STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		HALF-YEAR ENDED	
	NOTE	31 DECEMBER 2012 $000	31 DECEMBER 2011 $000
CAPITAL MARKETS OPERATIONS			
Net interest income			
Interest income	4	**2 934 633**	4 726 873
Interest expense	4	**(2 719 583)**	(4 607 258)
		215 050	119 615
Other income			
Fees – management	5	**32 798**	28 995
Fees – professional		**294**	266
Fees – other		**386**	311
Amortisation of cross border lease deferred income		**3 219**	3 219
Lease income		**23 296**	20 090
		59 993	52 881
Expenses			
Administration expenses	8	**(26 000)**	(37 967)
Depreciation on leased assets		**(15 436)**	(13 348)
Other expenses		**(30)**	26
		(41 466)	(51 289)
Share of joint venture entity profit		**355**	293
Profit from capital markets operations before income tax		**233 932**	121 500
Income tax expense		**(8 574)**	(1 331)
Profit from capital markets operations after income tax		**225 358**	120 169
LONG TERM ASSETS			
Net return from investments in long term assets			
Net change in fair value of unit trusts	6	**2 354 994**	647 784
Interest on fixed rate notes	7	**(1 168 220)**	(1 140 482)
Management fees		**(32 228)**	(34 092)
Profit/(loss) from long term assets		**1 154 546**	(526 790)
Total profit/(loss) for the half-year after tax		**1 379 904**	(406 621)
Total comprehensive income attributable to the owners		**1 379 904**	(406 621)
Total comprehensive income derived from:			
Capital markets operations	3	**225 358**	**120 169**
Long term assets	3	**1 154 546**	**(526 790)**
Total comprehensive income		**1 379 904**	**(406 621)**

The notes on pages 12 to 21 are an integral part of these financial statements.

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

BALANCE SHEET
AS AT 31 DECEMBER 2012

	NOTE	31 DECEMBER 2012 $000	30 JUNE 2012 $000
ASSETS			
Capital markets operations			
Cash		**51 801**	743
Receivables		**2 879**	9 022
Financial assets at fair value through profit or loss	9	**19 520 893**	17 126 850
Derivative financial assets	10	**394 443**	475 056
Onlendings	11	**77 370 311**	72 289 635
Property, plant and equipment		**291 926**	286 131
Investments accounted for using the equity method		**1 241**	1 377
Intangible assets		**5 849**	5 110
Deferred income tax assets		**1 948**	2 438
		97 641 291	90 196 362
Long term assets			
Financial assets at fair value through profit or loss	9	**30 359 628**	29 182 448
		30 359 628	29 182 448
Total assets		**128 000 919**	119 378 810
LIABILITIES			
Capital markets operations			
Payables		**118 537**	106 020
Tax liabilities		**8 113**	8 619
Derivative financial liabilities	12	**211 782**	247 589
Financial liabilities at fair value through profit or loss			
- Interest bearing liabilities	13	**91 405 179**	84 268 842
- Deposits	13	**5 184 173**	5 077 143
		96 927 784	89 708 213
Long term assets			
Financial liabilities at amortised cost	14	**31 875 312**	31 852 678
		31 875 312	31 852 678
Total liabilities		**128 803 096**	121 560 891
Net assets		**(802 177)**	(2 182 081)
EQUITY			
Retained earnings			
Capital markets operations		**713 507**	488 149
Long term assets		**(1 515 684)**	(2 670 230)
Total equity		**(802 177)**	(2 182 081)

The notes on pages 12 to 21 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	CAPITAL MARKETS OPERATIONS	LONG TERM ASSETS	TOTAL
	RETAINED EARNINGS $000	**RETAINED EARNINGS $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
Balance at 31 December 2012	713 507	(1 515 684)	(802 177)
Balance at 1 July 2011	441 240	(2 857 459)	(2 416 219)
Profit for the half-year	120 169	(526 790)	(406 621)
Balance at 31 December 2011	561 409	(3 384 249)	(2 822 840)

