through profit or loss	14
15	Financial liabilities at amortised cost	15
16	Dividends	15
17	Notes to the statement of cash flows	15
18	Fair value hierarchy	16
18	Fair value hierarchy continued	17
19	Contingent liabilities	18
20	Funding facilities	18

## 1 General information

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

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

QTC's Capital Markets Operations can generate a profit although generally this reflects interest earned on equity. In undertaking its Capital Markets activities, QTC maintains adequate capital to manage its risks.

QTC holds a portfolio of assets which were transferred to QTC by the State Government. These assets are the investments of QTC's Long Term Assets segment and are held to fund superannuation and other long-term obligations of the State such as insurance and long service leave. In return, QTC has issued to the State fixed rate notes which has resulted in the State receiving a fixed rate of return on the notes, while QTC bears the impact of fluctuations in the value and returns on the asset portfolio (refer note 4 and note 8).

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).

Although there is no domestic requirement for the preparation of half-year financial statements, in order to meet offshore requirements and to better meet the needs of users of QTC's financial information, an interim general purpose financial report has been prepared.

## 2 Summary of significant accounting policies

### (a) Basis of preparation

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Other than as stated in note 2(b), the accounting policies used in the preparation of these interim financial statements have been applied consistently with those used in the preceding annual financial report.

### 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 International Financial Reporting Standards as if it is a for-profit entity.

### (b) Change in accounting policy

A number of new or amended accounting standards became effective for annual reporting periods commencing on 1 July 2013. The affected policies and standards include:

- Principles of Consolidation - new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. AASB 10 changes the definition of control based on the entity's exposure to the rights and variability of returns through its power to direct the activities of an investee. AASB 11 requires joint ventures to be classified based on the contractual rights and obligations and where each party has rights to the net assets of the arrangement to be accounted for using the equity method. QTC has reviewed its investments in other entities and no adjustments to the carrying amounts in the financial statements were required.
- Accounting for employee benefits - revised AASB 119 *Employee Benefits*. AASB 119 has changed the way employee benefits are measured now requiring these to be based on when the amount is expected to be settled. Previously this was based on when the amount was due. The impact of this change is immaterial.

AASB 13 *Fair Value Measurement* which is applicable for the first time this year has introduced additional disclosures, however the standard has not impacted the amounts reported in the financial statements.

### (c) Impact of standards issued but not yet adopted

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The effective date for the standard has changed and is now not applicable until 1 July 2017, however the standard is available for early adoption. QTC has not early adopted AASB 9 however this standard is not expected to change the current practice of measuring financial instruments at fair value with movements recognised directly in profit or loss.

### (d) Estimations and uncertainties

The judgements, estimates and assumptions applied in the half-year financial statements, including the key sources of estimation uncertainty were the same as those applied in the Corporation's last annual financial statements.

## 3 Operating result

The operating profit after tax for the half-year ended 31 December 2013 for the Capital Markets Operations segment was \$97.9 million. QTC recorded an operating profit of \$446.0 million for the Long Term Assets segment.

The accumulated net losses of \$424.9 million have no impact on QTC's capacity to meet its obligations as there is no cash flow effect for QTC (refer note 17(b)). In addition, under the *Queensland Treasury Corporation Act 1988*, any losses of the Corporation shall be the responsibility of the Consolidated Fund of the Queensland Government.

