

FINANCIAL STATEMENTS

For the year ended 30 June 2016

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
CAPITAL MARKETS OPERATIONS			
Net interest income			
Interest income	3	8 380 795	5 633 402
Interest expense	3	(8 330 772)	(5 593 409)
		50 023	39 993
Other income			
Fees		69 042	69 774
Lease income		46 272	49 586
Amortisation of cross border lease deferred income		4 324	4 324
Gain on sale of property, plant and equipment		-	12
		119 638	123 696
Expenses			
Administration expenses	4	(75 713)	(67 360)
Depreciation on leased assets	13	(37 754)	(32 731)
Impairment on property, plant and equipment		-	(12 533)
		(113 467)	(112 624)
Profit from capital markets operations before income tax		56 194	51 065
Income tax expense	5	(9 310)	(9 785)
Profit from capital markets operations after income tax		46 884	41 280
LONG TERM ASSETS			
Net return from investments in long term assets			
Net change in fair value of unit trusts		1 441 186	2 484 580
Interest on fixed rate notes		(2 245 946)	(2 234 064)
Management fees		(103 870)	(99 238)
(Loss)/profit from long term assets		(908 630)	151 278
Total net (loss)/profit for the year after tax		(861 746)	192 558
Total comprehensive (loss)/income attributable to the owner		(861 746)	192 558
Total comprehensive income derived from:			
Capital Markets Operations		46 884	41 280
Long Term Assets		(908 630)	151 278
Total comprehensive (loss)/income		(861 746)	192 558

The notes on pages 22 to 44 are an integral part of these financial statements.

Note: Throughout these financial statements the Capital Markets Operations and the Long Term Assets operations have been disclosed separately to distinguish between QTC's main central treasury management role and its additional responsibilities following the transfer of the State's superannuation and other long term assets (refer note 1).

BALANCE SHEET

As at 30 June 2016

	NOTE	2016 \$000	2015 \$000
ASSETS – CAPITAL MARKETS OPERATIONS			
Cash and cash equivalents	6	1 141 617	2 116 642
Receivables		11 326	4 207
Financial assets at fair value through profit or loss	7	16 516 449	18 368 652
Derivative financial assets	8	224 989	309 914
Onlendings	9	90 822 729	89 418 719
Property, plant and equipment	13	134 649	180 806
Intangible assets		17 557	2 752
Deferred tax asset		3 372	3 029
		108 872 688	110 404 721
ASSETS – LONG TERM ASSETS			
Financial assets at fair value through profit or loss	15	31 076 084	34 655 724
		31 076 084	34 655 724
Total Assets		139 948 772	145 060 445
LIABILITIES – CAPITAL MARKETS OPERATIONS			
Payables		80 448	67 094
Derivative financial liabilities	8	513 847	428 093
Financial liabilities at fair value through profit or loss			
- Interest bearing liabilities	10	100 679 305	101 431 958
- Deposits	10	6 844 876	7 724 892
Other liabilities		43 795	42 151
		108 162 271	109 694 188
LIABILITIES – LONG TERM ASSETS			
Financial liabilities at amortised cost		30 385 361	33 056 371
		30 385 361	33 056 371
Total Liabilities		138 547 632	142 750 559
NET ASSETS		1 401 140	2 309 886
EQUITY – CAPITAL MARKETS OPERATIONS			
Retained surplus		710 417	710 533
		710 417	710 533
EQUITY – LONG TERM ASSETS			
Retained surplus		690 723	1 599 353
		690 723	1 599 353
Total Equity		1 401 140	2 309 886

The notes on pages 22 to 44 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	NOTE	CAPITAL MARKETS OPERATIONS RETAINED SURPLUS \$000	LONG TERM ASSETS RETAINED SURPLUS \$000	TOTAL EQUITY \$000
Balance at 1 July 2014		710 253	1 448 075	2 158 328
Profit for the year		41 280	151 278	192 558
Transactions with owners in their capacity as owners: Dividends provided for or paid	23	(41 000)	-	(41 000)
Balance at 30 June 2015		710 533	1 599 353	2 309 886
Balance at 1 July 2015		710 533	1 599 353	2 309 886
Profit/(loss) for the year		46 884	(908 630)	(861 746)
Transactions with owners in their capacity as owners: Dividends provided for or paid	23	(47 000)	-	(47 000)
Balance at 30 June 2016		710 417	690 723	1 401 140

The notes on pages 22 to 44 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
CAPITAL MARKETS OPERATIONS			
Cash flows from operating activities			
Interest received from onlendings		4 162 623	4 200 081
Interest received from investments		525 457	530 259
Interest received - other		46 272	49 586
Fees received		69 306	69 495
GST paid to suppliers		(10 996)	(11 987)
GST refunds from ATO		10 438	11 996
GST paid to ATO		(11 551)	(5 898)
GST received from clients		7 757	10 345
Interest paid on interest-bearing liabilities		(5 124 544)	(4 085 107)
Interest paid on deposits		(216 203)	(201 372)
Administration expenses paid		(70 121)	(64 232)
Income tax paid		(9 678)	(15 467)
Net cash (used in) / provided by operating activities	14	(621 240)	487 699
Cash flows from investing activities			
Proceeds from sale of investments		35 637 771	39 170 204
Payments for investments		(33 750 857)	(45 424 720)
Net onlendings		2 864 368	(2 919 503)
Payments for property, plant and equipment		-	(414)
Payments for intangibles		(15 501)	(2 502)
Proceeds from sale of property, plant and equipment		6 756	11
Net cash provided / (used in) investing activities		4 742 537	(9 176 924)
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		40 140 535	38 076 222
Repayment of interest-bearing liabilities		(44 316 271)	(32 072 581)
Net deposits		(879 586)	2 247 264
Dividends paid		(41 000)	(120 000)
Net cash (used in) / provided by financing activities		(5 096 322)	8 130 905
Net (decrease)/increase in cash and cash equivalents held		(975 025)	(558 320)
Cash and cash equivalents at 1 July		2 116 642	2 674 962
Cash and cash equivalents at 30 June		1 141 617	2 116 642
LONG TERM ASSETS			
No external cash flow is generated from the long term assets (refer note 1).			

