Financial Statements

For the year ended 30 June 2017

Statement of comprehensive income

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
CAPITAL MARKETS OPERATIONS			
Net income on financial instruments at fair value through profit or loss			
Gain on financial assets	3	**574 993**	8 380 795
Loss on financial liabilities	3	**(476 872)**	(8 341 333)
		98 121	39 462
Other income			
Fee income		**82 135**	79 603
Lease income		**37 218**	46 272
Amortisation of cross border lease deferred income		**29 298**	4 324
		148 651	130 199
Expenses			
Administration expenses	4	**(73 575)**	(75 713)
Depreciation on leased assets	13	**(29 813)**	(37 754)
		(103 388)	(113 467)
Profit from capital markets operations before income tax		**143 384**	56 194
Income tax expense	5	**(14 200)**	(9 310)
Profit from capital markets operations after income tax		**129 184**	46 884
LONG TERM ASSETS			
Net return from investments in long term assets			
Net change in fair value of unit trusts		**2 382 036**	1 441 186
Interest on fixed rate notes		**(2 065 828)**	(2 245 946)
Management fees		**(91 617)**	(103 870)
Profit/(loss) from long term assets		**224 591**	(908 630)
Total net profit/(loss) for the year after tax		**353 775**	(861 746)
Total comprehensive income/(loss) attributable to the owner		**353 775**	(861 746)
Total comprehensive income/(loss) derived from:			
Capital Markets Operations		**129 184**	46 884
Long Term Assets		**224 591**	(908 630)
Total comprehensive income/(loss)		**353 775**	(861 746)

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 2017

	NOTE	2017 $000	2016 $000
ASSETS – CAPITAL MARKETS OPERATIONS			
Cash and cash equivalents	6	**2 124 768**	1 141 617
Receivables		**4 018**	11 326
Financial assets at fair value through profit or loss	7	**19 268 151**	16 516 449
Derivative financial assets	8	**337 559**	224 989
Onlendings	9	**85 101 958**	90 822 729
Property, plant and equipment	13	**96 584**	134 649
Intangible assets		**19 189**	17 557
Deferred tax asset		**2 710**	3 372
		106 954 937	108 872 688
ASSETS – LONG TERM ASSETS			
Financial assets at fair value through profit or loss	15	**31 714 458**	31 076 084
		31 714 458	31 076 084
Total Assets		**138 669 395**	139 948 772
LIABILITIES – CAPITAL MARKETS OPERATIONS			
Payables		**34 948**	33 448
Derivative financial liabilities	8	**175 192**	524 002
Financial liabilities at fair value through profit or loss			
- Interest-bearing liabilities	10(a)	**98 462 982**	100 679 305
- Deposits	10(b)	**7 428 891**	6 844 876
Provision for dividend	23	**500 000**	47 000
Other liabilities		**13 322**	33 640
		106 615 335	108 162 271
LIABILITIES – LONG TERM ASSETS			
Financial liabilities at amortised cost		**30 799 145**	30 385 361
		30 799 145	30 385 361
Total Liabilities		**137 414 480**	138 547 632
NET ASSETS		**1 254 915**	1 401 140
EQUITY – CAPITAL MARKETS OPERATIONS			
Retained surplus		**339 601**	710 417
		339 601	710 417
EQUITY – LONG TERM ASSETS			
Retained surplus		**915 314**	690 723
		915 314	690 723
Total Equity		**1 254 915**	1 401 140

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 2017

	NOTE	CAPITAL MARKETS OPERATIONS RETAINED SURPLUS $000	LONG TERM ASSETS RETAINED SURPLUS $000	TOTAL EQUITY $000
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**
Balance at 1 July 2016		710 417	690 723	1 401 140
Profit for the year		129 184	224 591	353 775
Transactions with owners in their capacity as owners:				
Repatriation dividend provided for or paid	23	(500 000)	-	(500 000)
Balance at 30 June 2017		**339 601**	**915 314**	**1 254 915**

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 2017

	NOTE	2017 $000	2016 $000
CAPITAL MARKETS OPERATIONS			
Cash flows from operating activities			
Interest received from onlendings		**4 000 692**	4 162 623
Interest received from investments and other sources		**595 279**	571 729
Fees received		**81 667**	69 306
Net GST		**317**	(4 352)
Interest paid on interest-bearing liabilities		**(4 609 029)**	(5 124 544)
Interest paid on deposits		**(183 508)**	(216 203)
Administration expenses paid		**(67 596)**	(70 121)
Income tax paid		**(9 654)**	(9 678)
Net cash used in operating activities	14	**(191 832)**	(621 240)
Cash flows from investing activities			
Proceeds from sale of investments		**30 801 805**	35 637 771
Payments for investments		**(33 662 640)**	(33 750 857)
Net onlendings		**1 868 187**	2 864 368
Payments for intangibles		**(3 390)**	(15 501)
Proceeds from sale of property, plant and equipment		**10 471**	6 756
Payments for property, plant and equipment		**(3 905)**	-
Net cash (used in)/provided by investing activities		**(989 472)**	4 742 537
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		**50 575 339**	40 140 535
Repayment of interest-bearing liabilities		**(48 937 845)**	(44 316 271)
Net deposits		**573 961**	(879 586)
Dividends paid		**(47 000)**	(41 000)
Net cash provided/(used in) financing activities		**2 164 455**	(5 096 322)
Net increase/(decrease) cash and cash equivalents held		**983 151**	(975 025)
Cash and cash equivalents at 1 July		1 141 617	2 116 642
Cash and cash equivalents at 30 June	6	**2 124 768**	1 141 617
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 2017