The notes on pages 12 to 21 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	HALF-YEAR ENDED	
	31 DECEMBER 2012 $000	31 DECEMBER 2011 $000
CAPITAL MARKETS OPERATIONS		
Cash flows from operating activities		
Interest received from onlendings	**2 443 527**	3 662 333
Interest received from investments	**494 019**	725 062
Interest received – other	**27 693**	20 068
Fees received	**33 522**	29 545
GST paid to suppliers	**(6 372)**	(4 064)
GST refunds from ATO	**10 104**	4 967
GST paid to ATO	**(3 262)**	(2 483)
GST received from clients	**3 242**	2 419
Interest paid on interest-bearing liabilities	**(2 199 656)**	(1 924 240)
Interest paid on deposits	**(90 323)**	(57 196)
Administration expenses paid	**(25 552)**	(14 565)
Income tax paid	**(8 588)**	(20 585)
Net cash provided by operating activities	**678 354**	2 421 261
Cash flows from investing activities		
Net proceeds from investments	**(2 228 304)**	(931 272)
Net increase in onlendings	**(5 074 815)**	(8 109 465)
Payments for property, plant and equipment	**(22 025)**	(31 701)
Payments for intangibles	**(1 734)**	(5 502)
Proceeds from sale of property, plant and equipment	**13**	-
Dividend received	**491**	89
Net cash used in investing activities	**(7 326 374)**	(9 077 851)
Cash flows from financing activities		
Net proceeds from interest-bearing liabilities	**6 587 191**	8 983 186
Net increase/ (decrease) in deposits	**111 887**	(2 012 235)
Net cash provided by financing activities	**6 699 078**	6 970 951
Net increase in cash	**51 058**	314 361
Cash at 1 July	**743**	(8 834)
Cash at 31 December	**51 801**	305 527
LONG TERM ASSETS		
No external cashflow is generated from the long term assets (refer notes 15(b)).		

The notes on pages 12 to 21 are an integral part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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.

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.

The majority of QTC's profits from its Capital Markets Operations are generated as a result of interest earned from the investment of QTC's equity. QTC ensures that in undertaking its Capital Markets activities it has adequate capital to manage its risks.

QTC holds a portfolio of assets which were transferred to QTC by the State Government. These assets are the investments of QTC's Long Term Assets segment and are held to fund superannuation and other long-term obligations of the State such as insurance and long service leave. In return, QTC has issued to the State fixed rate notes which has resulted in the State receiving a fixed rate of return on the notes, while QTC bears the impact of fluctuations in the value and returns on the asset portfolio (refer notes 3 and 6).

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.

The half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report. They should be read in conjunction with the annual financial report of QTC as at 30 June 2012.

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

While QTC is designated as a not-for-profit entity, the Corporation has elected to comply with the requirements of International Financial Reporting Standards (IFRS) as if it is a for-profit entity.

Basis of measurement

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

Functional and presentation currency

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

Classification of assets and liabilities

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

(b) Change in accounting policy

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

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

(c) Cash

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

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

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

Measurement

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

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

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

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

Classification

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

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

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

Onlendings

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

Derivative financial instruments

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

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

Financial assets at fair value through profit or loss

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

- **Financial assets – Capital Markets Operations**
  Financial assets – Capital Markets Operations, include investments in money market deposits, discount securities, semi-government bonds and floating rate notes. Unrealised gains and losses are brought to account in the statement of comprehensive income.
- **Investments in unit trusts – Long Term Assets**
  Investments in unit trusts consist of investments held and managed by QIC and include Australian equities, international equities and other diversified products (refer note 9). These investments are measured at market value based on the hard close unit price quoted by QIC adjusted for fees outstanding on the account and net of any GST recoverable.

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost

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

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

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

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

Changes in the net market value of investments are recognised in the period in which they occur. The net market value is based on the closing unit redemption price and includes both realised and unrealised movements, net of allowances for costs expected to be incurred in realising these investments. Distributions are reinvested into the trusts.

(g) 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 applying tax effect accounting principles.

No income tax is payable on the Long Term Assets.

(h) Rounding

Amounts have been rounded to the nearest thousand dollars except for note 17 which is rounded to the nearest million dollars.

