

CONDENSED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

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STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	NOTE	HALF-YEAR ENDED	
		31 DECEMBER 2015 \$000	31 DECEMBER 2014 \$000
CAPITAL MARKETS OPERATIONS			
Net interest income			
Interest income	3	2 541 996	5 414 811
Interest expense	3	(2 521 614)	(5 379 831)
		20 382	34 980
Other income			
Fees		34 980	34 433
Lease income		24 169	24 793
Amortisation of cross border lease deferred income		2 162	2 162
		61 311	61 388
Expenses			
Administration expenses		(29 731)	(29 936)
Depreciation on leased assets		(19 903)	(16 499)
		(49 634)	(46 435)
Profit from capital markets operations before income tax		32 059	49 933
Income tax expense		(6 984)	(6 058)
Profit from capital markets operations after income tax		25 075	43 875
LONG TERM ASSETS			
Net return from investments in long term assets			
Net change in fair value of unit trusts		319 708	1 106 576
Interest on fixed rate notes		(1 138 903)	(1 117 692)
Management fees		(35 860)	(33 736)
Loss from long term assets		(855 055)	(44 852)
Total net loss for the half-year after tax		(829 980)	(977)
Total comprehensive loss attributable to the owner		(829 980)	(977)
Total comprehensive loss derived from:			
Capital markets operations		25 075	43 875
Long term assets		(855 055)	(44 852)
Total comprehensive loss		(829 980)	(977)

The notes on pages 08 to 14 are an integral part of these condensed financial statements.

Note: Throughout these condensed 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 31 December 2015

	NOTE	HALF-YEAR ENDED	
		31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
ASSETS - CAPITAL MARKETS OPERATIONS			
Cash and cash equivalents	4	50 036	2 116 642
Receivables		6 076	4 207
Financial assets at fair value through profit or loss	5	19 303 949	18 368 652
Derivative financial assets	6	251 281	309 914
Onlendings	7	92 136 151	89 418 719
Property, plant and equipment		157 319	180 806
Intangible assets		8 173	2 752
Deferred tax asset		2 806	3 029
		111 915 791	110 404 721
ASSETS - LONG TERM ASSETS			
Financial assets at fair value through profit or loss	10	34 285 888	34 655 724
		34 285 888	34 655 724
Total Assets		146 201 679	145 060 445
LIABILITIES - CAPITAL MARKETS OPERATIONS			
Payables		14 384	67 094
Derivative financial liabilities	6	531 783	428 093
Financial liabilities at fair value through profit or loss			
- Interest bearing liabilities	8	102 350 724	101 431 958
- Deposits	8	8 278 509	7 724 892
Other liabilities		4 783	42 151
		111 180 183	109 694 188
LIABILITIES - LONG TERM ASSETS			
Financial liabilities at amortised cost		33 541 590	33 056 371
		33 541 590	33 056 371
Total Liabilities		144 721 773	142 750 559
NET ASSETS		1 479 906	2 309 886
EQUITY - CAPITAL MARKETS OPERATIONS			
Retained surplus		735 608	710 533
		735 608	710 533
EQUITY - LONG TERM ASSETS			
Retained surplus		744 298	1 599 353
		744 298	1 599 353
Total Equity		1 479 906	2 309 886

The notes on pages 08 to 14 are an integral part of these condensed financial statements.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2015

	CAPITAL MARKETS OPERATIONS	LONG TERM ASSETS	TOTAL EQUITY \$000
	RETAINED SURPLUS \$000	RETAINED SURPLUS \$000	
Balance at 1 July 2014	710 253	1 448 075	2 158 328
Profit/(loss) for the half-year	43 875	(44 852)	(977)
Balance at 31 December 2014	754 128	1 403 223	2 157 351
Balance at 1 July 2015	710 533	1 599 353	2 309 886
Profit/(loss) for the half-year	25 075	(855 055)	(829 980)
Balance at 31 December 2015	735 608	744 298	1 479 906

The notes on pages 08 to 14 are an integral part of these condensed financial statements.