The notes on pages 22 to 44 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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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 principal accounting policies adopted in the preparation of the financial report are set out below and in the relevant notes to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

(a) Basis of preparation

These general purpose financial statements for the year ended 30 June 2016 have been prepared in accordance with the requirements of the *Financial Accountability Act 2009* and Australian Accounting Standards adopted by the Australian Accounting Standards Board.

Compliance with International Financial Reporting Standards

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

Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

New accounting standards: A number of new and amended accounting standards were mandatory from 1 July 2015. While these new and amended standards may have resulted in disclosure changes, there has been no change to the amounts recognised in these statements.

QTC has early adopted AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*. The amendments arising from this standard provide more flexibility in the level of disclosure and presentation of information with an emphasis on relevance and materiality in the notes to the financial statements to assist the users of the statements.

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

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

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

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

Basis of measurement

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

Functional and presentation currency: These financial statements are presented in Australian dollars which is QTC's functional currency.

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

(b) Foreign currency

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

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

(c) Collateral

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

(d) Offsetting financial instruments

QTC offsets financial assets and liabilities where there is a legally enforceable right to set-off, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously (refer note 11 (c)).

(e) Repurchase agreements

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

(f) Lease income

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

(g) Cross border leases - income recognition

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

(h) Fee income

Fee income includes:

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

Financial guarantee contracts are measured at fair value less revenue recognised in accordance with AASB 118 *Revenue*. The fair value of the contract at inception is the premium received/receivable. As the probability of default is extremely low, the revenue receivable is reflective of the fair value of the financial liability. All financial guarantees provided are supported by counter indemnities from the appropriate government entity.

(i) Profits/losses

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

(j) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software development costs recognised as assets are amortised on a straight-line basis over the period of expected benefit, which is usually between three and ten years.

(k) Impairment

The carrying value of non-financial assets is reviewed at each reporting date or where there is an indication of impairment. For the purposes of impairment testing, assets are grouped to the lowest level of Cash-Generating Unit (CGU) applicable with the impairment losses recorded in the statement of comprehensive income. If an indication of impairment exists, the assets recoverable amount is determined. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The asset's recoverable amount is determined as the higher of the asset's fair value less cost of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the CGU.

(l) Employee benefits

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

(m) Rounding

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

(n) Comparative figures

No material adjustments have been made to prior year comparatives.

(o) Judgements and assumptions

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

Fair value of financial assets and financial liabilities

For QTC's Capital Markets Operations, financial instruments classified as financial assets and financial liabilities at fair value through profit or loss are managed and their performance is evaluated on a fair value basis, in accordance with the investment strategy and information about the assets and liabilities provided internally to the Corporation's key management personnel. QTC borrows and invests on behalf of its clients lending at an interest rate based on its cost of funds with the benefits/costs of liability and asset management being passed onto clients. Measuring all financial assets and financial liabilities as well as any gains or losses on these instruments at fair value, eliminates or significantly reduces any accounting mismatch that would otherwise result from measurement on a different basis.

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

Investments in companies

The principal activity of Queensland Treasury Holdings Pty Ltd (QTH) is to act as a corporate vehicle through which the Queensland Government undertakes activities of strategic importance to the State. Queensland Treasury holds a 60 per cent beneficial interest in QTH and 76 per cent of the voting rights. The remaining 40 per cent beneficial interest and 24 per cent voting rights is held by QTC. Despite holding a 40 per cent interest, QTC does not apply the equity method to its investment in QTH as it does not have control or significant influence over the entity, exposure or rights to variable returns or the power to affect those returns. Queensland Treasury controls the significant transactions and bears all the risks and benefits of QTH and accordingly, QTH is consolidated into the financial statements of Queensland Treasury.

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

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

3 INTEREST INCOME AND INTEREST EXPENSE

Accounting Policy

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

	2016 \$000	2015 \$000
Interest income		
Cash and cash equivalents	5 272	17 224
Financial assets through profit or loss	565 334	548 510
Derivatives	6 347	(22 982)
Onlendings	7 803 842	5 090 650
Total interest income	8 380 795	5 633 402
Interest expense		
Financial liabilities through profit or loss		
- Short-term	(114 193)	(183 006)
- Long-term	(6 645 451)	(5 053 104)
Deposits	(215 772)	(201 058)
Derivatives	(1 330 029)	(126 847)
Other	(25 327)	(29 394)
Total interest expense	(8 330 772)	(5 593 409)

In periods of falling interest rates, the market value of financial assets and financial liabilities will rise leading to higher interest income and interest expense. During the year ended 30 June 2016, interest rates declined at a rate greater than the previous year which resulted in higher interest income and interest expense in the current year.

4 ADMINISTRATION EXPENSES

	2016 \$000	2015 \$000
Salaries and related costs	35 744	38 790
Superannuation contributions	3 779	4 120
Other employee benefits ⁽¹⁾	4 678	-
Contractors	11 677	5 245
Consultants' fees	2 765	2 110
Information and registry services	2 630	2 216
Depreciation on property, plant and equipment	1 636	1 913
Amortisation and impairment on intangible assets	708	2 013
Information and communication technology	3 628	2 866
Property charges	4 237	3 927
External audit fees	391	384
Internal audit fees	309	395
Staff training and development	446	658
Investor and market relations program	660	346
Other administration expenses	2 425	2 377
	75 713	67 360

⁽¹⁾ Relates to redundancy costs following a corporate restructure

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

5 INCOME TAX EXPENSE

Accounting Policy

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

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

	2016 \$000	2015 \$000
Current tax	9 654	9 679
Deferred tax (income)/expense	(344)	106
Total income tax expense recognised in the year	9 310	9 785

Deferred income tax included in income tax expense comprises:

(Increase)/decrease in deferred tax assets	(344)	106
	(344)	106

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

(Loss)/profit for the year	(852 436)	202 343
Less profits/(losses) from non-taxable pools:		
Capital Markets Operations	25 173	18 471
Long Term Assets	(908 630)	151 278
Operating profit from taxable pools	31 021	32 594
Tax at the Australian tax rate of 30% on taxable pools	9 306	9 778
Effect of non-deductible items:		
Other	4	7
Income tax expense	9 310	9 785

6 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash on hand and demand deposits (11am cash) which are highly liquid investments that are readily convertible to known amounts of cash.