## 4 Segment reporting

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

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

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

SEGMENT REVENUE AND EXPENSES	FOR THE HALF-YEAR ENDED 31 DECEMBER 2013			FOR THE HALF-YEAR ENDED 31 DECEMBER 2012		
	Capital markets operations \$000	Long term assets \$000	Total \$000	Capital markets operations \$000	Long term assets \$000	Total \$000
<b>Income</b>						
Interest income	1 891 633	-	<b>1 891 633</b>	2 934 633	-	2 934 633
Net change in fair value of unit trusts	-	1 569 595	<b>1 569 595</b>	-	2 354 994	2 354 994
Other income	72 707	-	<b>72 707</b>	59 993	-	59 993
<b>Total income</b>	<b>1 964 340</b>	<b>1 569 595</b>	<b>3 533 935</b>	<b>2 994 626</b>	<b>2 354 994</b>	<b>5 349 620</b>
<b>Expenses</b>						
Interest expense	1 812 535	1 089 772	<b>2 902 307</b>	2 719 583	1 168 220	3 887 803
Depreciation on leased assets	16 822	-	<b>16 822</b>	15 436	-	15 436
Management fees	-	33 778	<b>33 778</b>	-	32 228	32 228
Other expenses	26 945	-	<b>26 945</b>	26 030	-	26 030
<b>Total expenses</b>	<b>1 856 302</b>	<b>1 123 550</b>	<b>2 979 852</b>	<b>2 761 049</b>	<b>1 200 448</b>	<b>3 961 497</b>
Share of associate's net profit	146	-	<b>146</b>	355	-	355
<b>Profit before income tax</b>	<b>108 184</b>	<b>446 045</b>	<b>554 229</b>	<b>233 932</b>	<b>1 154 546</b>	<b>1 388 478</b>
Income tax expense	10 263	-	<b>10 263</b>	8 574	-	8 574
<b>Profit for the period</b>	<b>97 921</b>	<b>446 045</b>	<b>543 966</b>	<b>225 358</b>	<b>1 154 546</b>	<b>1 379 904</b>

SEGMENT ASSETS AND LIABILITIES	AS AT 31 DECEMBER 2013			AS AT 30 JUNE 2013		
	Capital markets operations \$000	Long term assets \$000	Total \$000	Capital markets operations \$000	Long term assets \$000	Total \$000
<b>Assets</b>						
Onlendings	83 282 974	-	<b>83 282 974</b>	79 118 832	-	79 118 832
Financial assets	11 583 878	30 498 110	<b>42 081 988</b>	20 194 045	29 767 721	49 961 766
Other assets	735 956	-	<b>735 956</b>	1 126 224	-	1 126 224
<b>Total assets</b>	<b>95 602 808</b>	<b>30 498 110</b>	<b>126 100 918</b>	<b>100 439 101</b>	<b>29 767 721</b>	<b>130 206 822</b>
<b>Liabilities</b>						
Financial liabilities	94 532 857	31 731 947	<b>126 264 804</b>	99 402 283	31 447 603	130 849 886
Other liabilities	260 997	-	<b>260 997</b>	325 785	-	325 785
<b>Total liabilities</b>	<b>94 793 854</b>	<b>31 731 947</b>	<b>126 525 801</b>	<b>99 728 068</b>	<b>31 447 603</b>	<b>131 175 671</b>
<b>Net assets</b>	<b>808 954</b>	<b>(1 233 837)</b>	<b>(424 883)</b>	<b>711 033</b>	<b>(1 679 882)</b>	<b>(968 849)</b>

# Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2013

## 5 Interest income and interest expense from capital markets operations

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013				
	INTEREST \$000	NET UNREALISED GAIN/LOSS \$000	NET REALISED GAIN/LOSS \$000	TOTAL INTEREST \$000
<b>Interest income from financial assets</b>				
Onlendings*	2 038 000	(414 996)	-	1 623 004
Other investments	245 588	10 840	8 228	264 656
Interest income from derivatives	6 798	(63 112)	60 287	3 973
<b>Total interest income</b>	<b>2 290 386</b>	<b>(467 268)</b>	<b>68 515</b>	<b>1 891 633</b>
<b>Interest expense from financial liabilities</b>				
Deposits	86 913	(175)	-	86 738
Interest-bearing liabilities	1 826 984	(181 585)	313 055	1 958 454
Interest expense from derivatives	(3 485)	308 607	(555 159)	(250 037)
Other	17 380	-	-	17 380
<b>Total interest expense</b>	<b>1 927 792</b>	<b>126 847</b>	<b>(242 104)</b>	<b>1 812 535</b>

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012				
	INTEREST \$000	NET UNREALISED GAIN/LOSS \$000	NET REALISED GAIN/LOSS \$000	TOTAL INTEREST \$000
<b>Interest income from financial assets</b>				
Onlendings*	1 941 048	508 371	-	2 449 419
Other investments	354 925	(17 110)	92 196	430 011
Interest income from derivatives	6 779	(136 966)	185 390	55 203
<b>Total interest income</b>	<b>2 302 752</b>	<b>354 295</b>	<b>277 586</b>	<b>2 934 633</b>
<b>Interest expense from financial liabilities</b>				
Deposits	85 528	(61)	-	85 467
Interest-bearing liabilities	1 874 079	306 132	425 182	2 605 393
Interest expense from derivatives	(14 122)	13 048	5 827	4 753
Other	23 970	-	-	23 970
<b>Total interest expense</b>	<b>1 969 455</b>	<b>319 119</b>	<b>431 009</b>	<b>2 719 583</b>

\*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 rising interest rates, the market value of the funding pool will fall leading to lower interest income from onlendings. During the half-year ended 31 December 2013, interest rates rose slightly compared to the comparative period when interest rates fell, leading to lower interest income in the current period.



