Statement of comprehensive income

For the year ended 30 June 2020

	NOTE	2020 $000	2019 $000
CAPITAL MARKETS OPERATIONS			
Net gain/(loss) on financial instruments at fair value through profit or loss			
Gain on financial assets	3	**5 173 695**	8 806 820
Loss on financial liabilities	3	**(5 105 688)**	(8 677 303)
		68 007	129 517
Other income			
Fee income		**81 262**	78 061
Lease income		**7**	253
Gain on disposal of plant and machinery		**-**	1 398
		81 269	79 712
Expenses			
Administration expenses	4	**(73 578)**	(74 328)
Depreciation on right of use assets	14	**(1 711)**	-
Depreciation on leased assets		**(12)**	(113)
Loss on disposal of plant and machinery		**(17)**	-
		(75 318)	(74 441)
Profit from Capital Markets Operations before income tax		**73 958**	134 788
Income tax expense	5	**(7 091)**	(8 865)
Profit from Capital Markets Operations after income tax		**66 867**	125 923
LONG-TERM ASSETS			
Net return from investments in Long-Term Assets			
Net change in fair value of unit trusts		**(1 105 390)**	1 666 822
Interest on fixed rate notes		**(1 825 104)**	(1 879 573)
Net change in fair value of fixed rate notes		**3 109 369**	311 415
Management fees		**(178 875)**	(98 664)
Profit/(loss) from Long-Term Assets		**-**	-
Total net profit/(loss) for the year after tax		**66 867**	125 923
Total comprehensive income/(loss) attributable to the owner		**66 867**	125 923
Total comprehensive income/(loss) derived from:			
Capital Markets Operations		**66 867**	125 923
Long-Term Assets		**-**	-
Total comprehensive income/(loss)		**66 867**	125 923

The accompanying notes form 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 2020

	NOTE	2020 $000	2019 $000
ASSETS – CAPITAL MARKETS OPERATIONS			
Cash and cash equivalents	6	**2 487 431**	1 577 139
Receivables		**6 239**	6 709
Assets held for sale		**-**	49
Financial assets at fair value through profit or loss	7	**22 170 759**	21 175 900
Derivative financial assets	8	**377 633**	289 989
Onlendings	9	**98 334 286**	87 129 775
Property, plant and equipment	13	**3 633**	3 942
Right-of-use assets	14	**9 991**	-
Intangible assets		**14 383**	14 968
Deferred tax asset		**4 590**	4 524
		123 408 945	110 202 995
ASSETS – LONG-TERM ASSETS			
Financial assets at fair value through profit or loss	16	**26 216 930**	29 345 910
		26 216 930	29 345 910
Total Assets		**149 625 875**	139 548 905
LIABILITIES – CAPITAL MARKETS OPERATIONS			
Payables		**19 974**	24 331
Derivative financial liabilities	8	**646 834**	398 872
Financial liabilities at fair value through profit or loss			
- Interest-bearing liabilities	10(a)	**113 188 864**	102 012 672
- Deposits	10(b)	**8 865 253**	7 183 040
Lease liabilities	14	**17 826**	-
Other liabilities		**143 471**	74 224
		122 882 222	109 693 139
LIABILITIES – LONG-TERM ASSETS			
Financial liabilities at fair value through profit or loss	16	**26 216 930**	29 345 910
		26 216 930	29 345 910
Total Liabilities		**149 099 152**	139 039 049
NET ASSETS		**526 723**	509 856
EQUITY – CAPITAL MARKETS OPERATIONS			
Retained surplus		**526 723**	509 856
		526 723	509 856
EQUITY – LONG-TERM ASSETS			
Retained surplus		**-**	-
		-	-
Total Equity		**526 723**	509 856

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2020

	NOTE	CAPITAL MARKETS OPERATIONS RETAINED SURPLUS $000	LONG-TERM ASSETS RETAINED SURPLUS $000	TOTAL EQUITY $000
Balance at 1 July 2018		433 933	721 616	1 155 549
Net effect of changes in accounting policies		-	(721 616)	(721 616)
Profit for the year		125 923	-	125 923
Transactions with owners in their capacity as owners:				
Dividend provided for or paid		(50 000)	-	(50 000)
Balance at 30 June 2019		**509 856**	**-**	**509 856**
Balance at 1 July 2019		509 856	-	509 856
Profit for the year		66 867	-	66 867
Transactions with owners in their capacity as owners:				
Dividend paid	24	(50 000)	-	(50 000)
Balance at 30 June 2020		**526 723**	**-**	**526 723**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

For the year ended 30 June 2020

	NOTE	2020 $000	2019 $000
CAPITAL MARKETS OPERATIONS			
Cash flows from operating activities			
Interest received from onlendings		**3 017 502**	3 338 472
Interest received from investments and other sources		**337 479**	752 084
Fees received		**81 264**	78 059
Net GST		**(172)**	(463)
Interest paid on interest-bearing liabilities		**(3 054 005)**	(4 304 482)
Interest paid on deposits		**(126 763)**	(169 947)
Administration expenses paid		**(71 600)**	(70 375)
Income tax paid		**(8 638)**	(15 944)
Net cash provided by/(used in) operating activities	15(a)	**175 067**	(392 596)
Cash flows from investing activities			
Proceeds from sale of investments		**41 490 286**	48 862 702
Payments for investments		**(42 205 617)**	(49 456 035)
Net client onlendings		**(9 527 259)**	(535 943)
Payment for intangibles		**(1 567)**	(8)
Proceeds from sale of property, plant and equipment		**20**	60 621
Payments for property, plant and equipment		**(321)**	(29)
Net cash used in investing activities		**(10 244 458)**	(1 068 692)
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		**62 312 835**	54 086 609
Repayment of interest-bearing liabilities		**(52 967 165)**	(52 608 312)
Net client deposits		**1 684 013**	969 462
Dividend paid		**(50 000)**	(50 000)
Net cash provided by financing activities	15(b)	**10 979 683**	2 397 759
Net increase in cash and cash equivalents held		**910 292**	936 471
Cash and cash equivalents at 1 July		**1 577 139**	640 668
Cash and cash equivalents at 30 June	6	**2 487 431**	1 577 139
LONG-TERM ASSETS			
No external cash flow is generated from the long-term assets (refer note 1).			

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2020

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.

Capital Markets Operations

QTC's Capital Markets Operations include debt funding, cash management, financial risk management advisory and specialist public finance education.

These services are undertaken on a cost-recovery basis with QTC lending to its clients at an interest rate based on its cost of funds plus a loan administration fee to cover the cost of administering the loans. The benefit/cost associated with QTC's management of these loans is passed on to Queensland Treasury. QTC passes on the returns of asset management to its clients and retains the unrealised gains/losses associated with credit spread movements on its balance sheet until the sale of the asset or its maturity.

QTC's Capital Markets Operations also generate a profit or loss reflecting the net return from financial markets instruments held for capital and liquidity purposes. In undertaking these activities, QTC maintains adequate capital to manage its risks having regard to its Capital Adequacy Policy.

Long-Term Assets

QTC also holds a portfolio of assets that were transferred to QTC by the State Government in 2008 (the Long-Term Assets). These assets are held to fund the superannuation and other long-term obligations of the State. The Long-Term Assets are held in unit trusts managed by QIC Limited (QIC) and overseen by the State Investment Advisory Board (SIAB) (previously the Long Term Asset Advisory Board (LTAAB)).

In return for the transfer of assets, QTC issued the State fixed rate notes with an interest rate currently at 6.5 per cent (2019: 6.5 per cent) on the book value of the notes. Recognising the direct relationship between the fixed rate notes and the Long-Term Assets, any difference between the return paid by QTC on the fixed rate note and the return received by QTC on the Long-Term Assets, is recognised in the financial statements annually as a market value adjustment.

Any market value adjustment does not impact QTC's Capital Markets Operations or its ability to meet its obligations.

SIAB and its members comprise of representatives from Queensland Treasury and three external members with experience in investment management and insurance.

SIAB has been delegated all responsibility for overseeing the Long-Term Assets within a framework provided by the State Government. This includes determining an appropriate investment strategy, monitoring investment performance and the performance of the investment manager (QIC), and monitoring compliance with relevant internal controls, standards and legislation. The formulation of strategic asset allocation, performance and monitoring of the Long-Term Assets is therefore distinct from QTC's Capital Markets Board and day-to-day Capital Markets Operations and is the responsibility of SIAB and their appointed investment manager (QIC).