	2016 \$000	2015 \$000
Cash at bank	44	40
Money market deposits	1 141 573	2 116 602
	1 141 617	2 116 642

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

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

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

Financial assets are recognised in the balance sheet when QTC becomes party to the contractual provisions of the financial instrument which is the settlement date of the transaction. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by QTC.

Financial assets at fair value through profit or loss are measured at fair value by reference to quoted market exit prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques with consideration for the effect of counterparty credit risk.

	2016 \$000	2015 \$000
Discount securities	2 780 561	5 539 737
Commonwealth and state securities ⁽¹⁾	1 670 165	1 181 253
Floating rate notes	7 316 680	6 065 543
Term deposits	2 898 592	4 119 685
Other investments	1 850 451	1 462 434
	16 516 449	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.

As at 30 June 2016, \$7,927.7 million (2015 \$6,321.5 million) of financial assets will mature after 12 months.

8 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

Accounting Policy

All derivatives are measured at fair value through profit or loss with gains and losses recognised in the income statement. Derivatives are carried on the balance sheet as assets when the fair value is positive and as liabilities when the fair value is negative.

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.

	2016 \$000	2015 \$000
Derivative financial assets		
Interest rate swaps	2 355	142 098
Cross currency swaps	220 550	166 545
Foreign exchange contracts	2 084	1 271
	224 989	309 914
Derivative financial liabilities		
Interest rate swaps	(404 569)	(290 445)
Cross currency swaps	(87 291)	(136 298)
Foreign exchange contracts	(21 987)	(1 350)
	(513 847)	(428 093)
Net derivatives	(288 858)	(118 179)

As at 30 June 2016, -\$235.2 million (2015 -\$106.6 million) of these derivatives have maturity dates exceeding 12 months.

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

9 ONLENDINGS

Accounting Policy

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

QTC borrows on behalf of its clients lending at an interest rate based on its cost of funds with the benefits/costs of liability management being passed onto clients.

	2016 \$000	2015 \$000
Government departments and agencies	38 551 867	44 938 644
Government owned corporations	26 917 485	20 078 008
Statutory bodies	18 377 620	17 044 296
Local governments	6 507 397	6 900 944
QTC related entities	139 277	148 302
Other bodies	329 083	308 525
	90 822 729	89 418 719

An amount of \$6.6 billion held in offset and redraw facilities at 30 June 2016 (2015 \$3.0 billion) has been offset against onlendings due to the holders having a legal right and intention to net settle. The gross value of onlendings at 30 June 2016 was \$97.4 billion (2015 \$92.4 billion).

As at 30 June 2016, \$89,772.7 million (2015 \$88,813.2 million) of repayments are expected to be received after 12 months.

10 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy

Financial liabilities are measured at fair value through profit or loss and include interest-bearing liabilities and deposits.

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.

Gains and losses on financial liabilities at fair value through profit or loss are brought to account in the statement of comprehensive income.

Financial liabilities are recognised in the balance sheet when QTC becomes party to the contractual provisions of the financial instrument which is the settlement date of the transaction. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Interest-bearing liabilities

Interest-bearing liabilities mainly consist of short-term treasury notes, Australian and overseas bonds and floating rate notes. 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.

	2016 \$000	2015 \$000
Interest-bearing liabilities		
Short-term		
Treasury notes	5 038 469	4 879 372
Commercial paper	798 894	277 726
	5 837 363	5 157 098
Long-term		
AUD Bonds	86 386 213	87 283 039
Floating rate notes	6 668 985	7 076 527
Global AUD Bonds ⁽¹⁾	197 819	516 741
Medium-term notes	1 295 393	1 147 701
Other	293 532	250 852
	94 841 942	96 274 860
Total interest-bearing liabilities	100 679 305	101 431 958

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

Derivatives are used to hedge offshore borrowings resulting in no net exposure to any foreign currency. Details of QTC's exposure to foreign currencies and the derivatives used to hedge this exposure are disclosed in note 11(a) (i).

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

As at 30 June 2016, \$84,259.5 million (2015 \$81,794.9 million) of debt securities are expected to be settled after more than 12 months.

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

10 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *continued*

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

AS AT 30 JUNE 2016	FAIR VALUE \$000	REPAYMENT AT MATURITY \$000	DIFFERENCE \$000
Interest-bearing liabilities			
Short-term			
Treasury notes	5 038 469	5 056 000	(17 531)
Commercial paper	798 894	799 529	(635)
	5 837 363	5 855 529	(18 166)
Long-term			
AUD Bonds	86 386 213	74 020 849	12 365 364
Floating rate notes	6 668 985	6 655 400	13 585
Global AUD Bonds	197 819	185 032	12 787
Medium-term notes	1 295 393	1 087 524	207 869
Other	293 532	286 718	6 814
	94 841 942	82 235 523	12 606 419
Total interest-bearing liabilities	100 679 305	88 091 052	12 588 253

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

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

10 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS continued

Deposits

Client deposits are accepted to either the Working Capital Facility (11AM Fund) or the QTC Cash Fund. Income derived from the investment of these deposits accrues to depositors daily. The amount shown in the balance sheet represents the market value of deposits held at balance date.