## 6 Fees

	31 DECEMBER 2013 \$000	31 DECEMBER 2012 \$000
Fees – management	32 959	32 798
Fees – professional & other services	1 310	680
	<b>34 269</b>	<b>33 478</b>

Management fees represent income earned from the management of QTC's onlendings and deposits. A further amount of \$3.289 million (31 December 2012 \$4.020 million), derived from fees on certain managed funds and pools is included under interest income as it forms part of the interest rate applied.

## 7 Income tax expense

	31 DECEMBER 2013 \$000	31 DECEMBER 2012 \$000
Income tax expense	10 263	8 574

QTC makes a payment in lieu of income tax to the Queensland Government's Consolidated Fund. Income tax expense is recognised based on the income of certain activities controlled by QTC's Capital Markets Operations calculated at the tax rate of 30 per cent. No income tax is payable on the Long Term Assets.

## 8 Net change in fair value of unit trusts

	31 DECEMBER 2013 \$000	31 DECEMBER 2012 \$000
Net returns	1 569 595	2 354 994

Represents the change in the net asset value of the unit trusts based on the hard close unit price. Refer to note 9 for details of balances and asset allocations held at balance date.

# Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2013

## 9 Financial assets at fair value through profit or loss

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
<b>CAPITAL MARKETS OPERATIONS</b>		
Money market deposits	801 342	1 717 477
Discount securities	3 687 374	7 743 703
Commonwealth and state securities <sup>(1)</sup>	899 675	3 642 350
Floating rate notes	3 764 528	4 314 169
Term deposits	784 877	552 625
Other investments	1 646 082	2 223 721
	<b>11 583 878</b>	<b>20 194 045</b>

<sup>(1)</sup> QTC maintains holdings of its own stocks. These holdings are netted off and therefore excluded from financial assets and financial liabilities at fair value through profit or loss (refer note 14).

The total includes investments made to manage:

- deposits of \$5,814.563 million (30 June 2013 \$6,127.695 million)
- surpluses of \$808.953 million (30 June 2013 \$711.033 million)
- cross border lease deferred income of \$40.107 million (30 June 2013 \$52.267 million)

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

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
<b>LONG TERM ASSETS</b>		
<b>INVESTMENTS IN UNIT TRUSTS AND OTHER HOLDINGS – QIC</b>		
<b>Movement during the period: <sup>(1)</sup></b>		
Opening balance at 1 July	29 767 721	29 182 448
Net change in fair value of unit trusts	1 569 595	3 370 042
Net withdrawals	(839 206)	(2 784 769)
Closing balance	30 498 110	29 767 721
The underlying assets of the trusts consist of the following asset classes:		
<b>Growth assets</b>		
Global equities	6 740 083	7 228 291
Diversified alternatives & other	4 849 199	4 151 787
<b>Unlisted assets</b>		
Global Infrastructure	2 134 868	2 060 959
Private equity	1 524 905	1 373 973
Real estate	2 470 347	2 240 173
Infrastructure	3 781 766	3 482 823
<b>Defensive assets</b>		
Fixed interest	518 468	507 773
Cash	8 478 474	8 721 942
	<b>30 498 110</b>	<b>29 767 721</b>

<sup>(1)</sup> Movement in balance is for the six months to 31 December 2013 and for the twelve months to 30 June 2013.

## 10 Derivative financial assets

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
Interest rate swaps	106 638	149 229
Cross currency swaps	184 056	136 217
Forward rate agreements	40 272	86 378
Foreign exchange contracts	145 949	416 637
	476 915	788 461

## 11 Onlendings

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
Government departments and agencies	41 679 424	38 258 994
Government owned corporations	19 281 669	18 667 584
Local governments	6 714 844	6 632 514
Statutory bodies	15 013 628	14 979 661
QTC related entities	316 638	321 179
Other bodies	276 771	258 900
	83 282 974	79 118 832

## 12 Property, plant and equipment

During the period, QTC derecognised land and buildings with a carrying value of \$71.325 million which now form part of a finance lease arrangement.