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2015

	HALF-YEAR ENDED	
	31 DECEMBER 2015 \$000	31 DECEMBER 2014 \$000
CAPITAL MARKETS OPERATIONS		
Cash flows from operating activities		
Interest received from onlendings	2 063 110	2 086 594
Interest received from investments	276 820	221 007
Interest received - other	24 169	24 792
Fees received	34 845	34 393
GST paid to suppliers	(5 532)	(4 882)
GST refunds from ATO	5 425	4 661
GST paid to ATO	(7 075)	(2 863)
GST received from clients	3 291	2 943
Interest paid on interest-bearing liabilities	(2 341 412)	(2 255 422)
Interest paid on deposits	(98 555)	(95 980)
Administration expenses paid	(35 192)	(41 806)
Income tax paid	(9 679)	(15 467)
Net cash used in operating activities	(89 785)	(42 030)
Cash flows from investing activities		
Net payment for investments	(955 365)	(616 270)
Net increase in onlendings	(2 484 104)	(3 601 590)
Payments for property, plant and equipment	(6)	(380)
Proceeds from sale of property, plant and equipment	2 621	-
Payments for intangibles	(5 962)	(1 480)
Net cash used in investing activities	(3 442 816)	(4 219 720)
Cash flows from financing activities		
Net proceeds from interest-bearing liabilities	954 771	3 147 494
Net increase in deposits	552 224	1 300 101
Dividends paid	(41 000)	(120 000)
Net cash provided by financing activities	1 465 995	4 327 595
Net (decrease) / increase in cash held	(2 066 606)	65 845
Cash and cash equivalents at 1 July	2 116 642	546
Net cash at 31 December	50 036	66 391
LONG TERM ASSETS		
No external cash flow is generated from the long term assets.		

The notes on pages 08 to 14 are an integral part of these condensed financial statements.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

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1 GENERAL INFORMATION

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

QTC plays a pivotal role as the Queensland Government's central financing authority. 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 7.0 per cent 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.

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 SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

(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 should be read in conjunction with the most recent annual financial report.

(b) Change in accounting policies, accounting standards and interpretations

The accounting policies used in the preparation of these interim condensed financial statements have been applied consistently with those used in the preceding annual financial statements for the year ended 30 June 2015.

(c) Impact of standards issued but not yet adopted

QTC has not early adopted any new or amended standards that have been issued but are not yet effective.

(d) Estimations and uncertainties

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

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the half-year ended 31 December 2015

3 INTEREST INCOME AND INTEREST EXPENSE

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015				
	Interest \$000	Net unrealised gain/loss \$000	Net realised gain/loss \$000	Total interest \$000
Interest income				
Cash and cash equivalents	2 457	(2)	-	2 455
Financial assets through profit or loss	251 058	(7 095)	18 548	262 511
Derivative financial assets	15 533	(34 913)	-	(19 380)
Onlendings*	2 063 376	233 034	-	2 296 410
Total interest income	2 332 424	191 024	18 548	2 541 996
Interest expense				
Financial liabilities through profit or loss				
- short term	75 038	4 623	-	79 661
- long term	1 599 614	170 074	258 819	2 028 507
Derivative financial liabilities	73 116	101 127	126 943	301 186
Deposits	99 968	(20)	-	99 948
Other	12 312	-	-	12 312
Total interest expense	1 860 048	275 804	385 762	2 521 614

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014				
	Interest \$000	Net unrealised gain/loss \$000	Net realised gain/loss \$000	Total interest \$000
Interest income				
Cash and cash equivalents	11 871	(1)	-	11 870
Financial assets through profit or loss	231 969	48 962	15 658	296 589
Derivative financial assets	2 136	(45 328)	35 424	(7 768)
Onlendings*	2 089 092	3 025 028	-	5 114 120
Total interest income	2 335 068	3 028 661	51 082	5 414 811
Interest expense				
Financial liabilities through profit or loss				
- short term	57 340	39 121	-	96 461
- long term	1 693 291	2 433 629	611 847	4 738 767
Deposits	97 109	(68)	-	97 041
Derivative financial liabilities	35 763	124 546	273 987	434 296
Other	13 266	-	-	13 266
Total interest expense	1 896 769	2 597 228	885 834	5 379 831

* 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 half-year ended 31 December 2015, interest rates fell however not to the same extent as in the comparative period, resulting in lower interest income in the current period.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the half-year ended 31 December 2015

4 CASH AND CASH EQUIVALENTS

	31 DECEMBER 2015 \$000	30 JUNE 2015 \$000
Cash at bank	50 036	40
Money market deposits	-	2 116 602
	50 036	2 116 642

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 DECEMBER 2015 \$000	30 JUNE 2015 \$000
Discount securities	4 800 715	5 539 737
Commonwealth and state securities ⁽¹⁾	1 280 463	1 181 253
Floating rate notes	6 782 961	6 065 543
Term deposits	4 651 432	4 119 685
Other investments	1 788 378	1 462 434
	19 303 949	18 368 652

⁽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.