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

	2016 \$000	2015 \$000
Client deposits		
Local governments	2 459 583	2 748 353
Statutory bodies	2 481 297	2 552 307
Government owned corporations	800 771	1 193 117
Government departments and agencies	46 624	54 897
QTC related entities	59 376	64 325
Other depositors	175 675	185 850
	6 023 326	6 798 849
Collateral held	29 742	104 502
Repurchase agreements	791 808	821 541
	821 550	926 043
Total deposits	6 844 876	7 724 892

As at 30 June 2016, \$6 844.9 million (2015 \$7 724.9 million) will mature within 12 months.

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

11 FINANCIAL RISK MANAGEMENT

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

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

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

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

Robust systems are in place for managing financial risk and compliance with financial risk policies is monitored daily. The financial risk management process, including daily measurement and monitoring of market risk, liquidity risk, credit risk and portfolio performance and limit reviews, are performed by teams separate from the teams transacting and is subject to review by the Risk Management Team (comprising senior management), the Funding and Markets Committee (comprised of Board members) and the Board.

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

(a) Market risk

QTC's borrowing and investment activities, including borrowing in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and also to reduce the risk associated with refinancing maturing loans, exposes QTC to market risk.

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

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

(i) Foreign exchange risk

QTC has funding facilities that allow for borrowing in foreign currencies. At times, QTC's Cash Fund invests in foreign currency assets. QTC enters into both forward exchange contracts and cross currency swaps to hedge the exposure of foreign currency borrowings and offshore investments from fluctuations in exchange rates.

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

	BORROWINGS		OFFSHORE INVESTMENTS		DERIVATIVE CONTRACTS		NET EXPOSURE	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
USD	(765 557)	(227 909)	517 996	338 608	247 561	(110 699)	-	-
NZD	(739 808)	(686 988)	-	-	739 808	686 988	-	-
GBP	-	-	31 829	30 667	(31 829)	(30 667)	-	-
YEN	(196 673)	(159 542)	-	-	196 673	159 542	-	-
CHF	(151 042)	(153 759)	-	-	151 042	153 759	-	-
SGD	(9 972)	-	-	-	9 972	-	-	-
EUR	-	-	505 962	390 363	(505 962)	(390 363)	-	-

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

11 FINANCIAL RISK MANAGEMENT continued

(ii) Interest rate risk

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

QTC's interest rate risk, which results from borrowing in advance and investing surplus funds in high credit quality, highly liquid assets, is managed with consideration given to duration risk, yield curve risk, basis risk and Value-at-Risk (VaR). To manage the risk of non-parallel yield curve movements, QTC manages portfolio cash flows in a series of time periods so that the net interest rate risk in each time period can be measured.

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

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

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

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

VaR impact

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

INTEREST RATE RISK VAR	2016 \$M	2015 \$M
As at 30 June	4.7	7.7
Average for the year	6.6	7.9
Financial year - minimum	4.1	3.6
Financial year - maximum	16.2	12.2

The above VaR calculation does not include the potential mark-to-market impact of changes in credit spreads on the value of assets held in the QTC Cash Fund and the Cross Border Lease portfolio. At 30 June 2016, QTC had an exposure of approximately \$1.1 million per basis point to changes in credit spreads of assets held in the QTC Cash Fund.

(b) Liquidity and financing risks

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

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

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

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

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

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

The following table sets out the contractual cash flows relating to financial assets and financial liabilities held by QTC at balance date.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

11 FINANCIAL RISK MANAGEMENT continued

(b) Liquidity and financing risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2016	3 MONTHS OR LESS \$000	3 - 6 MONTHS \$000	6 - 12 MONTHS \$000	1 - 5 YEARS \$000	MORE THAN 5 YEARS \$000	TOTAL \$000	FAIR VALUE \$000
Financial assets							
Cash and cash equivalents	1 141 617	-	-	-	-	1 141 617	1 141 617
Receivables	11 326	-	-	-	-	11 326	11 326
Onlendings #	2 254 061	1 192 110	2 384 219	17 674 671	79 005 783	102 510 844	90 822 729
Financial assets through profit or loss	5 184 364	2 903 108	1 448 928	7 515 100	976 221	18 027 721	16 516 449
Total	8 591 368	4 095 218	3 833 147	25 189 771	79 982 004	121 691 508	108 492 121
Financial liabilities							
Payables	(23 920)	(56 528)	-	-	-	(80 448)	(80 448)
Deposits	(6 824 746)	(20 130)	-	-	-	(6 844 876)	(6 844 876)
Financial liabilities through profit or loss							
- Short-term	(4 380 529)	(1 475 000)	-	-	-	(5 855 529)	(5 837 363)
- Long-term	(3 456 106)	(489 208)	(4 252 963)	(53 706 254)	(43 206 712)	(105 111 243)	(94 841 942)
Total liabilities	(14 685 301)	(2 040 866)	(4 252 963)	(53 706 254)	(43 206 712)	(117 892 096)	(107 604 629)
Derivatives							
Interest rate swaps	(17 316)	(868)	(27 458)	(198 533)	(201 121)	(445 296)	(402 214)
Cross currency swaps	24 544	(25 621)	8 430	70 743	(218 817)	(140 722)	133 259
Foreign exchange contracts	(21 251)	-	-	-	-	(21 251)	(19 903)
Net derivatives	(14 023)	(26 489)	(19 028)	(127 790)	(419 938)	(607 268)	(288 858)
Net (liabilities)/assets	(6 107 956)	2 027 863	(438 844)	(28 644 273)	36 355 354	3 192 144	598 634
Cumulative	(6 107 956)	(4 080 093)	(4 518 937)	(33 163 210)	3 192 144	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