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 domiciled in Queensland, Australia, with its principal place of business being 111 Eagle Street, Brisbane, Queensland. QTC's ultimate parent is the State of Queensland.

QTC is the Queensland Government's central financing authority. QTC also 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. QTC's Capital Markets Operations can generate a profit largely reflecting the interest earned from investments held for capital and liquidity purposes. 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. 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 absorbs the impact of fluctuations in the value and returns on the asset portfolio.

The Long Term Asset Advisory Board (LTAAB) 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 2017 have been prepared in accordance with Australian Accounting Standards (AASBs) and interpretations adopted by the Australian Accounting Standards Board, the requirements of the Financial Accountability Act 2009, the Financial and Performance Management Standard 2009, and the Financial reporting requirements for Queensland Government Agencies (as applicable to statutory bodies).

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. Reporting as a for-profit entity does materially change the financial statements of the Corporation.

Changes in accounting policy, disclosures, standards and interpretations

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

New accounting standards: All new and amended accounting standards effective for the financial year were adopted. While these new and amended standards may have resulted in disclosure changes, there has been no change to the amounts recognised in these statements.

Standards and interpretations not yet adopted: Certain new accounting standards have been issued 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 reporting periods beginning on or after 1 January 2017:

- *AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* will introduce additional disclosures to include a breakdown of movements in borrowing showing cash flows, such as drawdowns and repayment of borrowings, and non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

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.
- *AASB 15 Revenue from contracts with customers will replace AASB 118 Revenue*. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer with the control model replacing one of risk and rewards. This is not expected to impact QTC's recognition of revenue which primarily relates to earnings on financial instruments and fees charged on the outstanding balance of debt and investment products.

Effective for annual periods beginning on or after 1 January 2019:

- *AASB 16 Leases* will change the accounting by lessees and result in the recognition of almost all leases on the balance sheet. The standard requires the recognition of a right to use asset and the liability for the present value of future lease commitments. This standard removes the current distinction between operating and financing leases. This standard will result in a lease for QTC's principal office and associated obligations being recognised on balance sheet.

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) (iv)).

(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 or when the obligations under the lease is expired. During the financial year, QTC terminated all remaining cross border leases and recognised any remaining deferred revenue.

(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 are recognised to the extent that it is probable that the economic benefits will flow to QTC and can be measured reliably.
- Revenue on financial guarantees are recognised at inception and on an ongoing basis over the contract term. As the probability of default is extremely low due to counter indemnities the revenue receivable is reflective of fair value.

(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. Dividends are provided for following approval by the Board after considering QTC's capital requirements.

(j) Intangible assets

Acquired computer software licences and development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These 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. 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.

(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 and note 11(a)(ii) which is rounded to the nearest million dollars.

(n) Comparative figures

Comparative figures for fee income have been revised to include fees on investment products which were previously reported as interest. No other 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. 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates may be significant to the financial statements are shown below:

Fair value of financial assets and financial liabilities

Financial assets and financial liabilities (including derivatives) 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. Valuation techniques may include applying trading margins to the swap curve or 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 an instrument is not actively traded. Judgement may be needed in selecting valuation methods or assumptions where an active market quote is not available.

Investments in Queensland Treasury Holdings Pty Ltd (QTH)

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. 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.

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2017

3 Net income on financial instruments at fair value through profit or loss

Accounting Policy

Gain/(loss) on financial assets and financial liabilities at fair value through profit or loss includes:

- interest income and interest expense
- net realised gain/(loss) from the sale of investments and the pre-redemption of borrowings
- net unrealised gain/(loss) arising from holding investments and certain onlendings, and
- net unrealised gain/(loss) from borrowings.

These realised and unrealised gains and losses are a result of market rate movements. The majority of onlendings are provided to clients on a portfolio basis with interest costs allocated to clients based on the daily movement in the market value of the portfolio.