Each year, QTC receives relevant information about the Long-Term Assets in order to prepare financial statements in accordance with Australian Accounting Standards and other prescribed requirements. QIC is responsible for assisting SIAB to provide this relevant information to QTC.

2 Significant accounting policies and other explanatory information

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

(a) Basis of preparation

These general purpose financial statements for the year ended 30 June 2020 have been prepared in accordance with Australian Accounting Standards (AASB) and interpretations adopted by the Australian Accounting Standards Board, 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. QTC 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

New accounting standards

All new and amended accounting standards effective for the financial year have been adopted.

This year QTC has applied *AASB 16 Leases* (which replaced AASB 117 Leases) for the first time.

AASB 16 Leases – Introduced new guidance on the definition of a lease. Previously, QTC classified its leases as operating or finance leases based on whether the lease transferred significantly all the risks and rewards incidental to ownership of the asset to the lessee.

This distinction between operating and finance leases no longer exists for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

For leases and lease-like arrangements existing at 30 June 2019, QTC elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and *Interpretation 4 Determining whether an Arrangement contains a Lease* about whether those contracts contained leases.

QTC has elected to adopt the cumulative approach as permitted in AASB 16, meaning it did not need to restate comparative information.

Application of AASB 16 resulted in the current lease for QTC's principal office at 111 Eagle Street being recognised on balance sheet. On transition, the lease liability was measured at the present value of the remaining lease commitments using QTC's incremental borrowing rate of 1.7% at 1 July 2019. The lease term used to identify the remaining lease commitments includes all extension or renewal options that QTC is reasonably certain to exercise. The offsetting right-of-use asset has been measured at an amount equal to the liability adjusted for the remaining lease incentive liability.

The following table summarises the on-transition adjustments to asset and liability balances at 1 July 2019.

	1 JULY 2019 $000	30 JUNE 2019 $000
Impact on the balance sheet (increase/(decrease)):		
Right-of-use assets	11 702	-
Lease liabilities	(20 338)	-
Lease incentive liability	-	(8 636)
Net lease liability	**(8 636)**	**(8 636)**

There has been no movement in the net lease liability on transition to AASB 16.

Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019.

	$000
Total undiscounted operating lease commitments at 30 June 2019	22 025
Less discount using the incremental borrowing rate at 1 July 2019 (1.7%)	(1 206)
Present value of operating lease commitments	20 819
Less leases with remaining lease terms of less than 12 months	(481)
	20 338

2 Significant accounting policies and other explanatory information continued

(a) Basis of preparation continued

Standards and interpretations not yet adopted

Certain new accounting standards have been issued that are not mandatory for the current reporting period.

The future adoption of Australian Accounting Standards and Interpretations issued but not yet effective are not expected to have a material impact on QTC's financial statements, however they may result in minor changes to how information is currently disclosed.

Basis of measurement

These financial statements are prepared based on 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 considering 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) Financial assets and liabilities

Financial assets on initial recognition are classified at fair value through profit or loss and include:

- cash and cash equivalents
- financial assets at fair value through profit or loss
- derivative financial instruments, and
- onlendings.

Financial liabilities are measured at fair value through profit or loss and include:

- interest-bearing liabilities, and
- deposits.

Financial assets and liabilities are recognised on 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. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are measured at fair value through profit or loss by reference to quoted market exit prices where available. If quoted market prices are not available, then fair values are estimated based on 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 assets and liabilities at fair value through profit or loss are brought to account in the statement of comprehensive income.

(e) 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)).

(f) 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 financial liability at fair value through profit or loss.

(g) Fee income

Fee income includes:

- management fee income, which represents income earned from the management of QTC's onlendings and deposits, is recognised over time when the service has been provided in accordance with client mandates
- other fees, which are recognised in the period the services are provided to the extent that it is probable that the economic benefits will flow to QTC and can be measured reliably, and
- revenue on financial guarantees is recognised at inception and on an ongoing basis over the contract term. The probability of default on a financial guarantee is extremely low due to counter indemnities and therefore, revenue receivable is reflective of fair value.

2 Significant accounting policies and other explanatory information continued

(h) 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. Return of profits to the Consolidated Fund is made by way of dividends which are provided for following approval by the Board after considering QTC's capital requirements.

(j) Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Other debtors generally arise from transactions outside the usual operating activities of the corporation and are recognised at their assessed values with terms and conditions similar to trade debtors.

(j) Intangible assets

Costs incurred to acquire computer software licences and to develop the specific software are capitalised. 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

Where an impairment is recognised the following methodology is applied:

Receivables: The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the QTC's debtors and relevant industry data form part of the QTC's impairment assessment. No loss allowance is recorded for receivables from Queensland Government agencies or Australian Government agencies on the basis of materiality.

Where there is no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Non-financial Assets: 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 asset's 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 employee benefits including salaries, superannuation, annual leave, long service leave and short-term incentives where there is a present or constructive obligation as a result of past service. The liability is based on the amount expected to be paid provided that the obligation can be 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 the Australian Government Bond Generic Yield Rates. 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 as otherwise stated.

(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. 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 (refer notes 12 and 18).

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.

COVID-19 and other Environmental, Social, and Governance (ESG) related impacts

The majority of QTC's assets (onlendings and cash and cash equivalents) are valued daily at fair value and therefore no further adjustment is required as a result of COVID-19, climate change, changes to laws and regulations or other policies adopted by governments or regulatory authorities. Credit risk is separately monitored by QTC (refer note 11(c)). The majority of QTC's onlendings are guaranteed by the State, including lending to carbon intensive businesses.

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2020

3 Net gain/(loss) 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:

- net interest income and expense recognised under the accrual basis
- net realised gain/(loss) resulting from market rate movements recognised on settlement date from the sale of investments and the pre-redemption of borrowings, and
- net unrealised gain/(loss) resulting from market rate movements from investments, certain onlendings and borrowings.

	2020 $000	2019 $000
Net gain on financial assets at fair value through profit or loss		
Cash and cash equivalents	**15 292**	12 866
Financial assets at fair value through profit or loss	**419 113**	780 530
Derivatives	**160 202**	67 997
Onlendings	**4 579 088**	7 945 427
	5 173 695	8 806 820
Net loss on financial liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss		
- Short-term	**(199 828)**	(167 142)
- Long-term	**(4 541 637)**	(7 855 728)
Deposits	**(119 180)**	(170 417)
Derivatives	**(227 207)**	(467 602)
Other	**(17 836)**	(16 414)
	(5 105 688)	(8 677 303)

4 Administration expenses

	2020 $000	2019 $000
Salaries and related costs	**43 751**	41 422
Superannuation contributions	**3 840**	3 450
Contractors	**459**	2 000
Consultants' fees	**2 399**	3 917
Information and registry services	**3 468**	2 972
Depreciation on property, plant and equipment	**630**	673
Amortisation and impairment on intangible assets	**2 152**	2 092
Office occupancy	**1 722**	3 302
Information and communication technology	**11 225**	9 737
Other administration expenses	**3 932**	4 763
	73 578	74 328

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.

	2020 $000	2019 $000
Current tax	**7 153**	8 638
Deferred tax (income)/expense	**(62)**	227
Total income tax expense recognised in the year	**7 091**	8 865
Numerical reconciliation between income tax expense and pre-tax accounting profit		
Profit for the year before tax	**73 958**	134 788
Less profits/(losses) from non-taxable portfolios:		
- Capital Markets Operations	**50 327**	105 303
- Long-Term Assets	**-**	-
Operating profit from taxable portfolios	**23 631**	29 485
Tax at the Australian tax rate of 30% on taxable portfolios	**7 089**	8 846
Effect of non-deductible items	**2**	19
Income tax expense	**7 091**	8 865

6 Cash and cash equivalents

Accounting Policy

Cash and cash equivalents include cash on hand and on demand deposits which are highly liquid investments and readily convertible to cash.

	2020 $000	2019 $000
Cash at bank	**2 487 431**	1 577 139
	2 487 431	1 577 139

7 Financial assets at fair value through profit or loss

	2020 $000	2019 $000
Discount securities	**6 248 681**	6 492 812
Commonwealth and state securities [(1)]	**1 890 341**	1 665 784
Floating rate notes	**8 973 685**	8 227 251
Term deposits	**3 590 075**	3 265 525
Other investments	**1 467 977**	1 524 528
	22 170 759	21 175 900

[(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 2020: $8,642.0 million (2019: $9,844.2 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 its asset and liability management activities. In addition, derivatives may be used to deliver long-term floating rate or long-term fixed rate exposure.