6 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

	31 DECEMBER 2015 \$000	30 JUNE 2015 \$000
Derivative financial assets		
Interest rate swaps	57 063	142 098
Cross currency swaps	194 061	166 545
Foreign exchange contracts	157	1 271
	251 281	309 914
Derivative financial liabilities		
Interest rate swaps	371 445	290 445
Cross currency swaps	148 785	136 298
Foreign exchange contracts	11 553	1 350
	531 783	428 093
Net derivatives	(280 502)	(118 179)

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the half-year ended 31 December 2015

7 ONLENDINGS

	31 DECEMBER 2015 \$000	30 JUNE 2015 \$000
Government departments and agencies ⁽¹⁾	43 254 655	44 938 644
Government owned corporations	24 296 598	20 078 008
Local governments	6 836 391	6 900 944
Statutory bodies	17 293 931	17 044 296
QTC related entities	143 796	148 302
Other bodies	310 780	308 525
	92 136 151	89 418 719

⁽¹⁾ A client deposit of \$2 833 million has been offset in the balance sheet, due to the holder having a legal right and intention to net settle.

8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 DECEMBER 2015 \$000	30 JUNE 2015 \$000
Interest-bearing liabilities		
Short-term		
Money market borrowings	487 534	-
Treasury notes	7 370 346	4 879 372
Commercial paper	716 248	277 726
	8 574 128	5 157 098
Long-term		
AUD Bonds ⁽²⁾	84 978 631	87 283 039
Floating rate notes ⁽²⁾	7 071 866	7 076 527
Global AUD Bonds ⁽¹⁾	248 476	516 741
Medium-term notes	1 194 766	1 147 701
Other	282 857	250 852
	93 776 596	96 274 860
Total interest-bearing liabilities	102 350 724	101 431 958
Client deposits		
Local governments	2 134 298	2 748 353
Statutory bodies	2 454 690	2 552 307
Government owned corporations	996 904	1 193 117
Government departments and agencies	1 315 170	54 897
QTC related entities	64 907	64 325
Other depositors	177 355	185 850
	7 143 324	6 798 849
Collateral	12 836	104 502
Repurchase agreements	1 122 349	821 541
	1 135 185	926 043
Total deposits	8 278 509	7 724 892

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

⁽²⁾ An amount of \$5 025 million was issued in term debt during the half-year, compared to \$16 607 million during the financial year 2015. Repayments and redemptions of term debt over the same period totalled \$7 169 million, compared to \$10 907 million during the financial year 2015.

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*.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the half-year ended 31 December 2015

9 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 instruments classified as Level 2 include non-actively traded corporate and semi-government bonds (including the QTC 2033 Bond and QTC Capital Index Bond), certain money market securities (commercial paper and treasury notes), floating rate notes, term deposits, QTC onlendings and all over the counter derivatives.

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. QTC floating rate notes were transferred from Level 1 to Level 2 during the half-year ended 31 December 2015.

AS AT 31 DECEMBER 2015	QUOTED PRICES LEVEL 1 \$000	OBSERVABLE INPUTS LEVEL 2 \$000	TOTAL \$000
Financial assets			
Cash and cash equivalents	50 036	-	50 036
Financial assets through profit or loss	13 569 211	5 734 738	19 303 949
Onlendings	-	92 136 151	92 136 151
Derivative financial assets	-	251 281	251 281
Total financial assets	13 619 247	98 122 170	111 741 417
Financial liabilities			
Financial liabilities through profit or loss			
- Short term	487 534	8 086 594	8 574 128
- Long term	83 005 092	10 771 504	93 776 596
Deposits	-	8 278 509	8 278 509
Derivative financial liabilities	-	531 783	531 783
Total financial liabilities	83 492 626	27 668 390	111 161 016
AS AT 30 JUNE 2015			
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

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

LONG TERM ASSETS

For the half-year ended 31 December 2015

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 DECEMBER 2015 \$000	30 JUNE 2015 \$000
Investments in unit trusts and other holdings - QIC:		
Movement during the period: ⁽¹⁾		
Opening balance at 1 July	34 655 724	33 431 249
Net withdrawals	(689 544)	(1 260 105)
Net change in fair value of unit trusts	319 708	2 484 580
Closing Balance ⁽²⁾	34 285 888	34 655 724
The underlying assets of the trusts consist of the following asset classes:		
Defensive assets		
Cash	6 925 139	6 276 207
Fixed interest	5 767 926	7 624 976
Growth assets		
Equities	4 880 052	4 733 483
Diversified alternatives	8 501 136	8 094 333
Unlisted assets		
Infrastructure	2 948 858	2 790 404
Private equities	3 079 278	2 874 846
Real estate	2 183 499	2 261 475
	34 285 888	34 655 724

⁽¹⁾ Movement during the period is for the six months to 31 December 2015 and for the twelve months to 30 June 2015.