	2017 $000	2016 $000
Gain on financial assets at fair value through profit or loss		
Cash and cash equivalents	**8 126**	5 272
Financial assets at fair value through profit or loss	**368 118**	565 334
Derivatives	**62 528**	6 347
Onlendings	**136 221**	7 803 842
	574 993	8 380 795
(Loss)/gain on financial liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss		
- Short-term	**(131 868)**	(114 193)
- Long-term	**(422 179)**	(6 645 451)
Deposits	**(193 499)**	(226 333)
Derivatives	**290 767**	(1 330 029)
Other	**(20 093)**	(25 327)
	(476 872)	(8 341 333)

During the year ended 30 June 2017, long term yields rose leading to a decline in the market value of financial assets and onlendings, and a decrease in the market value of financial liabilities. The market value change offset the majority of the interest income generated from financial assets and the interest expense on financial liabilities.

4 Administration expenses

	2017 $000	2016 $000
Salaries and related costs	**35 933**	35 744
Superannuation contributions	**3 463**	3 779
Other employee benefits (1)	**1 104**	4 678
Contractors	**4 488**	11 677
Consultants' fees	**3 128**	2 765
Information and registry services	**2 475**	2 630
Depreciation on property, plant and equipment	**1 649**	1 636
Amortisation and impairment on intangible assets	**1 757**	708
Office occupancy	**6 045**	4 237
Information and communication technology	**7 953**	3 628
Other administration expenses	**5 580**	4 231
	73 575	75 713

(1) Relates to redundancy costs following a corporate restructure

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2017

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.

	2017 $000	2016 $000
Current tax	**13 538**	9 654
Deferred tax expense/(income)	**662**	(344)
Total income tax expense recognised in the year	**14 200**	9 310
Deferred income tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	**662**	(344)
	662	(344)

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

	2017 $000	2016 $000
Profit/(loss) for the year before tax	**367 975**	(852 436)
Less profits/(losses) from non-taxable portfolios:		
Capital Markets Operations	**96 095**	25 173
Long Term Assets	**224 591**	(908 630)
Operating profit from taxable portfolios	**47 289**	31 021
Tax at the Australian tax rate of 30% on taxable portfolios	**14 187**	9 306
Effect of non-deductible items:	**13**	4
Income tax expense	**14 200**	9 310

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 cash.

	2017 $000	2016 $000
Cash at bank (1)	**989 588**	44
Money market deposits	**1 135 180**	1 141 573
	2 124 768	1 141 617

(1) *Additional cash was placed in the bank account over year end which relates to a client redraw facility that was withdrawn in early July (refer note 9).*

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2017

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. Gains and losses on financial assets are brought to account in the statement of comprehensive income.

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.

	2017 $000	2016 $000
Discount securities	**3 567 666**	2 780 561
Commonwealth and state securities (1)	**1 515 773**	1 670 165
Floating rate notes	**7 639 279**	7 316 680
Term deposits	**5 232 255**	2 898 592
Other investments	**1 313 178**	1 850 451
	19 268 151	16 516 449

(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 2017, $7,590.8 million (2016 $7,927.7 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.

	2017 $000	2016 $000
Derivative financial assets		
Interest rate swaps	**62 511**	2 355
Cross currency swaps	**176 238**	220 550
Foreign exchange contracts	**39**	2 084
Futures contracts	**98 771**	-
	337 559	224 989
Derivative financial liabilities		
Interest rate swaps	**(8 317)**	(404 569)
Cross currency swaps	**(101 649)**	(87 291)
Foreign exchange contracts	**(9 677)**	(21 987)
Futures contracts	**(55 549)**	(10 155)
	(175 192)	(524 002)
Net derivatives	**162 367**	(299 013)

As at 30 June 2017, $11.2 million (2016 -$235.2 million) of these derivatives have maturity dates exceeding 12 months.

9 Onlendings

Accounting Policy

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.

Onlendings are initially recognised at the amount drawn-down. Subsequent to initial recognition, onlendings are included in the balance sheet at fair value by reference to either the underlying debt portfolio, or in the case of fixed rate loans on a discounted cash flow basis.

	2017 $000	2016 $000
Government departments and agencies	**33 829 520**	38 551 867
Government owned corporations	**26 400 250**	26 917 485
Statutory bodies	**17 996 287**	18 377 620
Local governments	**6 449 433**	6 507 397
QTC related entities	**130 385**	139 277
Other bodies	**296 083**	329 083
	85 101 958	90 822 729

At 30 June 2017, client deposits of $3.9 billion have been placed in redraw facilities and offset in the balance sheet (2016 $6.6 billion). The gross value of onlendings at 30 June 2017 was $89.0 billion (2016 $97.4 billion). The redraw was subsequently reduced by $1.0 billion in early July.

As at 30 June 2017, $84,162.3 million (2016 $89,772.7 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.

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

Deposits

Client deposits are accepted to either the QTC Cash Fund or Working Capital Facility (11AM 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.