	2020 $000	2019 $000
Derivative financial assets		
Interest rate swaps	**291 741**	204 482
Cross currency swaps	**72 743**	70 087
Foreign exchange contracts	**11 950**	7 673
Futures contracts	**1 199**	7 747
	377 633	289 989
Derivative financial liabilities		
Interest rate swaps	**(506 650)**	(355 569)
Cross currency swaps	**(75 813)**	(27 345)
Foreign exchange contracts	**(17 053)**	(1 830)
Futures contracts	**(47 318)**	(14 128)
	(646 834)	(398 872)
Net derivatives	**(269 201)**	(108 883)

As at 30 June 2020, derivatives with a net liability position of $298.1 million have maturity dates exceeding 12 months (2019: net liability position of $124.0 million).

9 Onlendings

Accounting Policy

QTC borrows on behalf of its clients and lends at an interest rate based on QTC's cost of funds plus an administration fee to cover the cost of QTC's operations.

Onlendings are initially recognised at the amount drawn-down. Following 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.

	2020 $000	2019 $000
Government departments and agencies	**42 133 893**	33 382 054
Government owned corporations	**28 686 077**	27 666 064
Statutory bodies	**20 320 437**	19 367 116
Local governments	**6 797 068**	6 302 676
QTC related entities [1]	**104 391**	112 961
Other bodies	**292 420**	298 904
	98 334 286	87 129 775

[1] QTC related entities includes DBCT Holdings Pty Ltd.

At 30 June 2020, no client deposits have been placed in redraw facilities and offset the value of onlendings in the balance sheet (2019: $4.5 billion). The gross value of onlendings at 30 June 2020 is $98.3 billion (2019: $91.6 billion).

As at 30 June 2020: $98,143.4 million (2019: $86,209.3 million) of repayments are expected to be received after 12 months.

10 Financial liabilities at fair value through profit or loss

(a) Interest-bearing liabilities

Interest-bearing liabilities mainly consist of short-term treasury notes, Australian bonds and floating rate notes. Australian bonds include QTC's domestic, capital indexed and public bonds.

	2020 $000	2019 $000
Interest-bearing liabilities		
Short-term		
Treasury notes	**4 714 972**	5 010 470
Commercial paper	**1 321 736**	676 157
	6 036 708	5 686 627
Long-term		
AUD Bonds	**97 745 424**	91 134 633
Floating rate notes	**7 629 841**	3 608 199
Medium-term notes	**1 462 903**	1 237 416
Other	**313 988**	345 797
	107 152 156	96 326 045
Total interest-bearing liabilities	**113 188 864**	102 012 672

QTC borrowings are guaranteed by the Queensland Government under the *Queensland Treasury Corporation Act 1988*.
As at 30 June 2020: $98,590.6 million (2019: $87,886.3 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).

10 Financial liabilities at fair value through profit or loss continued

(a) Interest-bearing liabilities 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 2020	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
Treasury notes	**4 714 972**	**4 716 000**	**(1 028)**
Commercial paper	**1 321 736**	**1 321 774**	**(38)**
	6 036 708	**6 037 774**	**(1 066)**
Long-term			
AUD Bonds	**97 745 424**	**84 260 055**	**13 485 369**
Floating rate notes	**7 629 841**	**7 630 000**	**(159)**
Medium-term notes	**1 462 903**	**1 117 441**	**345 462**
Other	**313 988**	**304 402**	**9 586**
	107 152 156	**93 311 898**	**13 840 258**
Total interest-bearing liabilities	**113 188 864**	**99 349 672**	**13 839 192**

AS AT 30 JUNE 2019	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
Treasury notes	5 010 470	5 020 000	(9 530)
Commercial paper	676 157	677 517	(1 360)
	5 686 627	5 697 517	(10 890)
Long-term			
AUD Bonds	91 134 633	79 312 983	11 821 650
Floating rate notes	3 608 199	3 600 000	8 199
Medium-term notes	1 237 416	1 009 641	227 775
Other	345 797	337 331	8 466
	96 326 045	84 259 955	12 066 090
Total interest-bearing liabilities	102 012 672	89 957 472	12 055 200

10 Financial liabilities at fair value through profit or loss continued

(b) Deposits

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

	2020 $000	2019 $000
Client deposits		
Local governments	**3 602 330**	3 529 042
Statutory bodies	**3 002 217**	2 663 595
Government departments and agencies	**80 598**	583 216
Government owned corporations	**131 592**	96 161
QTC related entities (1)	**94 494**	93 747
Other depositors	**143 603**	166 018
	7 054 834	7 131 779
Collateral held	**56 739**	51 261
Repurchase agreements	**1 753 680**	-
	1 810 419	51 261
Total deposits	**8 865 253**	7 183 040

(1) *QTC related entities includes Queensland Treasury Holdings Pty Ltd and its subsidiaries Brisbane Port Holdings Pty Ltd, DBCT Holdings Pty Ltd and Queensland Lottery Corporation Pty Ltd.*

As at 30 June 2020: $8,764.2 million (2019: $7,072.4 million) will mature within 12 months.

11 Financial risk management

QTC's activities expose it to a variety of financial risks including market risk (including foreign exchange risk and interest rate risk), funding and liquidity risk and credit risk. QTC's financial risk management practices focus on minimising financial risk exposure and managing volatility, to mitigate the potential adverse effects 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 is performed by teams separate to those involved in 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 and the Funding and Markets Committee and presented at the next Board meeting.

QTC ensures that in undertaking its capital markets activities it has regard to its Capital Adequacy Policy. QTC has no legal, regulatory or accounting requirement to hold capital however, its Capital Adequacy Policy sets out how QTC should manage its capital to support its business activities and risk profile. QTC's Capital Adequacy Policy uses a stress scenario to determine the level of capital that should be held to cover funding and liquidity, market, credit and operational risks. This level of capital is known as Optimal Capital. Optimal Capital is calculated and regularly compared to QTC's actual capital, with reports presented to management and the Board.

(a) Market risk

QTC's exposure to market risk is through its borrowing and investment activities. Market risk is the risk of incurring losses in positions arising from adverse movements in financial market prices. QTC is exposed to market risk in the form of foreign exchange rates and interest rates. This includes borrowing in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and to reduce the risk associated with refinancing maturing loans.

As a consequence of market price movements, 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.

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Capital Markets Operations

For the year ended 30 June 2020

11 Financial risk management continued

(a) Market risk continued

(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, in Australian dollars, that cross currency swaps and forward exchange contracts have had on the face value of offshore borrowings and investments.

	BORROWINGS		OFFSHORE INVESTMENTS		DERIVATIVE CONTRACTS		NET EXPOSURE	
	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000
USD	(999 484)	(363 517)	495 270	389 833	504 214	(26 316)	-	-
CHF	(168 449)	(160 821)	-	-	168 449	160 821	-	-
GBP	(322 290)	-	-	-	322 290	-	-	-
JPY	(203 241)	(198 559)	-	-	203 241	198 559	-	-
EUR	(745 751)	(650 261)	81 771	-	663 980	650 261	-	-

(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's funding are passed on to Queensland Treasury, ensuring 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).

QTC uses a Board approved VaR framework to manage QTC's exposure to market risk complemented by other measures such as defined stress tests. 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 ten business days.

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, as well as cash, bank bill and bond futures contracts and QTC's yield curve.

Client deposits into the QTC Cash Fund are invested on behalf of clients and returns received from these investments are passed onto QTC's clients except for mark-to-market gains or losses from credit spread movements. QTC generally holds these investments to maturity and therefore any mark-to-market impacts from credit spread changes are typically reversed over the life of the assets.

(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 zero per cent capital risk weighting. In normal market circumstances, this generally ensures QTC debt is in high demand. Demand is further supported by the fact that QTC borrowings are guaranteed by the Queensland Government, QTC has been rated AA+/Aa1/AA by ratings agencies Standard & Poor's, Moody's and Fitch respectively and that QTC benchmark bonds are Reserve Bank of Australia (RBA) repurchase agreement eligibile (repo eligible). The ability to readily issue debt is considered a potential source of liquidity.

QTC maintains appropriate liquidity to meet minimum requirements as defined by the Board. Limits are set by the Board and reviewed annually for the following liquidity metrics:

- Forecast Liquidity – QTC must maintain a minimum liquidity balance of assets to maturing liabilities at all times over a rolling 12 month horizon
- Standard & Poor's Liquidity Ratio – QTC must maintain a minimum ratio of liquid assets to debt serving requirements at all times over a rolling 12 month horizon
- Daily Cash Balances – QTC must meet expected net cash requirements due in the next 5 business days using cash at bank and short term investments.