(i) Operating result

The operating profit after tax for the half-year ended 31 December 2012 for the Capital Markets Operations segment was $225.4 million and $1,154.5 million for the Long Term Assets segment.

The accumulated net losses of $1,515.7 million in the Long Term Assets segment have no impact on QTC's capacity to meet its obligations as there is no cash flow effect for QTC (refer note 15). 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

3 Segment reporting

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

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

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

SEGMENT REVENUE AND EXPENSES	FOR THE HALF-YEAR ENDED 31 DECEMBER 2012			FOR THE HALF-YEAR ENDED 31 DECEMBER 2011		
	Capital markets operations $000	Long term assets $000	Total $000	Capital markets operations $000	Long term assets $000	Total $000
Segment income						
Interest income	2 934 633	-	**2 934 633**	4 726 873	-	4 726 873
Net change in fair value of unit trusts	-	2 354 994	**2 354 994**	-	647 784	647 784
Other income	59 993	-	**59 993**	52 881	-	52 881
Total income	**2 994 626**	**2 354 994**	**5 349 620**	**4 779 754**	**647 784**	**5 427 538**
Segment expenses						
Interest expense	2 719 583	1 168 220	**3 887 803**	4 607 258	1 140 482	5 747 740
Depreciation, amortisation and impairment	17 214	-	**17 214**	28 824	-	28 824
Management fees	-	32 228	**32 228**	-	34 092	34 092
Other expenses	24 252	-	**24 252**	22 465	-	22 465
Total expenses	**2 761 049**	**1 200 448**	**3 961 497**	**4 658 547**	**1 174 574**	**5 833 121**
Share of joint venture entity profit	355	-	**355**	293	-	293
Profit/(loss) before income tax	**233 932**	**1 154 546**	**1 388 478**	**121 500**	**(526 790)**	**(405 290)**
Income tax expense	8 574	-	**8 574**	1 331	-	1 331
Profit/(loss) for the half-year	**225 358**	**1 154 546**	**1 379 904**	**120 169**	**(526 790)**	**(406 621)**

SEGMENT ASSETS AND LIABILITIES	AS AT 31 DECEMBER 2012			AS AT 30 JUNE 2012		
	Capital markets operations $000	Long term assets $000	Total $000	Capital markets operations $000	Long term assets $000	Total $000
Segment assets						
Onlendings	77 370 311	-	**77 370 311**	72 289 635	-	72 289 635
Financial assets at fair value through profit or loss	19 520 893	30 359 628	**49 880 521**	17 126 850	29 182 448	46 409 298
Other assets	750 087	-	**750 087**	779 877	-	779 877
Total assets	**97 641 291**	**30 359 628**	**128 000 919**	**90 196 362**	**29 182 448**	**119 378 810**
Segment liabilities						
Financial liabilities at fair value through profit or loss	96 589 352	-	**96 589 352**	89 345 985	-	89 345 985
Financial liabilities at amortised cost	-	31 875 312	**31 875 312**	-	31 852 678	31 852 678
Other liabilities	338 432	-	**338 432**	362 228	-	362 228
Total liabilities	**96 927 784**	**31 875 312**	**128 803 096**	**89 708 213**	**31 852 678**	**121 560 891**
Net assets	**713 507**	**(1 515 684)**	**(802 177)**	**488 149**	**(2 670 230)**	**(2 182 081)**

4 Interest income and interest expense from capital markets operations

	FOR THE HALF-YEAR ENDED 31 DECEMBER 2012			
	INTEREST $000	NET UNREALISED GAIN/LOSS $000	NET REALISED GAIN/LOSS $000	TOTAL INTEREST $000
INTEREST INCOME				
Onlendings	2 439 269	10 150	-	**2 449 419**
Other investments	361 704	31 315	92 195	**485 214**
	2 800 973	**41 465**	**92 195**	**2 934 633**
INTEREST EXPENSE				
Deposits	85 528	(61)	-	**85 467**
Interest-bearing liabilities	1 883 927	319 180	431 009	**2 634 116**
	1 969 455	**319 119**	**431 009**	**2 719 583**