⁽²⁾ As announced in the 2015-16 State Budget, it is expected that approximately \$3.4 billion set aside to meet the State's long service leave liability will be withdrawn from these assets prior to the end of the financial year.

11 FAIR VALUE HIERARCHY

Financial instruments have been classified in accordance with the hierarchy described in AASB 13 *Fair Value Measurement*, as per note 9.

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 31 December 2015, investments in unit trusts are valued at \$34 286 million (June 2015: \$34 656 million).

The Board considers that the carrying value of financial liabilities recorded at amortised cost in the condensed 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 AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

OTHER INFORMATION

For the half-year ended 31 December 2015

12 FUNDING FACILITIES

FACILITY	SIZE (\$M)	MATURITIES	CURRENCY	FACE VALUE ON ISSUE AUD M	FACE VALUE ON ISSUE AUD M
				31 DECEMBER 2015	30 JUNE 2015
Short-term					
Domestic T-Notes	Unlimited	7-365 days	AUD	7 400	4 900
Euro CP	USD10 000	1-364 days	Multi-currency	408	115
US CP	USD10 000	1-270 days	USD	308	163
Long-term					
AUD Bond	Unlimited	11 benchmark lines 2016-2026	AUD	68 956	69 713
		4 AGG* lines 2016-2021	AUD	6 117	7 281
		1 non-benchmark line 2033	AUD	905	905
		Capital indexed bond 2030	AUD	855	847
		Floating rate notes 2016-2018	AUD	7 055	7 055
Global AUD Bond	AUD20 000	2 AGG* lines 2017	AUD	230	487
Euro MTN	USD10 000	Various	Multi-currency	1 144	1 089
US MTN	USD10 000	Various	Multi-currency	-	-

*AGG – Australian Government Guarantee

13 CONTINGENT LIABILITIES

There have been no material changes in contingent liabilities since those disclosed in the financial statements for the year ended 30 June 2015. Refer to note 18 in the 2015 Annual Report

14 EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances which have arisen since the end of the half-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 the future.

CERTIFICATE OF THE QUEENSLAND TREASURY CORPORATION

The foregoing general purpose condensed 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 condensed 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 2015, 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
10 February 2016

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 2015, 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 BOARD'S RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT

The Capital Markets Board (the Board), as delegated by 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 Board 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 2015 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.

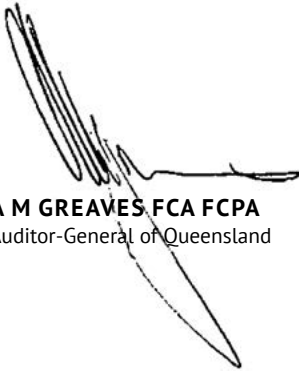
The Auditor-General may conduct a review in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting a review, access to all documents and property and can report to Parliament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

CONCLUSION

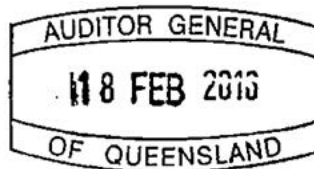
Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of Queensland Treasury Corporation does not present a true and fair view, in all material respects, of the financial position of Queensland Treasury Corporation as at 31 December 2015 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 condensed 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 condensed financial statements. If users of the condensed 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 condensed 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 2015

Review of Operations

QTC made an operating loss after tax for the half-year ended 31 December 2015 of AUD830.0 million consisting of the following operating segment results:

CAPITAL MARKETS OPERATIONS

During the period from 1 July 2015 to 31 December 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 half-year ended 31 December 2015 for the Capital Markets Operations segment was AUD25.1 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 loss after tax for the Long Term Assets segment was AUD855.1 million due to the interest rate on the liability exceeding earnings from the portfolio which returned positive outcomes for all major asset classes apart from global equities and global fixed interest over the half-year.

PRINCIPAL RISKS AND UNCERTAINTIES

The first half of 2015-16 was characterised by volatility in financial markets largely reflecting the uncertainty around the timing of the first interest rate hike by the US Federal Reserve (Fed) in almost 10 years, a focus on the economic growth in China and other emerging markets, as well as the volatility of equity markets and commodity and energy prices. Conditions in financial markets in the second half of 2015-16 will likely depend on the speed of the US Fed's hiking cycle, growth prospects of Chinese and emerging market economies and whether commodity and energy prices stabilise. Despite these uncertainties, this is not expected to impact materially on QTC's Capital Markets performance or its ability to fund the State's borrowing requirement.