In addition to adhering to Board approved liquidity metrics, QTC holds liquid assets in the form of public sector entity deposits and the State's Long-Term Assets. QTC considers these 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 as its core short-term funding facility. In addition, QTC has in place Euro and US medium-term note facilities and Euro and US commercial paper facilities to take advantage of funding opportunities in offshore markets. These facilities ensure that QTC is readily able to access both the domestic and international financial markets.

Except for 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 are repayable at call while deposits held as security for stock lending and repurchase agreements are repayable when the security is lodged with QTC.

Except for cash and receivables, the maturity analysis for assets has been calculated based on the contractual cash flows relating to 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 (i.e. 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.

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For the year ended 30 June 2020

11 Financial risk management 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 2020	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	**2 487 431**	**-**	**-**	**-**	**-**	**2 487 431**	**2 487 431**
Receivables	**6 239**	**-**	**-**	**-**	**-**	**6 239**	**6 239**
Onlendings (1)	**3 114 474**	**3 214 281**	**3 545 480**	**14 802 798**	**83 420 266**	**108 097 299**	**98 334 286**
Financial assets at fair value through profit or loss	**8 180 839**	**7 279 998**	**1 912 980**	**9 993 376**	**4 393 697**	**31 760 890**	**22 170 759**
Total financial assets	**13 788 983**	**10 494 279**	**5 458 460**	**24 796 174**	**87 813 963**	**142 351 859**	**122 998 715**
Financial liabilities							
Payables	**(19 974)**	**-**	**-**	**-**	**-**	**(19 974)**	**(19 974)**
Deposits	**(6 591 677)**	**(2 052 568)**	**(20 772)**	**(8 593)**	**(94 305)**	**(8 767 915)**	**(8 865 253)**
Financial liabilities at fair value through profit or loss							
- Short-term	**(2 472 774)**	**(3 565 000)**	**-**	**-**	**-**	**(6 037 774)**	**(6 036 708)**
- Long-term	**(1 446 575)**	**(137 674)**	**(10 089 566)**	**(43 862 187)**	**(58 448 725)**	**(113 984 727)**	**(107 152 156)**
Total financial liabilities	**(10 531 000)**	**(5 755 242)**	**(10 110 338)**	**(43 870 780)**	**(58 543 030)**	**(128 810 390)**	**(122 074 091)**
Derivatives							
Interest rate swaps	**7 888**	**5 922**	**12 739**	**(99 021)**	**(151 047)**	**(223 519)**	**(214 908)**
Cross currency swaps	**(26 959)**	**(9 811)**	**(36 274)**	**(125 750)**	**(383 193)**	**(581 987)**	**(3 070)**
Foreign exchange contracts	**(3 413)**	**-**	**-**	**-**	**-**	**(3 413)**	**(5 104)**
Futures contracts	**9 600**	**-**	**-**	**-**	**-**	**9 600**	**(46 119)**
Net derivatives	**(12 884)**	**(3 889)**	**(23 535)**	**(224 771)**	**(534 240)**	**(799 319)**	**(269 201)**
Net (liabilities)/assets	**3 245 099**	**4 735 148**	**(4 675 413)**	**(19 299 377)**	**28 736 693**	**12 742 150**	**655 423**
Cumulative	**3 245 099**	**7 980 247**	**3 304 834**	**(15 994 543)**	**12 742 150**	**-**	**-**

(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 on lent based on these businesses being going concerns and continuing to meet key credit metric 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 can result in QTC's liability maturity profile being shorter than the asset maturity profile. While interest rate risk mismatches are hedged with swap and futures contracts, this approach does require QTC to undertake periodic refinancing of its liabilities.

11 Financial risk management continued

(b) Liquidity and financing risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2019	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	1 577 139	-	-	-	-	1 577 139	1 577 139
Receivables	6 709	-	-	-	-	6 709	6 709
Onlendings(1)	1 058 432	1 177 372	1 468 018	14 632 239	74 038 140	92 374 201	87 129 775
Financial assets at fair value through profit or loss	2 968 764	8 274 482	3 936 258	13 548 190	1 561 012	30 288 706	21 175 900
Total financial assets	5 611 044	9 451 854	5 404 276	28 180 429	75 599 152	124 246 755	109 889 523
Financial liabilities							
Payables	(24 331)	-	-	-	-	(24 331)	(24 331)
Deposits	(6 816 861)	(22 134)	(4 298)	(8 199)	(96 192)	(6 947 684)	(7 183 040)
Financial liabilities at fair value through profit or loss							
- Short-term	(3 847 833)	(1 649 683)	(200 000)	-	-	(5 697 516)	(5 686 627)
- Long-term	(1 253 580)	(127 241)	(10 152 005)	(40 494 648)	(52 552 420)	(104 579 894)	(96 326 045)
Total financial liabilities	(11 942 605)	(1 799 058)	(10 356 303)	(40 502 847)	(52 648 612)	(117 249 425)	(109 220 043)
Derivatives							
Interest rate swaps	(62)	(2 065)	13 272	(62 045)	(113 248)	(164 148)	(151 087)
Cross currency swaps	(5 185)	(4 874)	(30 712)	(128 873)	(392 486)	(562 130)	42 742
Foreign exchange contracts	7 822	(1 446)	-	-	-	6 376	5 843
Futures contracts	94 700	-	-	-	-	94 700	(6 381)
Net derivatives	97 275	(8 385)	(17 440)	(190 918)	(505 734)	(625 202)	(108 883)
Net (liabilities)/assets	(6 234 286)	7 644 411	(4 969 467)	(12 513 336)	22 444 806	6 372 128	560 597
Cumulative	(6 234 286)	1 410 125	(3 559 342)	(16 072 678)	6 372 128	-	-

(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 on lent based on these businesses being going concerns and continuing to meet key credit metric 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 can result in QTC's liability maturity profile being shorter than the asset maturity profile. While interest rate risk mismatches are hedged with swap and futures contracts, this approach does require QTC to undertake periodic refinancing of its liabilities.

(c) Credit risk

(i) Financial markets counterparties

Financial markets credit exposure is estimated as the potential loss at balance date associated with QTC's investments in the cash fund and other direct investments in financial instruments. In addition, QTC has credit exposure in the form of derivative contracts. Credit risk is the risk that these counterparties are not able to meet the payment obligations associated with QTC's investments.

The credit exposure for non-derivative investments is calculated daily based on the higher of the market value or face value of the instrument. In contrast, exposure to derivative contracts is based only on a notional 'add-on' factor applied to the value of the instrument. Derivatives are marked-to-market daily with zero thresholds under all QTC's credit support annexes. QTC utilises collateral arrangements to limit its exposure to counterparties with which it trades derivatives (refer (iv) master netting arrangements).

11 Financial risk management continued

(c) Credit risk continued

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

BY CREDIT RATING (1) 30 JUNE 2020	AAA $000	AA+ $000	AA $000	AA- $000	A+ $000	A $000	OTHER(2) $000	TOTAL $000
Cash & equivalents	-	-	-	**2 487 431**	-	-	-	**2 487 431**
Financial assets(3)	**2 247 083**	**837 825**	-	**14 518 660**	**2 346 260**	**1 759 864**	**114 956**	**21 824 648**
Derivatives	**1 751**	-	-	**57 506**	**16 764**	-	-	**76 021**
	2 248 834	**837 825**	-	**17 063 597**	**2 363 024**	**1 759 864**	**114 956**	**24 388 100**
	10%	**3%**	-	**70%**	**10%**	**7%**	**0%**	**100%**

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

(2) Includes long-term ratings of A- and BBB+, 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.

(i) Financial markets counterparties continued

BY CREDIT RATING (1) 30 JUNE 2019	AAA $000	AA+ $000	AA $000	AA- $000	A+ $000	A $000	OTHER(2) $000	TOTAL $000
Cash & equivalents	-	-	-	1 577 139	-	-	-	1 577 139
Financial assets(3)	1 373 518	879 541	118 354	15 687 028	1 998 084	932 111	100 616	21 089 252
Derivatives	-	-	-	50 014	11 694	-	-	61 708
	1 373 518	879 541	118 354	17 314 181	2 009 778	932 111	100 616	22 728 099
	6%	4%	1%	76%	9%	4%	0%	100%

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

(2) Includes long-term ratings of A- and BBB+, 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.