## 13 Derivative financial liabilities

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
Interest rate swaps	32 271	51 266
Cross currency swaps	107 706	116 402
Foreign exchange contracts	78	58
	140 055	167 726

# Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2013

## 14 Financial liabilities at fair value through profit or loss

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
<b>INTEREST-BEARING LIABILITIES – CAPITAL MARKETS OPERATIONS</b>		
<b>Domestic</b>		
Treasury notes	1 393 514	1 237 105
Bonds <sup>(1)</sup>	79 466 140	85 167 737
Floating rate notes	2 052 759	350 884
Other	209 460	186 182
	<b>83 121 873</b>	<b>86 941 908</b>
<b>Offshore</b>		
Commercial paper	3 664 684	4 013 185
Bonds <sup>(2)</sup>	830 732	1 263 077
Medium-term notes	1 101 005	1 056 418
	<b>5 596 421</b>	<b>6 332 680</b>
<b>Total interest-bearing liabilities</b>	<b>88 718 294</b>	<b>93 274 588</b>

<sup>(1)</sup> QTC holds its own stock with these holdings netted from the value of Bonds shown above.

<sup>(2)</sup> Consists of AUD denominated global bonds which are borrowed in the United States and Euro markets.

Derivatives are used to hedge offshore borrowings resulting in no net exposure to any foreign currency.

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

An amount of \$5,473 million was issued in term debt during the half-year (2013 \$19,031 million). Repayments and redemptions of term debt over the same period totalled \$9,148 million (2013 \$10,121 million).

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
<b>DEPOSITS – CAPITAL MARKETS OPERATIONS</b>		
<b>Client deposits</b>		
Local governments	1 598 651	1 930 247
Government owned corporations	762 109	768 996
Statutory bodies	1 466 498	1 479 541
Government departments and agencies	555 306	64 007
QTC related entities	504 031	57 270
Other depositors	183 048	201 336
	<b>5 069 643</b>	<b>4 501 397</b>
<b>Other</b>		
Collateral	319 407	552 721
Repurchase agreements	425 513	1 073 577
	<b>744 920</b>	<b>1 626 298</b>
<b>Total deposits</b>	<b>5 814 563</b>	<b>6 127 695</b>

## 15 Financial liabilities at amortised cost

	31 DECEMBER 2013 \$000	30 JUNE 2013 \$000
<b>FIXED RATE NOTES – LONG TERM ASSETS</b>		
State Government	31 731 947	31 447 603

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

## 16 Dividends

No dividends have been paid or recommended in the period (2013 nil).

## 17 Notes to the statement of cash flows

### (a) Cash flows presented on a net basis

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

- loan advances to and redemptions from clients
- sale and purchases of investments
- receipt and withdrawal of client deposits, and
- proceeds and repayments of interest bearing liabilities.

### (b) Long term assets

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

# Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2013

## 18 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 to fair valuation techniques.

*Level 1* - quoted prices (unadjusted) in active markets for identical assets or 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 are valued by reference to either quoted market prices or observable inputs with no significant adjustments applied to instruments held and therefore no financial instruments are classified under Level 3.

Financial instruments classified as Level 1 consist primarily of short-term and tradable bank deposits and Commonwealth and semi-government bonds where an active market has been established. Financial instruments classified as Level 2 include non actively traded corporate and semi-government bonds (including QTC 2033 bond and the Capital Indexed bond), certain money market securities (commercial paper and promissory notes) and all derivatives.

QTC's onlendings and client deposits are included under Level 2. As mentioned above there are no financial instruments classified under Level 3.

There were no transfers between Level 1 and Level 2 or out of Level 3 during the half-year ended 31 December 2013.