(a) Interest-bearing liabilities

	2017 $000	2016 $000
Interest-bearing liabilities		
Short-term		
Treasury notes	**4 471 325**	5 038 469
Commercial paper	**921 564**	798 894
	5 392 889	5 837 363
Long-term		
AUD Bonds	**88 313 286**	86 386 213
Floating rate notes	**2 505 946**	6 668 985
Global AUD Bonds (1)	**186 138**	197 819
Medium-term notes	**1 730 599**	1 295 393
Other	**334 124**	293 532
	93 070 093	94 841 942
Total interest-bearing liabilities	**98 462 982**	100 679 305

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

10 Financial liabilities at fair value through profit or loss continued

(a) Interest-bearing liabilities continued

QTC borrowings are guaranteed by the Queensland Government under the *Queensland Treasury Corporation Act 1988*. As at 30 June 2017, $83,556.6 million (2016 $84,259.5 million) of debt securities are expected to be settled after more than 12 months.

Instruments denominated in foreign currency are fully hedged 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).

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 2017	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
Treasury notes	**4 471 325**	**4 485 000**	**(13 675)**
Commercial paper	**921 564**	**923 315**	**(1 751)**
	5 392 889	**5 408 315**	**(15 426)**
Long-term			
AUD Bonds	**88 313 286**	**79 079 879**	**9 233 407**
Floating rate notes	**2 505 946**	**2 500 000**	**5 946**
Global AUD Bonds	**186 138**	**181 276**	**4 862**
Medium-term notes	**1 730 599**	**1 659 197**	**71 402**
Other	**334 124**	**331 629**	**2 495**
	93 070 093	**83 751 981**	**9 318 112**
Total interest-bearing liabilities	**98 462 982**	**89 160 296**	**9 302 686**

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

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10 Financial liabilities at fair value through profit or loss continued

(b) Deposits

	2017 $000	2016 $000
Client deposits		
Local governments	**3 049 454**	2 459 583
Statutory bodies	**2 773 869**	2 481 297
Government-owned Corporations	**920 111**	800 771
Government departments and agencies	**44 349**	46 624
QTC related entities	**77 329**	59 376
Other depositors	**172 443**	175 675
	7 037 555	6 023 326
Collateral held	**75 290**	29 742
Repurchase agreements	**316 046**	791 808
	391 336	821 550
Total deposits	**7 428 891**	6 844 876

As at 30 June 2017, $6,977.2 million (2016 $6,844.9 million) will mature within 12 months.

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11 Financial risk management

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

Robust systems are in place for managing financial risk and compliance. Adherence to financial risk policies are monitored daily. To ensure independence, measurement and monitoring of financial risks are performed by teams separate to those transacting.

All financial risk management activities are conducted within Board approved policies, as set out in the Financial Markets Risk Policy with new financial instruments approved by the QTC Board. All breaches of the Financial Markets Risk Policy are escalated to management, the Chief Executive, Funding and Markets Committee and presented at the next board meeting.

QTC ensures that in undertaking its capital markets activities it has adequate capital to manage its risks. Capital requirements are calculated for credit risk, market risk and operational risk with stress testing applied. Capital requirements are then applied against QTC's capital held with reports presented to the Board.

(a) Market risk

QTC is exposed to market risk in the form of interest rate risk and foreign exchange risk with price risk not having a significant impact.

QTC's exposure to market risk is through its 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.

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 any mark-to-market impacts from credit margin changes are typically reversed over the life of the assets. QTC does not pass these unrealised credit spread adjustments onto client, 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	
	2017 $000	2016 $000	**2017 $000**	2016 $000	**2017 $000**	2016 $000	**2017 $000**	2016 $000
USD	**(820 348)**	(765 557)	**729 101**	517 996	**91 247**	247 561	**-**	-
NZD	**(841 851)**	(739 808)	**-**	-	**841 851**	739 808	**-**	-
GBP	**-**	-	**29 812**	31 829	**(29 812)**	(31 829)	**-**	-
YEN	**(174 549)**	(196 673)	**-**	-	**174 549**	196 673	**-**	-
CHF	**(149 528)**	(151 042)	**-**	-	**149 528**	151 042	**-**	-
SGD	**-**	(9 972)	**-**	-	**-**	9 972	**-**	-
EUR	**(596 235)**	-	**52 040**	505 962	**544 195**	(505 962)	**-**	-

11 Financial risk management continued

(ii) Interest rate risk

QTC lends to clients based on a duration profile specified in the client mandates. QTC then manages any mismatch between the duration profile of client loans and QTC's funding within an Asset and Liability Management Portfolio. 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 any mismatch between client loans and QTC funding are passed on to QTC clients 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 PVBP (change in the present value for a one basis point movement). The VaR measure estimates the potential mark-to-market loss over a given holding period at a 99 per cent confidence level. QTC uses the historical simulation approach to calculate VaR 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	**2017 $M**	2016 $M
As at 30 June	**16**	10
Average for the year	**14**	7
Financial year- minimum	**10**	4
Financial year- maximum	**16**	16

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. At 30 June 2017, QTC had an exposure of approximately $0.77 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 scenarios simultaneously:

- Standard & Poor's Liquidity Ratio – maintain a ratio greater than 80%
- Liquidity forecast – maintaining a minimum of $4 billion forecast liquidity over any pending 12 month period
- Daily cash balances – maintaining a minimum of five working days' net cash requirements in 11AM cash, RBA repo eligible securities and Negotiable Certificates of Deposits to fund the net cash flows from assets and liabilities on QTC's balance sheet.