QTC has a significant concentration of credit risk to the banking sector and in particular, the domestic banking sector. At 30 June 2020, QTC's exposure to systemically important domestic banks (which are rated AA-) was approximately 57 per cent. The exposure to domestic banks reflects the structure of the Australian credit markets which are themselves dominated by issuance from these entities. Key characteristics of these entities are continuously monitored including their regulatory requirements, additional capital buffers, type of issuance and the impact of exigent developments such as COVID-19.

QTC adopts a conservative approach to the management of credit risk with a strong bias to high credit quality counterparties. QTC has a requirement to invest with counterparties rated BBB+ or better and have their head offices in politically stable countries with strong legal and regulatory frameworks associated with financial institutions and financial markets.

QTC's Board establishes maximum counterparty dollar value and term limits related to issuer credit ratings. Actual limits for individual counterparties will be within these Board limits and depend on the country of domicile, performance against key credit metrics and other factors related to asset quality, level of capital and size of funding program. ESG and sustainability risks are also key considerations when determining credit ratings.

Ratings agencies are used as the prime source of credit ratings information by QTC's credit team. This information is supported by the credit team's own credit analysis methodology and practice for exposure monitoring and reporting.

(ii) Onlending counterparties

QTC is also exposed to the credit risk associated with its unguaranteed onlendings to clients. Except for some small exposures to private companies, QTC on-lends funds to Queensland Government sector entities including Government Owned Corporations, Local Governments, Universities and Grammar Schools. Most of QTC's onlendings (70.3 per cent in FY2020 and 67.5 per cent in FY 2019) are explicitly guaranteed by the State, including all debt held by clients operating in key ESG impacted areas such as coal-based power generation. QTC is directly exposed to credit default risk to the extent of its non-guaranteed lending of approximately $29.6 billion at 30 June 2020.

QTC adopts a cautious risk appetite to ensure all onlendings are provided to clients with satisfactory credit profiles. Of the non-guaranteed onlending, 99 per cent of it has been provided to clients that have been assigned a credit rating of Moderate or above by QTC.

QTC has a robust credit assessment and ratings methodology in place that informs its onlending recommendations to the State. This methodology includes detailed financial analysis and assessment of a client's performance against key credit metrics and other factors including industry, regional, demographic and economic characteristics. All borrowing recommendations are appraised and endorsed by a formal independent internal Credit Committee prior to being communicated to the State.

QTC's outstanding client onlending exposures are actively managed and monitored in accordance with an approved Client Credit Procedure. This procedure includes regular Credit Reviews, covenant monitoring and reporting to ensure that all counterparties maintain adequate debt serviceability and long-term financial stability.

The majority of QTC's onlending clients maintain an adequate financial buffer to manage short term financial shocks (eg COVID-19), though longer term financial impacts may adversely affect their performance.

(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 of $739 million (2019: $786 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 comprehensive income. 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.

11 Financial risk management continued

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.

	GROSS AND NET AMOUNTS ON THE BALANCE SHEET $000	RELATED TO AMOUNTS NOT SET OFF IN THE BALANCE SHEET FINANCIAL INSTRUMENTS COLLATERAL $000	RELATED TO AMOUNTS NOT SET OFF IN THE BALANCE SHEET CASH COLLATERAL RECEIVED OR GIVEN $000	NET AMOUNT $000
2020				
Derivative assets: - subject to master netting arrangements	**377 633**	**-**	**(371 483)**	**6 150**
Derivative liabilities: - subject to master netting arrangements	**(646 834)**	**-**	**645 671**	**(1 163)**
Net exposure	**(269 201)**	**-**	**274 188**	**4 987**
2019				
Derivative assets: - subject to master netting arrangements	289 989	-	(289 461)	528
Derivative liabilities: - subject to master netting arrangements	(398 872)	-	398 872	-
Net exposure	(108 883)	-	109 411	528

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 QTC's financial instruments are valued at fair value through profit or loss with reference to either quoted market prices or observable inputs, with no significant adjustments applied to instruments held. QTC holds no Level 3 financial instruments.

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, 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 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.

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12 Fair value hierarchy continued

AS AT 30 JUNE 2020	QUOTED PRICES LEVEL 1 $000	OBSERVABLE INPUTS LEVEL 2 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	**2 487 431**	**-**	**2 487 431**
Financial assets through profit or loss	**14 556 626**	**7 614 133**	**22 170 759**
Onlendings	**-**	**98 334 286**	**98 334 286**
Derivative financial assets	**1 199**	**376 434**	**377 633**
Total financial assets	**17 045 256**	**106 324 853**	**123 370 109**
Financial liabilities			
Financial liabilities through profit or loss			
- Short-term	**-**	**6 036 708**	**6 036 708**
- Long-term	**93 757 676**	**13 394 480**	**107 152 156**
Deposits	**-**	**8 865 253**	**8 865 253**
Derivative financial liabilities	**47 318**	**599 516**	**646 834**
Total financial liabilities	**93 804 994**	**28 895 957**	**122 700 951**

AS AT 30 JUNE 2019	QUOTED PRICES LEVEL 1 $000	OBSERVABLE INPUTS LEVEL 2 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	1 577 139	-	1 577 139
Financial assets through profit or loss	16 331 753	4 844 147	21 175 900
Onlendings	-	87 129 775	87 129 775
Derivative financial assets	7 747	282 242	289 989
Total financial assets	17 916 639	92 256 164	110 172 803
Financial liabilities			
Financial liabilities through profit or loss			
- Short-term	-	5 686 627	5 686 627
- Long-term	91 134 633	5 191 412	96 326 045
Deposits	-	7 183 040	7 183 040
Derivative financial liabilities	14 128	384 744	398 872
Total financial liabilities	91 148 761	18 445 823	109 594 584

13 Property, plant and equipment

Accounting Policy

Items with a cost or other value equal to or exceeding $5,000 are reported as property, plant and equipment. Items with a lesser value are expensed in the year of acquisition. 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 are as follows:

Asset class	Depreciation rate
Information technology & office equipment	6 – 40%

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 property, plant and equipment are set out below:

	2020 $000	2019 $000
Cost at balance date	**5 770**	5 608
Accumulated depreciation and impairment	**(2 137)**	(1 666)
Net carrying amount	**3 633**	3 942
Movement		
Net carrying amount at beginning of year	**3 942**	4 585
Additions	**321**	30
Depreciation expense	**(630)**	(673)
Net carrying amount at end of year	**3 633**	3 942

14 Right of use assets and lease liabilities

Accounting Policy

All leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

On initial recognition the carrying amount of the lease liability is measured at the present value of the current leasing commitments. Lease payments are discounted at the rate implicit in the lease or at QTC's incremental borrowing rate if the implicit interest rate cannot be readily determined.

Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received
- initial direct costs incurred, and
- the initial estimate of restorations costs.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Depreciation rates are as follows:

Asset class	Depreciation rate
Lease property	7%

Carrying amounts of right of use assets and the movements during the period are set out below:

	$000
As at 1 July 2019	**11 702**
Accumulated depreciation and impairment	**(1 711)**
Net carrying amount at 30 June 2020	**9 991**

Movement

Net carrying amount at 1 July 2019	**11 702**
Additions	-
Depreciation expense	**(1 711)**
Net carrying amount at 30 June 2020	**9 991**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	$000
As at 1 July 2019	**20 338**
Interest	**313**
Lease repayments	**(2 825)**
Net carrying amount	**17 826**

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2020

15 Notes to the statement of cash flows

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

	2020 $000	2019 $000
Profit for the year	**66 867**	125 923
Non-cash flows in operating surplus		
Loss on interest-bearing liabilities	**1 783 992**	4 174 631
Loss on deposits held	**821**	36
Gain on onlendings	**(1 576 339)**	(4 616 513)
Gain on financial assets at fair value through profit or loss	**(226 490)**	(133 276)
Depreciation and amortisation	**2 793**	2 878
Loss/(gain) on disposal of plant and machinery	**17**	(1 398)
Doubtful debts	**-**	1
Changes in assets and liabilities		
(Increase)/decrease in financial assets at fair value through profit or loss	**(30 644)**	23 612
(Increase)/decrease in deferred tax asset	**(66)**	171
Decrease in onlendings	**14 753**	7 771
Decrease in receivables	**471**	775
Increase/(decrease) in interest-bearing liabilities	**82 407**	(7 086)
(Decrease)/increase in deposits	**(8 405)**	434
Increase in payables and other liabilities	**64 890**	29 445
Net cash provided/(used in) operating activities	**175 067**	(392 596)