	FOR THE HALF-YEAR ENDED 31 DECEMBER 2011			
	INTEREST $000	NET UNREALISED GAIN/LOSS $000	NET REALISED GAIN/LOSS $000	TOTAL INTEREST $000
INTEREST INCOME				
Onlendings	3 696 690	73 364	-	**3 770 054**
Other investments	548 439	100 999	307 381	**956 819**
	4 245 129	**174 363**	**307 381**	**4 726 873**
INTEREST EXPENSE				
Deposits	96 760	22	-	**96 782**
Interest-bearing liabilities	2 015 344	2 054 912	440 220	**4 510 476**
	2 112 104	**2 054 934**	**440 220**	**4 607 258**

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. Except for fixed rate loans, the interest from onlendings figure also reflects the daily movements in the market value of the pooled funds. In periods of falling interest rates, the market value of the funding pool will rise leading to higher interest income from onlendings. Similarly, in periods of falling interest rates, the market value of interest-bearing liabilities will rise leading to higher interest expense.

During the half-year ended 31 December 2011, the fall in interest rates was greater in comparison to the current half-year which led to higher interest income and higher interest expense in the previous period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5 Fees – management

	31 DECEMBER 2012 $000	31 DECEMBER 2011 $000
Fees – management	**32 798**	28 995

Management fees represent income earned from the management of QTC's onlendings and deposits. A further amount of $4.020 million (31 December 2011 $3.827 million), derived from fees on certain managed funds and pools is included under interest income as it forms part of the interest rate applied.

6 Net change in fair value of unit trusts

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

ACCOUNT	31 DECEMBER 2012 $000	31 DECEMBER 2011 $000
QLQ Trust No.1	**1 921 808**	401 629
QLQ Real Property Holdings Trust*	**(3 308)**	18 272
QLQ Trust No.3	**422**	-
QIC Property Fund	**55 363**	48 565
QIC Diversified Infrastructure Fund No.2	**120 334**	47 366
QIC Strategic Fund No.2	**88 649**	51 889
QIC Strategic Fund No.3	**32**	33
QIC Private Equity Fund No.2	**49 079**	25 490
QIC Private Equity Fund No.3	**8 911**	(7 635)
QIC Treasury Infrastructure Trust	**5**	3
QIC Treasury Infrastructure Trust No.1	**102 339**	17 008
QIC Treasury Infrastructure Trust No.2	**9**	-
QIC Treasury Infrastructure Trust No.2 Redeemable Pref Units	**36 065**	44 824
QIC Healthcare Ventures US Dollar Cash	**-**	203
QIC Healthcare Ventures	**-**	(285)
QIC Cash Fund	**-**	145
Queensland BioCapital Fund No.1	**(11 294)**	107
Queensland BioCapital Fund No.2	**(13 420)**	170
	2 354 994	647 784

** Previously QLQ Trust No. 2*

7 Interest on fixed rate notes

LONG TERM ASSETS	31 DECEMBER 2012 $000	31 DECEMBER 2011 $000
Interest on fixed rate notes	**1 168 220**	1 140 482

8 Administration expenses

	31 DECEMBER 2012 $000	31 DECEMBER 2011 $000
Salaries and related costs	**14 569**	11 513
Consultants and contractors	**2 887**	2 886
Property charges	**2 179**	1 641
Computer charges	**1 746**	1 613
Outsourced services	**994**	899
Amortisation on intangible assets	**984**	82
Depreciation on property, plant and equipment	**794**	582
Audit fees	**404**	434
Investor and market relations program	**283**	688
Staff training and development	**168**	163
Impairment on intangible assets	**-**	14 812
Other administration expenses	**992**	2 654
	26 000	37 967

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

9 Financial assets at fair value through profit or loss

CAPITAL MARKETS OPERATIONS	31 DECEMBER 2012 $000	30 JUNE 2012 $000
Money market deposits	**929 741**	1 016 311
Discount securities	**5 708 640**	4 483 548
Commonwealth and state securities [(1)]	**5 364 681**	4 251 514
Floating rate notes	**4 284 767**	4 377 749
Term deposits	**1 759 999**	1 686 129
Other investments	**1 473 065**	1 311 599
	19 520 893	17 126 850

[(1)] *QTC maintains holdings of its own stocks. These holdings are netted off and therefore excluded from financial assets and financial liabilities at fair value through profit or loss (refer note 13).*

The total includes investments made to manage:

- deposits of $5,184.173 million (30 June 2012 $5,077.143 million)
- retained earnings of $713.507 million (30 June 2012 $488.149 million), and
- cross border lease deferred income of $55.486 million (30 June 2012 $58.705 million).