11 FINANCIAL RISK MANAGEMENT continued

(b) Liquidity and financing risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2015	3 MONTHS OR LESS \$000	3 - 6 MONTHS \$000	6 - 12 MONTHS \$000	1 - 5 YEARS \$000	MORE THAN 5 YEARS \$000	TOTAL \$000	FAIR VALUE \$000
Financial assets							
Cash and cash equivalents	2 116 642	-	-	-	-	2 116 642	2 116 642
Receivables	4 207	-	-	-	-	4 207	4 207
Onlendings	1 202 322	1 187 468	2 390 928	19 015 580	80 581 033	104 377 331	89 418 719
Financial assets through profit or loss	8 308 050	3 359 911	1 836 227	6 064 168	707 755	20 276 111	18 368 652
Total	11 631 221	4 547 379	4 227 155	25 079 748	81 288 788	126 774 291	109 908 220
Financial liabilities							
Payables	(16 416)	(50 678)	-	-	-	(67 094)	(67 094)
Deposits	(7 704 665)	(20 227)	-	-	-	(7 724 892)	(7 724 892)
Financial liabilities through profit or loss							
- Short-term	(3 152 792)	(2 025 117)	-	-	-	(5 177 909)	(5 157 098)
- Long-term	(1 401 078)	(6 277 458)	(6 987 547)	(53 680 242)	(41 081 337)	(109 427 662)	(96 274 859)
Total liabilities	(12 274 951)	(8 373 480)	(6 987 547)	(53 680 242)	(41 081 337)	(122 397 557)	(109 223 943)
Derivatives							
Interest rate swaps	(23 995)	(2 553)	(35 278)	(122 903)	12 629	(172 100)	(148 347)
Cross currency swaps	(273 321)	(42 709)	11 984	348 035	(282 906)	(238 917)	30 247
Foreign exchange contracts	584	(1 493)	-	-	-	(909)	(79)
Net derivatives	(296 732)	(46 755)	(23 294)	225 132	(270 277)	(411 926)	(118 179)
Net (liabilities)/assets	(940 462)	(3 872 856)	(2 783 686)	(28 375 362)	39 937 174	3 964 808	566 097
Cumulative	(940 462)	(4 813 318)	(7 597 004)	(35 972 366)	3 964 808	-	

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

11 FINANCIAL RISK MANAGEMENT continued

(c) Credit risk

(i) Financial markets counterparties

Credit risk is regularly assessed, measured and managed in strict accordance with QTC's credit policy. Exposure to credit risk is managed through regular analysis of the ability of credit counterparties to meet payment obligations.

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

All derivative contracts are subject to zero threshold collateral arrangements with the effect of credit valuation adjustments (CVA) and debt valuation adjustments (DVA) reflected where material. However this is typically not required due to the impact of collateral arrangements and the high credit worthiness of counterparties. In addition, QTC's liabilities are guaranteed by the State Government hence for derivative contracts, credit risk is not a significant factor in the determination of fair value.

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

BY CREDIT RATING ⁽¹⁾ 30 JUNE 2016	AAA \$000	AA+ \$000	AA \$000	AA- \$000	A+ \$000	A \$000	OTHER ⁽²⁾ \$000	TOTAL \$000
Cash & equivalents	-	-	-	1 141 617	-	-	-	1 141 617
Financial assets ⁽³⁾	2 324 239	807 350	109 071	12 113 860	708 555	170 651	139 824	16 373 550
Derivatives	-	-	-	249 308	41 344	41 937	1 636	334 225
Other	-	-	-	585 403	387 065	-	-	972 468
	2 324 239	807 350	109 071	14 090 188	1 136 964	212 588	141 460	18 821 860
	12%	4%	1%	75%	6%	1%	1%	100%

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

11 FINANCIAL RISK MANAGEMENT continued

(c) Credit risk continued

(i) Financial markets counterparties continued

QTC adopts a conservative approach to the management of credit risk with a strong bias to high credit quality counterparties. QTC maintains a ratings based approach in determining maximum credit exposures to counterparties which is supplemented by QTC's credit risk analysis team performing its own credit assessment of QTC's capital markets counterparties. The country of domicile, the counterparty's credit metrics, size of its funding programs, asset composition and quality of the underlying security are key considerations when determining limits.

QTC has a significant concentration of credit risk to the banking sector and in particular, the domestic banking sector. This is difficult to avoid given the size of QTC's investment portfolio and the requirement to invest with counterparties rated A- or better (90 per cent of exposures are AA- or better) and to invest in highly liquid securities.

(ii) Onlending counterparties

Counterparties for onlendings, with the exception of some small exposures to private companies, cooperative housing societies and primary producer cooperatives, are Queensland Government sector entities with approximately 70 per cent (2015: 75 per cent) of these onlendings having an explicit State Government guarantee. As a consequence, these exposures are not included in QTC's total credit exposure.

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

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

(iv) Master netting arrangements

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

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

	RELATED TO AMOUNTS NOT SET OFF IN THE BALANCE SHEET			
	GROSS AND NET AMOUNTS ON THE BALANCE SHEET \$000	FINANCIAL INSTRUMENTS COLLATERAL \$000	CASH COLLATERAL RECEIVED OR GIVEN \$000	NET AMOUNT \$000
2016				
Derivative assets:				
- subject to master netting arrangements	224 989	(78 360)	(25 917)	120 712
Derivative liabilities:				
- subject to master netting arrangements	(513 847)	-	393 230	(120 617)
Net exposure	(288 858)	(78 360)	367 313	95
2015				
Derivative assets:				
- subject to master netting arrangements	309 914	(61 910)	(96 483)	151 521
Derivative liabilities:				
- subject to master netting arrangements	(428 093)	-	266 036	(162 057)
Net exposure	(118 179)	(61 910)	169 553	(10 536)

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

12 FAIR VALUE HIERARCHY

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

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

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

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

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

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

Financial assets classified as Level 2 include non-actively traded corporate and semi-government bonds, certain money market securities, floating rate notes, term deposits, QTC onlendings and all over the counter derivatives. The principal inputs in determining fair value include benchmark interest rates such as interbank rates, quoted interest rates in the swap, bond and futures markets, trading margins to

the swap curve and counterparty credit spreads for similar instruments adjusted for changes in the credit worthiness of the counterparty. A margin may be applied based on the original purchase margin where the instrument is not actively traded. QTC onlendings are priced based on the underlying liability portfolio.