(b) Reconciliation of liabilities arising from financing activities

AS AT 30 JUNE 2020	OPENING BALANCE $000	CASH FLOWS $000	FAIR VALUE MOVEMENT $000	FOREIGN EXCHANGE MOVEMENT $000	OTHER NON CASH MOVEMENT $000	CLOSING BALANCE $000
Interest-bearing liabilities (1)	**102 411 544**	**9 345 670**	**1 637 999**	**145 993**	**294 492**	**113 835 698**
Deposits	**7 183 040**	**1 684 013**	**(821)**	**-**	**(979)**	**8 865 253**
Dividend paid	**-**	**(50 000)**	**-**	**-**	**50 000**	**-**
	109 594 584	**11 206 128**	**(1 930 806)**	**145 993**	**3 685 052**	**122 700 951**

AS AT 30 JUNE 2019	OPENING BALANCE $000	CASH FLOWS $000	FAIR VALUE MOVEMENT $000	FOREIGN EXCHANGE MOVEMENT $000	OTHER NON CASH MOVEMENT $000	CLOSING BALANCE $000
Interest-bearing liabilities (1)	96 627 659	1 478 297	3 815 434	359 197	130 957	102 411 544
Deposits	6 213 544	969 462	(36)	-	70	7 183 040
Dividend paid	-	(50 000)	-	-	50 000	-
	102 841 203	2 397 759	3 815 398	359 197	181 027	109 594 584

(1) *Includes derivatives*

16 Financial instruments 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 fair value through profit or loss.

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 fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of fixed rate notes issued to the State Government in exchange for a portfolio of assets. The fixed rate notes were initially recognised at par value, which equated to the fair value of the financial assets acquired. Deposits and withdrawals are made to/from the notes based on changes in the State Government's long-term liabilities. The notes will terminate upon the greater of 50 years (from the transaction date of 1 July 2008) or the date that the State Government's long-term liabilities cease to exist. Upon termination/settlement of the liability, any shortfall between the value of the assets and liability will be borne by the State; and any excess in the assets will be returned. Interest on the fixed rate notes is capitalised monthly and the rate is reviewed annually.

Financial liabilities at fair value through profit or loss are valued by reflecting the changes, including market value movements, of the supporting assets of the portfolio as market value movements in the fixed rate notes. This eliminates any accounting mismatch between the financial assets and liabilities in this segment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2020 $000	2019 $000
Investments in unit trusts and other holdings- QIC:		
Movement during the year:		
Opening balance	**29 345 910**	30 487 950
Net withdrawals	**(1 844 715)**	(2 710 198)
Fees paid	**(178 875)**	(98 664)
Net change in fair value of unit trusts	**(1 105 390)**	1 666 822
Closing balance	**26 216 930**	29 345 910
Comprised of the following asset classes:		
Defensive assets		
Cash	**7 998 494**	9 149 487
Fixed interest	**2 946 641**	2 524 976
Growth assets		
Equities	**2 459 961**	2 299 396
Diversified alternatives	**4 882 357**	5 855 766
Unlisted assets		
Infrastructure	**3 190 411**	3 368 382
Private equity	**2 799 276**	2 839 975
Real estate	**1 939 790**	3 307 928
	26 216 930	29 345 910

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2020 $000	2019 $000
Fixed rate notes		
Movement during the year:		
Opening balance	**29 345 910**	29 766 334
Opening balance adjustment	**-**	721 616
Interest	**1 825 104**	1 879 573
Net withdrawals	**(1 844 715)**	(2 710 198)
Net change in fair value of fixed rate note	**(3 109 369)**	(311 415)
Closing balance	**26 216 930**	29 345 910

17 Financial risk management

QTC also holds a portfolio of assets which were transferred to QTC by the State Government, but are managed by QIC on behalf of the State Investment Advisory Board (SIAB). SIAB and its members comprise of representatives from Queensland Treasury and three external members with experience in investment management and insurance.

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. Market risk arises due to changes in interest rates, foreign exchange rates, property prices 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.

SIAB 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. The Long-Term Assets are therefore distinct from QTC's Capital Markets Board and day-to-day Capital Markets Operations, and are the responsibility of SIAB and their appointed investment manager (QIC).

QIC provides assistance to SIAB in discharging its responsibilities. As the Queensland Government's investment manager, QIC is responsible for implementing the investment strategy. QIC's role includes recommending investment product objectives, risk profiles and strategic asset allocations to achieve objectives within the targets and risk controls set. SIAB oversees QIC's implementation and monitors adherence to the targets, risk controls and limits under which QIC is approved to manage the Long-Term Assets.

QIC has established risk management policies to identify and analyse risk, and to set risk limits and controls that comply with SIAB's instructions. QIC's risk control framework is confirmed in a GS007 report signed by the Queensland Auditor General. In addition, independent oversight of the investment advice and services provided by QIC, including a periodic strategic review of QIC's activities, is provided by an external consultant.

The interest rate applicable on the fixed rate note liability of QTC was set at 6.5 per cent (2019: 6.5 per cent) on the book value of the notes from 1 July 2018.

(a) Liquidity risk

No external cash flows are generated by QTC from the Long-Term Assets. Deposits and withdrawals from the Long-Term Assets result in a corresponding change to the value of the fixed rate notes (FRN). Interest owing to Treasury on the FRNs is capitalised as are returns and fees on the Long-Term Assets. As such daily movements in these cash flows do not expose QTC to liquidity risk.

(b) Credit risk

QIC is responsible for implementing the investment strategy for the Long-Term Assets. The investment strategy targets a widely diversified portfolio across a broad range of asset classes, helping to minimise credit risk.

(c) Market risk

The Long-Term Assets expose QTC to market risk, including interest rate risk, foreign currency risk, property price risk and equity price risk, resulting from its investments in unit trusts and the underlying movement in the net asset value through these trusts. While the portfolio does not have direct exposure to interest rate, foreign currency and credit risk, the unit price of the fund in which the assets are invested will change in response to the market's perception of changes in these underlying risks.

Market risk is mitigated through a diversified portfolio of investments in unit trusts held with QIC in accordance with the investment strategy approved by SIAB. The investment strategy targets a 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.

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.

QTC's foreign currency exposure is managed at a whole of portfolio level rather than at an individual asset class level. For this reason, sensitivity to foreign exchange rate movements has been shown as a currency overlay on the whole of portfolio.

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

	2020 CHANGE		2020 PROFIT/EQUITY		2019 CHANGE		2019 PROFIT/EQUITY	
	Low %	**High %**	**Decrease $000**	**Increase $000**	**Low %**	**High %**	**Decrease $000**	**Increase $000**
Cash and fixed interest [1]	**-4%**	**4%**	**(295 570)**	**295 570**	>-1%	< 1%	(23 772)	23 772
Equities	**-10%**	**10%**	**(246 055)**	**246 055**	-10%	10%	(230 226)	230 226
Diversified alternatives [2]	**-10%**	**10%**	**(488 352)**	**488 352**	-10%	10%	(586 266)	586 266
Infrastructure	**-10%**	**10%**	**(318 466)**	**318 466**	-10%	10%	(336 663)	336 663
Private equities	**-10%**	**10%**	**(279 994)**	**279 994**	-10%	10%	(284 332)	284 332
Real estate	**-22%**	**30%**	**(418 045)**	**588 217**	-10%	11%	(317 829)	369 330
Currency overlay [3]	**-10%**	**10%**	**(403 954)**	**403 954**			-	-
			(2 450 436)	**2 620 608**			(1 779 088)	1 830 589

(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.*

(3) *The foreign currency exposure of QTC's investment portfolio was 100% hedged and no sensitivity to foreign exchange movements was calculated in 2019.*

Long-Term Assets

For the year ended 30 June 2020

18 Fair value hierarchy

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

AS AT 30 JUNE 2020	OBSERVABLE INPUTS LEVEL 2 $000	UNOBSERVABLE INPUTS LEVEL 3 $000	TOTAL $000
Financial assets			
Cash	**7 998 494**	**-**	**7 998 494**
Fixed interest	**2 946 641**	**-**	**2 946 641**
Equities	**2 459 961**	**-**	**2 459 961**
Diversified alternatives	-	**4 882 357**	**4 882 357**
Infrastructure	-	**3 190 411**	**3 190 411**
Private equities	-	**2 799 276**	**2 799 276**
Real estate	**-**	**1 939 790**	**1 939 790**
Total financial assets	**13 405 096**	**12 811 834**	**26 216 930**
Financial liabilities			
Fixed rate note	**-**	**26 216 930**	**26 216 930**
Total financial liabilities	**-**	**26 216 930**	**26 216 930**
AS AT 30 JUNE 2019			
Financial assets			
Cash	9 149 487	-	9 149 487
Fixed interest	2 524 976	-	2 524 976
Equities	2 299 396	-	2 299 396
Diversified alternatives	-	5 855 766	5 855 766
Infrastructure	-	3 368 382	3 368 382
Private equities	-	2 839 975	2 839 975
Real estate	-	3 307 928	3 307 928
Total financial assets	13 973 859	15 372 051	29 345 910
Financial liabilities			
Fixed rate note	-	29 345 910	29 345 910
Total financial liabilities	-	29 345 910	29 345 910

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.