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

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

	QUOTED MARKET PRICES LEVEL 1 \$'000	OBSERVABLE MARKET INPUTS LEVEL 2 \$'000	TOTAL \$'000
<b>AS AT 31 DECEMBER 2013</b>			
<b>CAPITAL MARKETS OPERATIONS</b>			
<b>Financial assets</b>			
Onlendings	-	83 282 974	83 282 974
Money market deposits	801 342	-	801 342
Discount securities	3 534 817	152 557	3 687 374
Commonwealth and state securities	899 675	-	899 675
Floating rate notes	3 762 694	1 834	3 764 528
Term deposits	-	784 877	784 877
Other investments	58 685	1 587 397	1 646 082
	<b>9 057 213</b>	<b>85 809 639</b>	<b>94 866 852</b>
<b>Derivative financial assets</b>			
Interest rate swaps	-	106 638	106 638
Cross currency swaps	-	184 056	184 056
Forward rate agreements	-	40 272	40 272
Foreign exchange contracts	-	145 949	145 949
	-	<b>476 915</b>	<b>476 915</b>
<b>Total financial assets</b>	<b>9 057 213</b>	<b>86 286 554</b>	<b>95 343 767</b>
<b>Financial liabilities</b>			
Treasury notes	-	1 393 514	1 393 514
Commercial paper	-	3 664 684	3 664 684
Domestic bonds	77 817 570	1 648 570	79 466 140
Offshore bonds	830 732	-	830 732
Other	-	209 460	209 460
Medium-term notes	-	1 101 005	1 101 005
Floating rate notes	-	2 052 759	2 052 759
Client deposits	-	5 069 643	5 069 643
Collateral	-	319 407	319 407
Repurchase agreements	-	425 513	425 513
	<b>78 648 302</b>	<b>15 884 555</b>	<b>94 532 857</b>
<b>Derivative financial liabilities</b>			
Interest rate swaps	-	32 271	32 271
Cross currency swaps	-	107 706	107 706
Foreign exchange contracts	-	78	78
	-	<b>140 055</b>	<b>140 055</b>
<b>Total financial liabilities</b>	<b>78 648 302</b>	<b>16 024 610</b>	<b>94 672 912</b>
<b>LONG TERM ASSETS</b>			
<b>Financial assets</b>			
Investments in unit trusts - QIC	-	30 498 110	30 498 110
	-	<b>30 498 110</b>	<b>30 498 110</b>

## 18 Fair value hierarchy continued

AS AT 30 JUNE 2013	QUOTED MARKET PRICES LEVEL 1 \$000	OBSERVABLE MARKET INPUTS LEVEL 2 \$000	TOTAL \$000
<b>CAPITAL MARKETS OPERATIONS</b>			
<b>Financial assets</b>			
Onlendings	-	79 118 832	79 118 832
Money market deposits	1 717 477	-	1 717 477
Discount securities	7 616 756	126 947	7 743 703
Commonwealth and state securities	3 642 350	-	3 642 350
Floating rate notes	4 312 641	1 528	4 314 169
Term deposits	-	552 625	552 625
Other investments	125 102	2 098 619	2 223 721
	<b>17 414 326</b>	<b>81 898 551</b>	<b>99 312 877</b>
<b>Derivative financial assets</b>			
Interest rate swaps	-	149 229	149 229
Cross currency swaps	-	136 217	136 217
Forward rate agreements	-	86 378	86 378
Foreign exchange contracts	-	416 637	416 637
	-	<b>788 461</b>	<b>788 461</b>
<b>Total financial assets</b>	<b>17 414 326</b>	<b>82 687 013</b>	<b>100 101 338</b>
<b>Financial liabilities</b>			
Treasury notes	-	1 237 105	1 237 105
Commercial paper	-	4 013 185	4 013 185
Domestic bonds	83 529 812	1 637 925	85 167 737
Offshore bonds	1 263 077	-	1 263 077
Other	-	186 182	186 182
Medium-term notes	-	1 056 418	1 056 418
Floating rate notes	-	350 884	350 884
Client deposits	-	4 501 397	4 501 397
Collateral	-	552 721	552 721
Repurchase agreements	-	1 073 577	1 073 577
	<b>84 792 889</b>	<b>14 609 394</b>	<b>99 402 283</b>
<b>Derivative financial liabilities</b>			
Interest rate swaps	-	51 266	51 266
Cross currency swaps	-	116 402	116 402
Foreign exchange contracts	-	58	58
	-	<b>167 726</b>	<b>167 726</b>
<b>Total financial liabilities</b>	<b>84 792 889</b>	<b>14 777 120</b>	<b>99 570 009</b>
<b>LONG TERM ASSETS</b>			
<b>Financial assets</b>			
Investments in unit trusts - QIC	-	29 767 721	29 767 721
	-	<b>29 767 721</b>	<b>29 767 721</b>

# Notes to and forming part of the Financial Statements

For the half-year ended 31 December 2013

## 19 Contingent liabilities

There have been no material changes in contingent liabilities since those disclosed in the financial statements for the year ended 30 June 2013. Refer to note 23 in the 2013 Annual Report.