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.

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.

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.

11 Financial risk management continued

(b) Liquidity and financing risks continued

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

CONTRACTUAL MATURITIES AS AT 30 JUNE 2017	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	2 124 768	-	-	-	-	**2 124 768**	**2 124 768**
Receivables	4 018	-	-	-	-	**4 018**	**4 018**
Onlendings (1)	1 061 433	1 010 083	2 179 578	16 135 364	74 321 312	**94 707 770**	**85 101 958**
Financial assets at fair value through profit or loss	6 795 137	2 761 532	2 445 304	6 373 254	1 625 981	**20 001 208**	**19 268 151**
Total	**9 985 356**	**3 771 615**	**4 624 882**	**22 508 618**	**75 947 293**	**116 837 764**	**106 498 895**
Financial liabilities							
Payables and dividends	(34 948)	-	(500 000)	-	-	**(534 948)**	**(534 948)**
Deposits	(7 280 949)	(22 377)	(4 394)	(21 921)	(99 705)	**(7 429 346)**	**(7 428 891)**
Financial liabilities at fair value through profit or loss							
- Short-term	(3 940 362)	(1 467 953)	-	-	-	**(5 408 315)**	**(5 392 889)**
- Long-term	(5 821 893)	(514 661)	(6 888 134)	(41 353 155)	(44 646 553)	**(99 224 396)**	**(93 070 093)**
Total liabilities	**(17 078 152)**	**(2 004 991)**	**(7 392 528)**	**(41 375 076)**	**(44 746 258)**	**(112 597 005)**	**(106 426 821)**
Derivatives							
Interest rate swaps	(5 422)	(5 897)	(13 242)	(16 996)	-	**(41 557)**	**54 194**
Cross currency swaps	124 059	6 141	(36 909)	(87 923)	(46 102)	**(40 734)**	**74 589**
Foreign exchange contracts	(6 011)	(4 180)	-	-	-	**(10 191)**	**(9 638)**
Futures contracts	43 222	-	-	-	-	**43 222**	**43 222**
Net derivatives	**155 849**	**(3 936)**	**(50 151)**	**(104 919)**	**(46 102)**	**(49 260)**	**162 367**
Net (liabilities)/assets	**(6 936 948)**	**1 762 688**	**(2 817 797)**	**(18 971 377)**	**31 154 933**	**4 191 499**	**234 441**
Cumulative	**(6 936 948)**	**(5 174 260)**	**(7 992 057)**	**(26 963 434)**	**4 191 499**	**-**	**-**

(1) 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.

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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 at fair value 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 and dividends	(23 920)	(56 528)	-	-	-	**(80 448)**	**(80 448)**
Deposits	(6 824 746)	(20 130)	-	-	-	**(6 844 876)**	**(6 844 876)**
Financial liabilities at fair value 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)**
Futures contracts	(10 155)					**(10 155)**	**(10 155)**
Net derivatives	**(24 178)**	**(26 489)**	**(19 028)**	**(127 790)**	**(419 938)**	**(617 423)**	**(299 013)**
Net (liabilities)/assets	**(6 118 111)**	**2 027 863**	**(438 844)**	**(28 644 273)**	**36 355 354**	**3 181 989**	**588 479**
Cumulative	**(6 118 111)**	**(4 090 248)**	**(4 529 092)**	**(33 173 365)**	**3 181 989**	**-**	

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 financial markets risk 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 (measured using Basel III compliance methodologies) 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 instrument while exposure to derivative contracts is based only on a notional 'add-on' factor applied to the value of the instrument, as derivatives are marked-to-market daily with zero thresholds under all of QTC's credit support annexes. 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, 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 2017	AAA $000	AA+ $000	AA $000	AA- $000	A+ $000	A $000	OTHER[2] $000	TOTAL $000
Cash & equivalents	**-**	**-**	**-**	**2 124 768**	**-**	**-**	**-**	**2 124 768**
Financial assets[3]	**1 413 098**	**381 750**	**332 172**	**14 848 004**	**1 243 689**	**570 008**	**338 632**	**19 127 353**
Derivatives	**-**	**-**	**-**	**69 476**	**44 853**	**-**	**-**	**114 329**
	1 413 098	**381 750**	**332 172**	**17 042 248**	**1 288 542**	**570 008**	**338 632**	**21 366 450**
	6%	**2%**	**2%**	**80%**	**6%**	**2%**	**2%**	**100%**