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

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

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

Classification of instruments into fair value hierarchy levels is reviewed semi-annually and where there has been a significant change to the valuation inputs and a transfer is deemed to occur, this is effected at the end of the relevant reporting period. QTC floating rate notes were transferred from Level 1 to Level 2 during the financial year as these instruments are not actively traded. No other transfers between Level 1 and Level 2 were made during the year.

AS AT 30 JUNE 2016	QUOTED PRICES LEVEL 1 \$000	OBSERVABLE INPUTS LEVEL 2 \$000	TOTAL \$000
Financial assets			
Cash and cash equivalents	1 141 617	-	1 141 617
Financial assets through profit or loss	4 874 540	11 641 909	16 516 449
Onlendings	-	90 822 729	90 822 729
Derivative financial assets	-	224 989	224 989
Total financial assets	6 016 157	102 689 627	108 705 784
Financial liabilities			
Financial liabilities through profit or loss			
- Short term	-	5 837 363	5 837 363
- Long term	83 718 966	11 122 976	94 841 942
Deposits	-	6 844 876	6 844 876
Derivative financial liabilities	-	513 847	513 847
Total financial liabilities	83 718 966	24 319 062	108 038 028
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 THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

13 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight line basis over the estimated useful life of the assets. Depreciation rates for each class of asset are as follows:

Asset class	Depreciation rate
Information technology & office equipment	6 – 40%
Plant and machinery	10 – 30%

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

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

DESCRIPTION	INFORMATION TECHNOLOGY AND OFFICE EQUIPMENT \$000	PLANT AND MACHINERY ⁽¹⁾ \$000	TOTAL \$000
Year ended 30 June 2016			
Cost at balance date	10 257	303 057	313 314
Accumulated depreciation and impairment	(7 992)	(170 673)	(178 665)
Net carrying amount	2 265	132 384	134 649
Movement			
Net carrying amount at 1 July 2015	3 918	176 888	180 806
Additions	6	-	6
Disposals	(24)	(6 750)	(6 774)
Depreciation expense	(1 635)	(37 754)	(39 389)
Net carrying amount at 30 June 2016	2 265	132 384	134 649
Year ended 30 June 2015			
Cost at balance date	10 322	354 798	365 120
Accumulated depreciation	(6 404)	(177 910)	(184 314)
Net carrying amount	3 918	176 888	180 806
Movement			
Net carrying amount at 1 July 2014	5 406	222 152	227 558
Additions	442	-	442
Disposals	(17)	-	(17)
Impairment expense	-	(12 533)	(12 533)
Depreciation expense	(1 913)	(32 731)	(34 644)
Net carrying amount at 30 June 2015	3 918	176 888	180 806

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

NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MARKETS OPERATIONS

For the year ended 30 June 2016

14 NOTES TO THE STATEMENT OF CASH FLOWS

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

DESCRIPTION	2016 \$000	2015 \$000
Profit for the year	46 884	41 280
Non-cash flows in operating surplus		
Interest-bearing liabilities - net unrealised loss	2 873 139	1 564 506
Interest-bearing liabilities - net unrealised exchange loss	156 434	115 955
Deposits - net unrealised loss/(gain)	65	77
Onlendings net unrealised gain	(3 625 826)	(887 308)
Financial assets at fair value through profit or loss		
- net unrealised loss	28 844	67 442
Financial assets at fair value through profit or loss		
- net unrealised exchange gain	(45 766)	(7 711)
Depreciation and amortisation	40 098	36 657
Impairment on property, plant and equipment	-	12 533
Net gain on sale of property, plant and equipment	-	(11)
Doubtful debts - cooperative housing societies	30	27
Changes in assets and liabilities		
Increase in financial assets at fair value through profit or loss - net accrued interest	(27 185)	(14 992)
Increase in financial assets at fair value through profit or loss - net discount/premium	(7 389)	(57 233)
(Increase)/decrease in deferred tax asset	(344)	105
Increase in onlendings - net accrued interest	(15 393)	(3 261)
(Increase)/decrease in receivables	(11 559)	4 554
(Decrease)/increase in interest-bearing liabilities - net accrued interest	(2 949)	74 428
Decrease in interest-bearing liabilities - net discount/premium	(43 178)	(403 904)
Decrease in deposits - net accrued interest	(496)	(391)
Increase/(decrease) in payables and other liabilities	13 351	(55 054)
Net cash (used in)/provided by operating activities	(621 240)	487 699

NOTES TO THE FINANCIAL STATEMENTS

LONG TERM ASSETS

For the year ended 30 June 2016

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Accounting Policy – Classification and measurement

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

- Financial assets at fair value through profit or loss, and
- Financial liabilities at amortised cost.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include investments held in unit trusts which consist of investments held and managed by QIC and include cash, international equities and other diversified products. These investments are measured at market value based on the hard close unit price quoted by QIC adjusted for fees outstanding on the account and net of any GST recoverable.

Financial liabilities at amortised cost

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

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.

	2016 \$000	2015 \$000
Investments in unit trusts and other holdings - QIC:		
Movement during the year:		
Opening balance	34 655 724	33 431 249
Net withdrawals ⁽¹⁾	(5 020 826)	(1 260 105)
Net change in fair value of unit trusts	1 441 186	2 484 580
Closing balance	31 076 084	34 655 724
Comprised of the following asset classes:		
Defensive assets		
Cash	7 887 964	6 276 207
Fixed interest	4 008 827	7 624 976
Growth assets		
Equities	4 430 175	4 733 483
Diversified alternatives	7 037 635	8 094 333
Unlisted assets		
Infrastructure	3 059 369	2 790 404
Private equities	2 417 159	2 874 846
Real estate	2 234 955	2 261 475
	31 076 084	34 655 724

⁽¹⁾ Includes \$3.4 billion withdrawn from funds previously set aside to meet the State's long service liability as announced in the 2015-16 State Budget.