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

LONG TERM ASSETS	31 DECEMBER 2012 $000	30 JUNE 2012 $000
QLQ Trust No.1	**19 967 530**	19 458 681
QLQ Real Property Holdings Trust *	**269 605**	305 737
QLQ Trust No.3	**26 100**	25 672
QIC Property Fund	**1 164 796**	1 118 844
QIC Diversified Infrastructure Fund No.2	**1 585 552**	1 463 208
QIC Strategic Fund No.2	**2 733 254**	2 555 640
QIC Strategic Fund No.3	**5 988**	7 907
QIC Private Equity Fund No.2	**1 009 497**	848 431
QIC Private Equity Fund No.3	**83 590**	45 702
QIC Treasury Infrastructure Trust	**124**	120
QIC Treasury Infrastructure Trust No.1	**2 198 865**	2 002 790
QIC Treasury Infrastructure Trust No.2	**78**	69
QIC Treasury Infrastructure Trust No.2 – Redeemable Pref Units	**1 293 511**	1 304 217
Queensland BioCapital Fund No.1	**10 038**	21 122
Queensland BioCapital Fund No.2	**11 100**	24 308
	30 359 628	29 182 448

** Previously QLQ Trust No. 2*

MOVEMENT DURING THE YEAR		
Opening balance	**29 182 448**	28 248 333
Net contributions/(withdrawals)	**(1 177 814)**	(1 622 809)
Net change in fair value of unit trusts	**2 354 994**	2 556 924
Balance at the end	**30 359 628**	29 182 448

10 Derivative financial assets

	31 DECEMBER 2012 $000	30 JUNE 2012 $000
Interest rate swaps	**140 815**	185 768
Cross currency swaps	**123 827**	120 831
Forward rate agreements	**119 356**	161 938
Foreign exchange contracts	**10 445**	6 519
	394 443	475 056

11 Onlendings

	31 DECEMBER 2012 $000	30 JUNE 2012 $000
Government departments and agencies	**35 375 744**	30 520 239
Government owned corporations	**22 224 015**	21 085 227
Local governments	**6 245 562**	5 859 780
Queensland water entities	**11 020 497**	10 825 970
Statutory bodies	**1 088 999**	1 113 361
QTC related entities	**1 152 631**	2 659 158
Other bodies	**262 863**	225 900
	77 370 311	72 289 635

12 Derivative financial liabilities

	31 DECEMBER 2012 $000	30 JUNE 2012 $000
Interest rate swaps	**88 522**	78 064
Cross currency swaps	**109 842**	127 130
Foreign exchange contracts	**13 418**	42 207
Credit default swaps	**-**	188
	211 782	247 589

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

13 Financial liabilities at fair value through profit or loss

	31 DECEMBER 2012 $000	30 JUNE 2012 $000
INTEREST-BEARING LIABILITIES – CAPITAL MARKETS OPERATIONS		
Domestic		
Treasury notes	**2 962 570**	2 405 545
Bonds	**83 084 866**	76 637 478
Floating rate notes	**351 147**	351 142
Other	**194 600**	220 092
	86 593 183	79 614 257
Offshore		
Commercial paper	**2 372 566**	1 688 197
Bonds [1]	**1 385 732**	1 685 383
Medium-term notes	**1 053 698**	1 084 426
Floating rate notes	**-**	196 579
	4 811 996	4 634 585
Total interest-bearing liabilities	**91 405 179**	84 268 842

[1] *Consists of AUD denominated global bonds which are borrowed in the United States and Euro markets.*