BY CREDIT RATING [1] 30 JUNE 2016								
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%

[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*

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 BBB+ or better (approximately 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 and cooperative housing societies, are Queensland Government sector entities with approximately 68 per cent (2016: 73 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 the Australian Government Guaranteed borrowings (2017 $4,762 million), 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
2017				
Derivative assets: - subject to master netting arrangements	**337 559**	**(63 126)**	**(244 936)**	**29 497**
Derivative liabilities: - subject to master netting arrangements	**(175 192)**	**-**	**175 652**	**460**
Net exposure	**162 367**	**(63 126)**	**(69 284)**	**29 957**
2016				
Derivative assets: - subject to master netting arrangements	224 989	(78 360)	(25 917)	120 712
Derivative liabilities: - subject to master netting arrangements	(524 002)	-	393 230	(130 772)
Net exposure	(299 013)	(78 360)	367 313	(10 060)

(v) Assets past due and impaired

Onlendings include a provision for impairment of $0.5 million for Cooperative housing society loans where full recovery of principal and interest is considered doubtful based on the net realisable value of the underlying security.

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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 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. No transfers between Level 1 and Level 2 were made during the year except for futures contracts which have been transferred from Level 2 to Level 1.

AS AT 30 JUNE 2017	QUOTED PRICES LEVEL 1 $000	OBSERVABLE INPUTS LEVEL 2 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	2 124 768	-	**2 124 768**
Financial assets through profit or loss	5 733 080	13 535 071	**19 268 151**
Onlendings	-	85 101 958	**85 101 958**
Derivative financial assets	98 810	238 749	**337 559**
Total financial assets	**7 956 658**	**98 875 778**	**106 832 436**
Financial liabilities			
Financial liabilities through profit or loss			
- Short term	-	5 392 889	**5 392 889**
- Long term	85 852 647	7 217 446	**93 070 093**
Deposits	-	7 428 891	**7 428 891**
Derivative financial liabilities	65 226	109 966	**175 192**
Total financial liabilities	**85 917 873**	**20 149 192**	**106 067 065**
AS AT 30 JUNE 2016			
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	2 084	222 905	**224 989**
Total financial assets	**6 018 241**	**102 687 543**	**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	32 142	491 860	**524 002**
Total financial liabilities	**83 751 108**	**24 297 075**	**108 048 183**

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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 2017			
Cost at balance date	**12 028**	**230 936**	**242 964**
Accumulated depreciation and impairment	**(7 545)**	**(138 835)**	**(146 380)**
Net carrying amount	**4 483**	**92 101**	**96 584**
Movement			
Net carrying amount at 1 July 2016	**2 265**	**132 384**	**134 649**
Additions	**3 904**	**-**	**3 904**
Disposals	**(37)**	**(10 470)**	**(10 507)**
Depreciation expense	**(1 649)**	**(29 813)**	**(31 462)**
Net carrying amount at 30 June 2017	**4 483**	**92 101**	**96 584**
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

(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 4 years.

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2017

14 Notes to the statement of cash flows

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

DESCRIPTION	2017 $000	2016 $000
Profit for the year	**129 184**	46 884
Non-cash flows in operating surplus		
(Gain)/loss on interest-bearing liabilities	**(3 285 567)**	3 029 573
(Gain)/loss on deposits held	**(1 133)**	65
(Gain)/loss on onlendings	**4 018 515**	(3 625 826)
(Gain)/loss on financial assets at fair value through profit or loss	**86 358**	(16 922)
Depreciation and amortisation	**33 256**	40 098
Doubtful debts- cooperative housing societies	**153**	30
Changes in assets and liabilities		
Decrease/(increase) in financial assets at fair value through profit or loss	**32 930**	(34 574)
Decrease/(increase) in deferred tax asset	**662**	(344)
Increase in onlendings	**(165 931)**	(15 393)
Decrease/(increase) in receivables	**7 626**	(11 559)
Decrease in interest-bearing liabilities	**(568 658)**	(46 127)
Increase/(decrease) in deposits	**11 125**	(496)
(Decrease)/increase in payables and other liabilities	**(490 352)**	13 351
Net cash used in operating activities	**(191 832)**	(621 240)

Notes to the Financial Statements

Long Term Assets

For the year ended 30 June 2017

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.