NOTES TO THE FINANCIAL STATEMENTS

LONG TERM ASSETS

For the year ended 30 June 2016

16 FINANCIAL RISK MANAGEMENT

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

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

QIC provides assistance to the LTAAB in discharging its responsibilities. QIC's role includes recommending to the LTAAB, investment product objectives, risk profiles and strategic asset allocations to achieve objectives within the targets and risk controls set. As the lead investment manager, QIC is responsible for implementing the investment strategy. In addition, independent oversight of the investment advice and services provided by QIC, including periodic strategic reviews of QIC's activities and performance, is provided by an external consultant.

The LTAAB is responsible for setting the interest rate applicable on the fixed rate note liability of QTC. Since July 2012, LTAAB has been reducing risk in the Asset Portfolio. The revised asset classes feature reduced weights to listed equities, offset by increased weights to alternatives, global fixed interest and cash. The result was a reduction in expected return and volatility. In light of this strategy, the expected rate of return on the portfolio on which the interest rate on the fixed rate notes is set was reduced from 7.1 per cent to 7.0 per cent on 1 July 2015.

(a) Market risk

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

Market risk is mitigated through a diversified portfolio of investments in unit trusts held with QIC in accordance with the investment strategy approved by the LTAAB (refer note 15). The investment strategy targets a widely diversified portfolio across a broad range of asset classes.

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

(i) Sensitivity analysis

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

The foreign currency exposure of QTC's total investment portfolio is 100% hedged. For this reason sensitivity to foreign exchange rate movements has not been calculated at the asset class level.

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

	2016 CHANGE		2016 PROFIT/EQUITY		2015 CHANGE		2015 PROFIT/EQUITY	
	Low %	High %	Decrease \$000	Increase \$000	Low %	High %	Decrease \$000	Increase \$000
Cash and fixed interest ⁽¹⁾	-1%	1%	(100 501)	100 501	-2%	2%	(293 856)	293 936
Equities	-10%	10%	(443 582)	443 582	-10%	10%	(473 621)	473 621
Diversified alternatives ⁽²⁾	-9%	9%	(625 072)	625 072	-9%	9%	(720 976)	720 976
Infrastructure	-10%	10%	(306 327)	306 372	-10%	10%	(280 718)	280 718
Private equities	-10%	10%	(242 853)	242 853	-10%	10%	(287 557)	287 557
Real estate	-8%	8%	(175 433)	184 624	-6%	7%	(143 057)	156 777
			(1 893 768)	1 903 004			(2 199 785)	2 213 585

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

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

(b) Liquidity risk

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

17 FAIR VALUE HIERARCHY

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

Investments in unit trusts are valued by QIC using fair value methodologies adjusted for fees outstanding. QIC reports the net asset value based on the unit price at measurement date (classified as Level 2 - Observable inputs).

As at 30 June 2016, investments in unit trusts are valued at \$31,076 million (2015 \$34,656 million).

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

NOTES TO THE FINANCIAL STATEMENTS

OTHER INFORMATION

For the year ended 30 June 2016

18 CONTINGENT LIABILITIES

The following contingent liabilities existed at balance date:

- With regard to certain cross border lease transactions, QTC has assumed responsibility for a significant portion of the transaction risk. If certain events occur, QTC could be liable to make additional payments under the transactions. However external advice and history to date indicate the likelihood of these events occurring is remote. In addition, QTC has provided certain guarantees and indemnities to various participants in the cross border lease transactions. Expert external advisors consider that unless exceptional and extreme circumstances arise, QTC will not be required to make a significant payment under these guarantees and indemnities.
- QTC has provided guarantees relating to the trading activities of Ergon Energy, a Queensland Government owned corporation, to the value of \$100 million (2015 \$100 million) which are supported by a counter indemnity.
- QTC has provided guarantees to the value of \$462 million (2015 \$362 million) to support the commercial activities of various Queensland public sector entities. In each case, a counter indemnity has been obtained by QTC from the appropriate public sector entity.
- QTC can lend stock to support the liquidity of QTC bonds in the financial markets. At 30 June 2016 and 30 June 2015, no QTC inscribed stock was lent to other financial institutions.

19 RELATED PARTY TRANSACTIONS

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

(a) Ultimate controlling entity

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

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

(c) Investments in companies

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

(d) Transactions with related parties

Transactions undertaken with related parties during the year include loans issued to public sector entities (refer note 9), the investment of cash surpluses (refer note 10), advisory, banking and company secretarial services. These transactions were in the normal course of business and on commercial terms and conditions. They exclude certain advisory and other services provided to Queensland Treasury, its associated companies and other related parties at no charge.

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

The nature and amount of any individually significant transactions with principal related parties are disclosed below.

QTC has incurred costs on behalf of the State or State entities for the performance of consultancy services for which these costs are reimbursed. These services are in the form of an agency arrangement for which QTC does not bear any significant risks or benefits and as such costs have been offset in the financial statements. The amount of these costs offset during the financial year totalled \$19.5 million (2015 \$43.6 million).

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

20 KEY MANAGEMENT PERSONNEL

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

(a) QTC's Boards

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

(b) Executive management

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

(c) Remuneration principles

Capital Markets Board – Directors

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

Long Term Asset Advisory Board – Directors

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

Executives and employees

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

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

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

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

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

Remuneration governance

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

QTC receives annual industry benchmarking data from the Financial Industry Remuneration Group (FIRG) database, which is mapped to relevant organisations within the FIRG membership. Analysis and advice is obtained from external consultants to ensure that we continue to align QTC roles to the market.