18 Fair value hierarchy continued

(a) Level 3 financial assets and liabilities - valuation techniques utilising significant unobservable inputs

Valuations of investments in unit trusts that are Level 3 in the fair value hierarchy are based on the prices of the assets underlying these unit trusts. Investments in unlisted externally managed investment schemes are valued by QIC based on the latest available net asset value advised by the fund manager. Where the fund invests in illiquid assets, the investments are priced by independent valuers as there is no readily observable market price.

In some instances, the prices advised by QIC are based on unaudited valuation statements provided by the external managers of underlying investments that relate to a date prior to 30 June 2020. QIC continues to monitor and provide updated advice to QTC on the potential impact on the value of these investments arising from the subsequent receipt of updated valuations from external managers and audited financial statements.

While QTC uses the unit price of investments provided by QIC at the relevant reporting date to report the fair value of the investments, the table below shows the valuation techniques used to calculate the unit price for the Level 3 fair values and the significant unobservable inputs used.

CLASS	VALUATION TECHNIQUE	UNOBSERVABLE INPUTS
Diversified alternatives	Based on valuations provided by an independent external valuer or external manager in accordance with relevant industry standards	The valuation model considers the future net cash flows expected to be generated from the asset and are discounted using a risk adjusted discount rate
Infrastructure	Based on valuations provided by an independent external valuer or external manager in accordance with industry standards	The valuation model considers the future net cash flows expected to be generated from the asset and are discounted using a risk adjusted discount rate
Private equity	Based on valuations provided by an independent external valuer or external manager in accordance with International Private Equity and Venture Capital Valuation Guidelines	The valuation model considers the future net cash flows expected to be generated from the asset and are discounted using a risk adjusted discount rate
Real estate	Based on valuations provided by an independent external valuer or external manager in accordance with Australian Property Institute's valuation and Property Standards	The valuation model considers the future net cash flows expected to be generated from the asset and are discounted using a risk adjusted discount rate
Fixed Rate Notes	Based on the value of the corresponding assets in the Long-Term Assets segment	The valuation is based on the fair values of the related assets which are derived using Level 3 inputs

(b) Reconciliation of Level 3 fair value movements

The table below shows the breakdown of gains and losses in respect of Level 3 fair values.

30 JUNE 2020 ASSET CLASS	OPENING BALANCE $000	DISTRIBUTIONS[1] $000	UNREALISED MARKET MOVEMENTS[1] $000	SETTLEMENTS[1] $000	CLOSING BALANCE $000
Diversified alternatives	**5 855 766**	(940 916)	(102 334)	69 841	**4 882 357**
Infrastructure	**3 368 382**	(125 093)	(122 269)	69 391	**3 190 411**
Private equity	**2 839 975**	(338 140)	259 033	38 408	**2 799 276**
Real estate	**3 307 928**	(73 058)	(1 322 340)	27 260	**1 939 790**

30 JUNE 2019 ASSET CLASS	OPENING BALANCE $000	DISTRIBUTIONS[1] $000	UNREALISED MARKET MOVEMENTS[1] $000	SETTLEMENTS[1] $000	CLOSING BALANCE $000
Diversified alternatives	**5 534 400**	(902 388)	100 353	1 123 401	**5 855 766**
Infrastructure	**3 018 799**	(221 542)	530 119	41 006	**3 368 382**
Private equity	**2 577 068**	(352 154)	580 026	35 035	**2 839 975**
Real estate	**2 870 329**	(107 196)	173 328	371 467	**3 307 928**

[1] *Data in the above table is based on movements in the unit trusts that hold the assets.*

Fixed rate note movements are disclosed in note 16.

(c) Level 3 – Sensitivity Analysis

Note 17 provides the impact to a change in market prices in respect of all asset classes including those categorised as Level 3.

Notes to the Financial Statements

Other information

For the year ended 30 June 2020

19 Contingent liabilities

The following contingent liabilities existed at balance date:

- QTC has provided guarantees to the value of $2.49 billion (2019: $2.27 billion) 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.

20 Related party transactions

QTC's related parties are those entities that it controls, is controlled by, under common control or can exert significant influence over. This includes controlled entities of the State of Queensland, being Queensland Treasury, Government Departments, Statutory Bodies (excluding universities) and Government Owned Corporations, and includes QTC's key management personnel and their related parties. Along with universities, local governments are not considered as related parties of QTC.

(a) Ultimate controlling entity

The immediate controlling entity is the Under Treasurer of Queensland as the Corporation Sole of QTC and the ultimate controlling entity is the State of Queensland. 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 21.

(c) Investments in companies

Details of investments in associates and other companies are set out in note 23.

(d) Transactions with related parties

Transactions undertaken with related parties during the year include:

- loans $87,635.0 million (2019: $77,288.9 million) and interest received $4,049.1 million (2019: $7,038.9 million)
- investment of cash surpluses $1,834.1 million (2019: $2,232.0 million) and interest paid $17.1 million (2019: $50.1 million)
- fees received $63.4 million (2019: $61.0 million), and
- dividends paid to Queensland Treasury $50 million (2019:$50 million).

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 has paid $177.9 million in management fees to QIC (2019: $97.6 million) and $0.5 million (2019: $0.7 million) to Queensland Treasury for board secretariat services.

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

- QTC sometimes acts as an agent to government entities in the procurement of advice from consultants. In these situations, QTC does not bear any significant risks or benefits associated with the advice and is reimbursed for the costs of the consultant by the government entity. The funds received as reimbursement offset consultant costs in the financial statements providing a nil net effect. The amount of costs reimbursed to QTC during the financial year totalled $4.2 million (2019: $9.5 million).
- QTC has a shareholding in Queensland Treasury Holdings Pty Ltd and its associated entities (QTH group). The QTH group hold deposits of $94.5 million (2019: $93.8 million) and loans of $104.4 million (2019: $113.0 million) with QTC that are provided on an arm's length basis and are subject to QTC's normal terms and conditions. QTC also provides company secretariat services to the QTH group on a cost recovery basis and received fees of $0.4 million (2019: $0.4 million) for the provision of these services.

(e) Agency arrangements

QTC undertakes 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 $1,493.2 million (2019: $2,272.1 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 does not recognise these on-balance sheet. The notional value of these derivative arrangements at year end was $25.3 million (2019: $48.3 million).

21 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 Leadership Team.

(a) QTC's Boards

QTC has delegated 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 Leadership Team

The Executive Leadership Team sets the strategic direction and controls the major activities of the organisation.

(c) Remuneration principles

Capital Markets Board - Directors

Any changes to Board remuneration require consideration by Queensland Treasury and the Department of the Premier and Cabinet to ensure remuneration is commensurate with government policy. Cabinet endorsement of any changes is required prior to approval by the Governor in Council. Remuneration was last increased effective 1 July 2012.

State Investment Advisory Board - Directors

When the Long Term Asset Advisory Board was renamed and reconstituted as the State Investment Advisory Board on 4 July 2019, new external Board members were appointed that were entitled to remuneration. Proposed remuneration for the Board members was set by Queensland Treasury in consultation with the Department of the Premier and Cabinet prior to approval by the Governor in Council.

Executives and employees

QTC employees (including the Executive Leadership Team) 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 Institutions Remuneration Group (FIRG), which captures remuneration data from organisations within the financial services industry. QTC utilises a subset of the data mapped to relevant organisations within the FIRG membership. Analysis and advice is obtained from external consultants to ensure that QTC continues to align 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 conservative 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 for employees

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, divisional, 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 of the FIRG database (i.e. the median incentive potential for FIRG members within QTC's peer group) and approved at Board level each year. For the 2019-20 year, STI payments were made to eligible staff in July 2020. Eligible payments were moderated by the Board to reflect the wide-ranging and significant fiscal, economic and social impacts of COVID-19 throughout Queensland.