	2017 $000	2016 $000
Investments in unit trusts and other holdings- QIC:		
Movement during the year:		
Opening balance	**31 076 084**	34 655 724
Net withdrawals	**(1 743 662)**	(5 020 826)
Net change in fair value of unit trusts	**2 382 036**	1 441 186
Closing balance	**31 714 458**	31 076 084
Comprised of the following asset classes:		
Defensive assets		
Cash	**7 481 652**	7 887 964
Fixed interest	**5 944 533**	4 008 827
Growth assets		
Equities	**3 500 091**	4 430 175
Diversified alternatives	**6 961 071**	7 037 635
Unlisted assets		
Infrastructure	**2 891 681**	3 059 369
Private equities	**2 459 109**	2 417 159
Real estate	**2 476 321**	2 234 955
	31 714 458	31 076 084

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.

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 LTAAB in discharging its responsibilities. QIC's role includes recommending to 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.

LTAAB is responsible for setting the interest rate applicable on the fixed rate note liability of QTC, which was set at 7.0 per cent from 1 July 2015 and retained for 2016-17, based on the expected long term average rate of return on the portfolio.

(a) Market risk

Long Term Assets expose QTC to market risk, including interest rate risk, foreign currency risk, property risk and equity price risk, resulting from its investments in unit trusts and the underlying movement in the net asset value through these 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 LTAAB (refer note 15). The investment strategy targets a widely diversified portfolio across a broad range of asset classes and therefore credit risk is minimised. Market risk is based on the risk that the unit price of the fund will change and therefore the portfolio does not have exposure directly to interest rate, foreign currency or credit risk.

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) Price risk

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.

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:

	2017 CHANGE		2017 PROFIT/EQUITY		2016 CHANGE		2016 PROFIT/EQUITY	
	Low %	High %	Decrease $000	Increase $000	Low %	High %	Decrease $000	Increase $000
Cash and fixed interest [(1)]	**-1%**	**1%**	**(62 930)**	**62 930**	-1%	1%	(100 501)	100 501
Equities	**-10%**	**10%**	**(350 327)**	**350 327**	-10%	10%	(443 582)	443 582
Diversified alternatives [(2)]	**-9%**	**9%**	**(625 078)**	**625 078**	-9%	9%	(625 072)	625 072
Infrastructure	**-10%**	**10%**	**(289 146)**	**289 146**	-10%	10%	(306 327)	306 372
Private equities	**-10%**	**10%**	**(246 085)**	**246 085**	-10%	10%	(242 853)	242 853
Real estate	**-8%**	**8%**	**(190 367)**	**199 315**	-8%	8%	(175 433)	184 624
			(1 763 933)	**1 772 881**			(1 893 768)	1 903 004

(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 2017, investments in unit trusts are valued at $31,714 million (2016 $31,076 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.

18 Contingent liabilities

The following contingent liabilities existed at balance date:

- QTC has provided guarantees to the value of $790 million (2016 $562 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 2017 and 30 June 2016, no QTC inscribed stock was lent to other financial institutions.

19 Related party transactions

QTC's related parties is one that it controls, is controlled by, under common control or can exert significant influence over. It includes members of QTC's key management personnel and their related parties.

(a) Ultimate controlling entity

The immediate controlling entity and ultimate controlling entity is the Under Treasurer of Queensland as the Corporation Sole of QTC. No remuneration is payable by QTC to the Under Treasurer in relation to this role.

(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 and associated interest and fees received from public sector entities (refer note 3 and note 9)
- investment of cash surpluses, interest paid and fees received (refer note 3 and note 10), and
- advisory services to other state government agencies.

The above transactions were in the normal course of business and on commercial terms and conditions. These exclude certain advisory and other services provided to Queensland Treasury, its associated companies and other related parties. However, with respect to advisory services, QTC may seek reimbursement of some costs from time to time particularly where these relate to external charges.

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. QTC through the Long Term Assets have paid $91.6 million in management fees to QIC (2016: $103.9 million).

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

- QTC may incur costs in relation to consultancy and training services provided to government entities from time to time. For the prior financial year QTC incurred costs on behalf of the State or State entities for the performance of consultancy services for which these costs are reimbursed. These services were 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 prior financial year totalled $19.5 million.
- QTC has a shareholding in Queensland Treasury Holdings Pty Ltd and its associated entities (QTH group). The QTH group 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. QTC also provide company secretariat services to the QTH group on a cost recovery basis.

(e) Agency arrangements

QTC undertake the following agency arrangements on behalf of its clients.

- QTC provides services on behalf of Queensland Treasury under a GOC Cash Management facility. QTC is not exposed to the risks and benefits of this facility and therefore does not recognise these deposits on its balance sheet. QTC charges a fee for this service. The balance of deposits under this facility at year end was $1,345.1 million.
- QTC may enter into derivative transactions from time to time on behalf of its clients. These arrangements have back to back contracts between QTC and the client and QTC and the market. In this way QTC is not exposed to the risks and benefits of these contracts and do not recognise these on-balance sheet. The notional value of these derivative arrangements at 30 June 2017 was $200.4 million.

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 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

The Executive Management Team 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 by QTC 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.

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.