Fixed remuneration

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

Variable remuneration - short-term incentives

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

This opportunity is designed to differentiate and reward outstanding organisational, group and individual performance, and to align performance at these levels with incentive outcomes. It also aims to ensure market competitiveness, with 'target' STI outcomes aligned to the conservative market position and approved at Board level each year. For the 2015-16 year, STI payments were made to eligible staff in July.

Variable remuneration - executive management

For the 2015-16 year, where executive management have performed strongly against corporate and individual KPIs, they were eligible to receive a short-term incentive payment based on a percentage of their total fixed remuneration. For 2015-16, short-term incentive 'targets' for executive management ranged between 40% and 60%. However, the short term incentives are at risk with no payment made for underperformance and additional premiums of up to 50% of the target short-term incentive paid for above target performance.

The outcomes for the executive management are aligned to achievements measured against both corporate and individual KPIs; the overall corporate performance, based on the achievement of targets set out in QTC's Strategic Plan 2014-18 and Corporate Plan 2015-16, has the higher weighting (75% of the outcome).

QTC's overall performance for 2015-16, documented in the annual performance assessment that is reviewed and approved by QTC's Board, was considered to be very strong across QTC's whole-of-State, client, funding and operational activities. Based on the corporate performance assessed as exceeding expectations, the short-term incentives paid to the executive management broadly ranged between 50% and 75% of their total fixed remuneration.

NOTES TO THE FINANCIAL STATEMENTS

OTHER INFORMATION

For the year ended 30 June 2016

20 KEY MANAGEMENT PERSONNEL continued

(d) Remuneration by category

	2016 \$	2015 \$
Capital Markets Operations		
Directors		
Short-term employment benefits ⁽¹⁾	319 094	299 806
Post-employment benefits ⁽⁴⁾	22 335	17 405
Total	341 429	317 211
Executive management		
Short-term employment benefits ⁽²⁾	2 855 281	2 540 825
Long-term employment benefits ⁽³⁾	54,681	48 707
Post-employment benefits ⁽⁴⁾	111 221	85 531
Total	3 021 183	2 675 063

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

⁽²⁾ Executive management personnel's short-term benefits include wages, annual leave taken, short-term incentives and non-monetary benefits such as car parks and motor vehicle benefits (where applicable).

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

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

(i) Directors

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

	SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		TOTAL	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Gerard Bradley - Chairman	122 818	122 133	10 529	10 529	133 347	132 662
Warwick Agnew ⁽¹⁾	-	-	-	-	-	-
Alex Beavers ⁽²⁾	-	15 305	-	-	-	15 305
Stephen Bizzell ⁽³⁾	30 571	47 753	-	-	30 571	47 753
Gillian Brown ⁽⁴⁾	-	6 702	-	637	-	7 339
Tonianne Dwyer	40 209	40 209	3 820	3 820	44 029	44 029
Bill Shields	41 432	42 238	-	-	41 432	42 238
Jim Stening ⁽⁵⁾	40 209	25 466	3 820	2 419	44 029	27 885
Karen Smith-Pomeroy ⁽⁶⁾	43 855	-	4 166	-	48 021	-
Total	319 094	299 806	22 335	17 405	341 429	317 211

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

⁽²⁾ Resigned 13 November 2014

⁽³⁾ Resigned 12 March 2016

⁽⁴⁾ Resigned 20 August 2014

⁽⁵⁾ Appointed 13 November 2014

⁽⁶⁾ Appointed 9 July 2015

NOTES TO THE FINANCIAL STATEMENTS

OTHER INFORMATION

For the year ended 30 June 2016

20 KEY MANAGEMENT PERSONNEL continued

(d) Remuneration by category continued

(ii) Executive management

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

30 JUNE 2016	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TOTAL
	BASE \$	SHORT-TERM INCENTIVE \$	NON- MONETARY \$	\$	\$	\$
Chief Executive	640 675	418 341	26 111	24 242	18 461	1 127 830
Executive General Manager, Funding & Markets ⁽¹⁾	383 039	320 000	23 573	37 536	10 635	774 783
Chief Operating Officer	317 907	180 000	14 326	30 201	13 780	556 214
Executive General Manager, Client Services	321 983	195 000	14 326	19 242	11 805	562 356
Total	1 663 604	1 113 341	78 336	111 221	54 681	3 021 183

⁽¹⁾ Appointed 17 August 2015

30 JUNE 2015	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TOTAL
	BASE \$	SHORT-TERM INCENTIVE \$	NON- MONETARY \$	\$	\$	\$
Chief Executive	613 094	317 000	29 152	18 700	16 056	994 002
Executive General Manager, Funding & Markets	439 782	201 294	9 003	18 717	13 506	682 302
Chief Operating Officer	309 445	148 761	13 429	29 397	11 055	512 087
Executive General Manager, Client Services	298 985	147 451	13 429	18 717	8 090	486 672
Total	1 661 306	814 506	65 013	85 531	48 707	2 675 063

(e) Other transactions

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

21 AUDITOR'S REMUNERATION

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

	2016 \$	2015 \$
Audit services		
Audit and review of QTC financial statements	390 000	360 000

NOTES TO THE FINANCIAL STATEMENTS

OTHER INFORMATION

For the year ended 30 June 2016

22 INVESTMENTS IN COMPANIES

Investments in the following companies are held at cost:

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

QTH is incorporated and domiciled in Brisbane, Australia. QTH holds a 100 per cent beneficial interest in the companies listed above. QTC does not apply the equity method to its investment in QTH (refer note 2 (o) Judgments and Assumptions).

23 DIVIDENDS

QTC pays dividends to the Queensland Government from time to time. A dividend of \$47.0 million was provided for during the year (2015 \$41.0 million).

24 EVENTS SUBSEQUENT TO BALANCE DATE

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