## 20 Funding facilities

FACILITY	CURRENCY	LIMIT \$M	FACE VALUE ON ISSUE 31 DECEMBER 2013 \$M	FACE VALUE ON ISSUE 30 JUNE 2013 \$M
<b>Onshore facilities</b>				
AUD Bond	AUD	Unlimited	<b>AUD 75 606</b>	AUD 78 507
Treasury Note	AUD	Unlimited	<b>AUD 1 398</b>	AUD 1 243
Other	AUD	N/A	<b>AUD 552</b>	AUD 529
<b>Offshore facilities</b>				
Global AUD Bond	AUD	AUD 20 000	<b>AUD 760</b>	AUD 1 169
Euro Commercial Paper	Multicurrency	USD 10 000	<b>USD 1 773</b>	USD 1 856
US Commercial Paper	USD	USD 10 000	<b>USD 1 499</b>	USD 1 862
Euro Medium Term Note	Multicurrency	USD 10 000	<b>USD 987</b>	USD 951



# Certificate of the Queensland Treasury Corporation

The foregoing general purpose financial statements have been prepared in accordance with the requirements of AASB 134: *Interim Financial Reports*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

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 half-year 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 half-year ended 31 December 2013, and
- (iii) the interim management report includes a fair review of the information required under article 4(4) 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  
12 February 2014

# Independent Auditor's review report

To the Capital Markets Board of Queensland Treasury Corporation

## Review Report on the Half-year Financial Report

I have reviewed the accompanying half-year financial report of Queensland Treasury Corporation, which comprises the balance sheet as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Chairman and Chief Executive.

### The Corporation Sole's responsibility for the Half-year Financial Report

The Corporation Sole is responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the Corporation Sole determines is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express a conclusion on the half-year financial report based on my review. I conducted my review in accordance with the Auditor-General of Queensland Auditing Standards and Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, I have become aware of any matter that makes me believe that the half-year financial report is not in accordance with Australian Accounting Standards including: giving a true and fair view of Queensland Treasury Corporation's financial position as at 31 December 2013 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of Queensland Treasury Corporation, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an 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 a review 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 a review, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### Conclusion

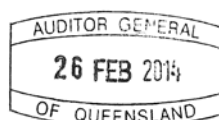
Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of Queensland Treasury Corporation does not present a true and fair view, in all material respects, of the financial position of Queensland Treasury Corporation as at 31 December 2013 and of its financial performance for the half-year ended on that date; and comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

## Other Matters – Electronic Presentation of the Reviewed Financial Report

Those viewing an electronic presentation of these financial statements should note that the review 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 reviewed financial statements to confirm the accuracy of this electronically presented information.



**A M GREAVES FCA FCPA**  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane

# Management report for the half-year ended 31 December 2013

## Review of operations

QTC made an operating profit after tax for the half-year ended 31 December 2013 of AUD544.0 million consisting of the following operating segment results:

### ■ Capital Markets Operations

During the period from 1 July 2013 to 31 December 2013, QTC continued in its ordinary course of business as the State of Queensland's central financing authority and corporate treasury services provider. The operating profit after tax for the half-year ended 31 December 2013 for the Capital Markets Operations segment was AUD97.9 million.

### ■ Long Term Assets

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

The operating profit after tax for the Long Term Assets segment was AUD446.0 million. The accumulated net losses incurred by the Long Term Assets segment to date have no impact on QTC's capacity to meet its obligations as there is no cash flow effect for QTC. In addition, under the *Queensland Treasury Corporation Act 1988*, any losses of the Corporation shall be the responsibility of the Consolidated Fund of the Queensland Government.

## Principal risks and uncertainties

After some volatility in the latter part of 2012-13, financial market conditions were generally favourable during the first half of 2013-14. The key risks and uncertainties over the remainder of the year include how smoothly US monetary policy is normalised and how effectively the Australian economy re-balances away from investment in the resource sector, neither of which are expected to impact on QTC's performance or its ability to fund the State's borrowing requirement.



**G P BRADLEY**  
Chairman



**P C NOBLE**  
Chief Executive

Brisbane  
12 February 2014