Notes to the Financial Statements

Other information

For the year ended 30 June 2017

20 Key management personnel continued

(c) Remuneration principles continued

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 2016-17 year, STI payments were made to eligible staff in July.

Variable remuneration - executive management

For the 2016-17 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 2016-17, 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 2016-20 and Corporate Plan 2016-17, has the higher weighting (60% of the outcome).

QTC's overall performance for 2016-17, 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 53% and 80% of their total fixed remuneration.

(d) Remuneration by category

	2017 $	2016 $
Capital Markets Operations		
Directors		
Short-term employment benefits (1)	**314 057**	319 094
Post-employment benefits (4)	**26 723**	22 335
Total	**340 780**	341 429
Executive management		
Short-term employment benefits (2)	**3 717 213**	2 855 281
Long-term employment benefits (3)	**63 495**	54 681
Post-employment benefits (4)	**116 254**	111 221
Total	**3 896 962**	3 021 183

(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	
	2017 $	2016 $	**2017 $**	2016 $	**2017 $**	2016 $
Gerard Bradley- Chairman	**124 266**	122 818	**10 529**	10 529	**134 795**	133 347
Warwick Agnew (1)	**-**	-	**-**	-	**-**	-
Stephen Bizzell (2)	**-**	30 571	**-**	-	**-**	30 571
Tonianne Dwyer	**40 210**	40 209	**3 820**	3 820	**44 030**	44 029
Anne Parkin (3)	**42 467**	-	**4 166**	-	**46 633**	-
Bill Shields (4)	**20 716**	41 432	**-**	-	**20 716**	41 432
Karen Smith-Pomeroy (5)	**43 856**	43 855	**4 166**	4 166	**48 022**	48 021
Stephen Roberts (6)	**2 332**	-	**222**	-	**2 554**	-
Jim Stening	**40 210**	40 209	**3 820**	3 820	**44 030**	44 029
Total	**314 057**	319 094	**26 723**	22 335	**340 780**	341 429

(1) No remuneration is payable to the Queensland Treasury representative

(2) Resigned 12 March 2016

(3) Appointed 1 July 2016

(4) Resigned 31 December 2016

(5) Appointed 9 July 2015

(6) Appointed 8 June 2017

Notes to the Financial Statements

Other information

For the year ended 30 June 2017

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 2017	SHORT-TERM EMPLOYMENT BENEFITS BASE $	SHORT-TERM INCENTIVE $	NON-MONETARY $	POST-EMPLOYMENT BENEFITS $	LONG-TERM BENEFITS $	TOTAL $
Chief Executive	**678 587**	**464 668**	**14 861**	**19 548**	**18 019**	**1 195 683**
Deputy Chief Executive and Managing Director, Funding and Markets [(1)]	**527 788**	**437 250**	**10 182**	**19 548**	**14 239**	**1 009 007**
Managing Director, Client Advisory [(1)]	**328 661**	**208 688**	**10 829**	**19 548**	**11 150**	**578 876**
Managing Director, Risk and Financial Operations [(1)]	**329 251**	**211 689**	**10 039**	**19 548**	**9 251**	**579 778**
Managing Director, Corporate Services [(1)]	**290 509**	**169 600**	**24 611**	**38 062**	**10 836**	**533 618**
Total	**2 154 796**	**1 491 895**	**70 522**	**116 254**	**63 495**	**3 896 962**

[(1)] *Position effective from 1 July 2016 following corporate restructure*

30 JUNE 2016	SHORT-TERM EMPLOYMENT BENEFITS BASE $	SHORT-TERM INCENTIVE $	NON-MONETARY $	POST-EMPLOYMENT BENEFITS $	LONG-TERM BENEFITS $	TOTAL $
Chief Executive	640 675	418 341	26 111	24 242	18 461	1 127 830
Executive General Manager, Funding & Markets [(1) (2)]	383 039	320 000	23 573	37 536	10 635	774 783
Chief Operating Officer [(2)]	317 907	180 000	14 326	30 201	13 780	556 214
Executive General Manager, Client Services [(2)]	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*

[(2)] *Positions effective to 30 June 2016*

(e) Other transactions

QTC's Capital Markets Board members' directorships are disclosed in the corporate governance section of the Annual Report. No remuneration is paid or payable by QTC to the Under Treasurer as QTC's Corporation Sole.

There are no transactions between QTC and entities controlled by key management personnel or 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:

	2017 $	2016 $
Audit services		
Audit and review of QTC financial statements	**400 000**	390 000

Notes to the Financial Statements

Other information

For the year ended 30 June 2017

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

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

Each year the board determines the appropriate level of dividends to be declared taking into consideration the financial situation of the Corporation. In the current year, the board decided to provide a repatriation dividend of $500 million from past surpluses. In the prior financial year a dividend of $47 million was provided for out of that year's profit.

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.