Variable remuneration – short term incentives for the Executive Leadership Team

For the 2019-20 year, where the Executive Leadership Team performed strongly against corporate, divisional and individual KPIs, they were eligible to receive a short-term incentive payment based on a percentage of their total fixed remuneration. Short term incentives are at risk with no payment made for underperformance and additional premiums of up to 50% of the target paid for above expected performance.

The outcomes for the Executive Leadership Team are aligned to achievements measured against corporate, divisional and individual KPIs. For 2019-20, short-term incentive 'targets' for the Executive Leadership Team ranged between 45% and 60% of their total fixed remuneration. The proportion of each executive's short-term incentive 'target' opportunity is then weighed 40% on individual performance, 30% on divisional performance, and 30% on the achievement of targets set out in QTC's Strategic Plan 2017-21 and Corporate Plan 2019-20.

QTC's overall performance for 2019-20, documented in the annual performance assessment reviewed and approved by QTC's Board, was assessed as 'exceeding expectations' across QTC's whole-of-State, client, funding and operational activities. This performance assessment led to short-term incentives for the Executive Leadership Team of between 42% and 64% of fixed remuneration. This range is lower than last year's, despite similar performance outcomes, due to the moderation applied by the Board to reflect the impact of COVID-19 throughout Queensland (2018-19 short-term incentives ranged between 56% and 80% of fixed remuneration).

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For the year ended 30 June 2020

21 Key management personnel continued

(d) Remuneration by category

	2020 $	2019 $
Capital Markets Operations		
Directors		
Short-term employment benefits (1)	**347 077**	323 488
Post-employment benefits (4)	**28 667**	29 361
Total	**375 744**	352 849
Executive Leadership Team		
Short-term employment benefits (2)	**3 771 444**	4 076 728
Long-term employment benefits (3)	**70 939**	68 703
Post-employment benefits (4)	**104 637**	106 260
Total	**3 947 020**	4 251 691

	2020 $
Long-Term Assets	
Directors	
Short-term employment benefits (1)	**100 653**
Post-employment benefits (4)	**9 561**
Total	**110 214**

(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 Leadership 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.*

Capital markets operations

(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	
	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
Gerard Bradley – Chairman	**128 431**	125 251	**7 897**	10 529	**136 328**	135 780
Alison Rayner (1) (2)	**-**	-	**-**	-	**-**	-
Tonianne Dwyer	**45 362**	42 357	**4 309**	4 024	**49 671**	46 381
Anne Parkin	**43 856**	43 856	**4 166**	4 166	**48 022**	48 022
Karen Smith-Pomeroy	**45 362**	42 357	**4 309**	4 024	**49 671**	46 381
Jim Stening	**40 210**	40 210	**3 820**	3 820	**44 030**	44 030
Neville Ide (3)	**43 856**	29 457	**4 166**	2 798	**48 022**	32 255
Total	**347 077**	323 488	**28 667**	29 361	**375 744**	352 849

(1) *Resigned 12 September 2019*

(2) *No remuneration is payable to the Queensland Treasury representative*

(3) *Appointed 1 October 2018*

Notes to the Financial Statements

Other information

For the year ended 30 June 2020

21 Key management personnel continued

(d) Remuneration by category continued

(ii) Executive Leadership Team

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

30 JUNE 2020	SHORT-TERM EMPLOYMENT BENEFITS BASE $	SHORT-TERM INCENTIVE $	NON-MONETARY $	POST-EMPLOYMENT BENEFITS $	LONG-TERM BENEFITS $	TOTAL $
Chief Executive	**736 162**	**391 875**	**17 148**	**20 931**	**20 906**	**1 187 022**
Deputy Chief Executive and Managing Director, Funding and Markets	**570 528**	**377 747**	**18 005**	**20 931**	**15 747**	**1 002 958**
Managing Director, Clients	**392 179**	**182 081**	**16 727**	**20 931**	**13 491**	**625 409**
Managing Director, Corporate Services and Chief Risk Officer	**367 552**	**164 531**	**16 047**	**20 913**	**10 671**	**579 714**
Managing Director, Finance, Data and Compliance	**347 620**	**156 094**	**17 148**	**20 931**	**10 124**	**551 917**
Total	**2 414 041**	**1 272 328**	**85 075**	**104 637**	**70 939**	**3 947 020**

30 JUNE 2019	SHORT-TERM EMPLOYMENT BENEFITS BASE $	SHORT-TERM INCENTIVE $	NON-MONETARY $	POST-EMPLOYMENT BENEFITS $	LONG-TERM BENEFITS $	TOTAL $
Chief Executive	720 151	511 200	16 601	20 461	20 624	1 289 037
Deputy Chief Executive and Managing Director, Funding and Markets	567 145	473 475	16 659	20 531	15 490	1 093 300
Managing Director, Client Advisory	367 830	219 375	15 651	20 531	11 598	634 985
Managing Director, Risk and Financial Operations	353 527	230 850	15 651	24 206	10 109	634 343
Managing Director, Corporate Services and Chief Risk Officer	337 932	202 500	28 181	20 531	10 882	600 026
Total	2 346 585	1 637 400	92 743	106 260	68 703	4 251 691

Long-Term Assets

(iii) Directors

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

	SHORT-TERM EMPLOYMENT BENEFITS 2020 $	POST-EMPLOYMENT BENEFITS 2020 $	TOTAL 2020 $
Rachel Hunter (6)	-	-	-
Glenn Miller (4)	-	-	-
Maria Wilton (1)	**33 551**	**3 187**	**36 738**
Philip Graham (1)	**33 551**	**3 187**	**36 738**
Tony Hawkins (1)	**33 551**	**3 187**	**36 738**
Philip Noble (2)	-	-	-
Wayne Cannon (2)	-	-	-
Alison Rayner (3)	-	-	-
Frankie Carroll (5)	-	-	-
Total	**100 653**	**9 561**	**110 214**

(1) Appointed 4 July 2019 (2) Ceased 4 July 2019 as a member of LTAAB (3) Ceased 20 September 2019
(4) Appointed 20 September 2019 (5) Ceased 11 May 2020 (6) Appointed 11 May 2020

(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 were no transactions between QTC and entities controlled by key management personnel or loans to/from key management personnel during the financial year.

Notes to the Financial Statements

Other information

For the year ended 30 June 2020

22 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:

	2020 $	2019 $
Audit services		
Audit and review of QTC financial statements	**368 000**	359 000

23 Investments in companies

Investments in the following companies are held at cost:

NAME	PRINCIPAL ACTIVITIES
Queensland Treasury Holdings Pty Ltd (QTH)	Holding company for several 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 (p) Judgments and assumptions).

24 Dividends

Each year the Board determines the appropriate level of dividends to be declared taking into consideration the financial situation of the Corporation. A dividend of $50 million (2019: $50 million) was paid to the Queensland Government in June 2020.

25 Events subsequent to balance date

Land Restoration Fund

QTC will act as the Trustee for the Land Restoration Fund (LRF). The LRF is a Government election commitment to establish a $500 million Fund to expand carbon farming in Queensland by supporting land-sector projects that deliver clear environmental, social and economic co-benefits. The LRF is to be a unit trust with the State being the sole unit holder of the trust. As trustee, QTC's role will involve administering the various Project Investment Agreements on behalf of the State. Contracts are expected to be entered with successful proponents in late September.

QTC will not have control or significant influence over the trust, exposure or rights to variable returns or the power to affect those returns. QTC's role as Trustee will be limited to entering into contracts with successful applicants as instructed by the investment panel and administrative tasks. The ongoing administration of the Trust is not expected to have a material business impact or cost to QTC and QTC will be reimbursed for any cost incurred.

Queensland Future Fund

The Queensland Future Fund Bill 2020 is currently before the Queensland Parliament. The Bill establishes the first Queensland Future Fund (QFF) – the 'Debt Retirement Fund (DRF)'. The DRF will be seeded through the transfer of certain existing financial and non-financial State assets into QIC trusts on QTC's balance sheet.

The establishment of the QFF will have no impact on QTC's capacity to meet its obligations as there is no cash flow effect from the transfer of the assets.

Industry Support Package Loans

The State Government has announced a range of initiatives to support businesses affected by COVID-19 including the COVID-19 Industry Support Package (ISP). The ISP will assist large Queensland businesses to ensure they are able to scale-up and service the community when economic activity improves. The ISP includes recommendations for approximately $200 million in loans and grants to these businesses. QTC will act as a secured lender and delegated administrator of the ISP loans. QTC will receive the benefit of a guarantee from the Queensland Treasurer on behalf of the State to support its loans, ensuring that the impact to QTC's financial position is minimal in the event of default.