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

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

	31 DECEMBER 2012 $000	30 JUNE 2012 $000
Client deposits		
Government-owned corporations	**1 464 230**	1 198 786
Local governments	**1 245 002**	1 660 901
Statutory bodies	**954 473**	911 802
Queensland water entities	**220 091**	189 057
QTC related entities	**68 812**	43 829
Government departments and agencies	**54 627**	135 972
Other depositors	**214 985**	219 618
	4 222 220	4 359 965
Other deposits		
Collateral	**102 244**	107 457
Repurchase agreements	**859 709**	609 721
Total deposits	**5 184 173**	5 077 143

14 Financial liabilities at amortised cost

	31 DECEMBER 2012 $000	30 JUNE 2012 $000
FIXED RATE NOTES – LONG TERM ASSETS		
State Government	**31 875 312**	31 852 678
	31 875 312	31 852 678

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

15 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
- sales and purchases of investments
- receipt and withdrawal of client deposits, and
- proceeds and repayment 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 (refer notes 2 (f) and 3).

16 Contingent liabilities

There have been no material changes in contingent liabilities since those disclosed in the financial statements for the year ended 30 June 2012. Refer to note 24 in the 2012 Annual Report.

17 Funding facilities

FACILITY	CURRENCY	LIMIT $M	FACE VALUE ON ISSUE 31 DECEMBER 2012 $M	FACE VALUE ON ISSUE 30 JUNE 2012 $M
Onshore facilities				
Domestic Benchmark Bonds	AUD	Unlimited	**AUD 74 874**	AUD 70 854
Capital Indexed Bond	AUD	Unlimited	**AUD 802**	AUD 793
Treasury Note	AUD	Unlimited	**AUD 2 974**	AUD 2 420
Other	AUD	N/A	**AUD 536**	AUD 561
Offshore facilities				
Global Benchmark Bonds	AUD	AUD 20 000	**AUD 1 270**	AUD 1 537
Euro Commercial Paper	Multicurrency	USD 10 000	**USD 1 804**	USD 1 496
US Commercial Paper	USD	USD 10 000	**USD 663**	USD 225
Euro Medium-Term Note	Multicurrency	USD 10 000	**USD 1 016**	USD 1 002
US Medium-Term Note	Multicurrency	USD 10 000	-	USD 200

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 2012, 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
13 February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT
TO 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 2012, 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 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. The review was conducted 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 2012 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 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.

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:

(a) present a true and fair view, in all material respects, of the financial position of Queensland Treasury Corporation as at 31 December 2012, and of its financial performance and its cash flows for the half-year ended on that date;

(b) comply with Australian Accounting Standard AASB 134 Interim Financial Reporting.

Other Matters - Electronic Presentation of the Reviewed Financial Report

This review report relates to the financial report of Queensland Treasury Corporation for the half-year ended 31 December 2012. Where the financial report is included on Queensland Treasury Corporation's website, the Corporation is responsible for the integrity of Queensland Treasury Corporation's website and I have not been engaged to report on the integrity of Queensland Treasury Corporation's website. The review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the reviewed financial report in other electronic media.

AUDITOR GENERAL
15 FEB 2013
OF QUEENSLAND

A M GREAVES FCA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

MANAGEMENT REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Review of operations

QTC made an operating profit for the half-year ended 31 December 2012 of AUD1,379.9 million consisting of the following operating segment results:

- **Capital Markets Operations**

During the period from 1 July 2012 to 31 December 2012, 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 2012 for the Capital Markets Operations segment was AUD225.4 million. The profit is primarily due to net unrealised accounting gains on QTC's borrowing and lending operations.

- **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.

QTC made an operating profit after tax of AUD1,154.5 million for the Long Term Assets segment. The accumulated net losses incurred by the Long Term Assets segment to date have no impact on QTC's capacity to meet its obligations as there is no cash flow effect for QTC. In addition, under the *Queensland Treasury Corporation Act 1988*, any losses of the Corporation shall be the responsibility of the Consolidated Fund of the Queensland Government.

Principal risks and uncertainties

Financial market conditions improved over the course of the second half of 2012 as the global economy stabilised. Improved economic conditions are expected throughout 2013 however markets will be susceptible to downside risks to global growth.

G P BRADLEY
Chairman

P C NOBLE
Chief Executive

Brisbane
13 February 2013