

# Statement of comprehensive income

For the year ended 30 June 2022

	NOTE	2022 \$000	RESTATED 2021 \$000
<b>CAPITAL MARKETS OPERATIONS</b>			
<b>Net gain/(loss) on financial instruments at fair value through profit or loss</b>			
(Loss) on financial assets	3	(12 367 842)	(243 309)
Gain on financial liabilities	3	12 324 996	354 846
		(42 846)	111 537
<b>Other income</b>			
Fee income		96 525	91 879
		96 525	91 879
<b>Expenses</b>			
Administration expenses	4	(76 442)	(78 493)
Depreciation of right-of-use assets	14	(1 919)	(1 713)
		(78 361)	(80 206)
<b>(Loss)/profit from Capital Markets Operations before income tax</b>		<b>(24 682)</b>	123 210
Income tax expense	5	(11 552)	(8 065)
<b>(Loss)/profit from Capital Markets Operations after income tax</b>		<b>(36 234)</b>	115 145
<b>STATE INVESTMENT OPERATIONS</b>			
<b>Net return from investments</b>			
Net change in fair value of unit trusts		1 602 754	4 676 076
Net change in fair value of fixed rate notes		1 073 122	(2 653 028)
Interest on fixed rate notes		(2 446 413)	(1 864 990)
Management fees		(229 463)	(158 058)
<b>Profit/(loss) from State Investment Operations</b>		-	-
<b>Total net (loss)/profit for the year after tax</b>		<b>(36 234)</b>	115 145
<b>Total comprehensive (loss)/income attributable to the owner</b>		<b>(36 234)</b>	115 145
<b>Total comprehensive (loss)/income derived from:</b>			
Capital Markets Operations		(36 234)	115 145
State Investment Operations		-	-
<b>Total comprehensive (loss)/income</b>		<b>(36 234)</b>	115 145

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

See Note 2(a) for details regarding the restatement as a result of a change in accounting policy.

Throughout these financial statements the Capital Markets Operations and the State Investment Operations have been disclosed separately to distinguish between QTC's main central financing authority role and its additional responsibilities following the transfer of the State's superannuation and other long term investment assets (refer Note 1).

# Balance sheet

As at 30 June 2022

	NOTE	2022 \$000	RESTATED 2021 \$000
<b>ASSETS – CAPITAL MARKETS OPERATIONS</b>			
Cash and cash equivalents	6	5 247 278	11 803 213
Receivables		6 448	7 262
Financial assets at fair value through profit or loss	7	28 529 672	14 958 589
Derivative financial assets	8	297 945	336 836
Onlendings	9	94 582 248	104 611 229
Property, plant and equipment	13	2 277	2 967
Right-of-use assets	14	7 026	8 278
Intangible assets		2 838	8 410
Deferred tax asset		3 944	4 893
		<b>128 679 676</b>	131 741 677
<b>ASSETS - STATE INVESTMENT OPERATIONS</b>			
Financial assets at fair value through profit or loss	16	40 372 412	37 814 711
		<b>40 372 412</b>	37 814 711
<b>Total Assets</b>		<b>169 052 088</b>	169 556 388
<b>LIABILITIES – CAPITAL MARKETS OPERATIONS</b>			
Payables		25 458	26 263
Derivative financial liabilities	8	300 604	238 187
Financial liabilities at fair value through profit or loss			
- Interest-bearing liabilities	10(a)	119 347 440	122 755 935
- Deposits	10(b)	8 431 220	8 107 683
Lease liabilities	14	12 823	15 165
Other liabilities		6 727	6 806
		<b>128 124 272</b>	131 150 039
<b>LIABILITIES – STATE INVESTMENT OPERATIONS</b>			
Financial liabilities at fair value through profit or loss	16	40 372 412	37 814 711
		<b>40 372 412</b>	37 814 711
<b>Total Liabilities</b>		<b>168 496 684</b>	168 964 750
<b>NET ASSETS</b>		<b>555 404</b>	591 638
<b>EQUITY – CAPITAL MARKETS OPERATIONS</b>			
Retained surplus		555 404	591 638
		<b>555 404</b>	591 638
<b>EQUITY – STATE INVESTMENT OPERATIONS*</b>			
Retained surplus		-	-
		-	-
<b>Total Equity</b>		<b>555 404</b>	591 638

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

## Statement of changes in equity

For the year ended 30 June 2022

		CAPITAL MARKETS OPERATIONS	STATE INVESTMENT OPERATIONS	TOTAL EQUITY
	NOTE	RETAINED SURPLUS \$000	RETAINED SURPLUS \$000	\$000
Balance at 1 July 2020		526 723	-	526 723
Net effect of change in accounting policy		(230)	-	(230)
<b>Restated balance at 1 July 2020</b>		<b>526 493</b>	<b>-</b>	<b>526 493</b>
Restated profit for the year		115 145	-	115 145
Transactions with owners in their capacity as owners:				
Dividend provided for or paid	24	(50 000)	-	(50 000)
<b>Restated balance at 30 June 2021</b>		<b>591 638</b>	<b>-</b>	<b>591 638</b>
Balance at 1 July 2021		591 638	-	591 638
Loss for the year		(36 234)	-	(36 234)
Transactions with owners in their capacity as owners:				
Dividend provided for or paid	24	-	-	-
<b>Balance at 30 June 2022</b>		<b>555 404</b>	<b>-</b>	<b>555 404</b>

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

# Statement of cash flows

For the year ended 30 June 2022

	NOTE	2022 \$000	RESTATED 2021 \$000
<b>CAPITAL MARKETS OPERATIONS</b>			
<b>Cash flows from operating activities</b>			
Interest received from onlendings		2 889 314	3 190 892
Interest received from investments and other sources		530 119	279 835
Fees received		95 051	93 390
Net GST		(294)	208
Interest paid on interest-bearing liabilities		(3 847 128)	(2 800 272)
Administration expenses paid		(74 713)	(72 280)
Interest paid on deposits		(55 913)	(64 617)
Income tax paid		(8 607)	(7 153)
<b>Net cash (used in)/provided by operating activities</b>	15(a)	<b>(472 171)</b>	620 003
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		27 200 288	33 681 434
Payments for investments		(41 161 982)	(26 578 979)
Net client onlendings		(5 323 857)	(9 977 168)
Payment for intangibles		-	(83)
Payments for property, plant and equipment		(709)	(13)
<b>Net cash used in investing activities</b>		<b>(19 286 260)</b>	(2 874 809)
<b>Cash flows from financing activities</b>			
Proceeds from interest-bearing liabilities		35 113 381	40 285 045
Repayment of interest-bearing liabilities		(22 233 304)	(27 908 582)
Net client deposits		322 419	(755 875)
Dividends paid		-	(50 000)
<b>Net cash provided by financing activities</b>	15(b)	<b>13 202 496</b>	11 570 588
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>(6 555 935)</b>	9 315 782
Cash and cash equivalents at 1 July		11 803 213	2 487 431
<b>Cash and cash equivalents at 30 June</b>	6	<b>5 247 278</b>	11 803 213

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

# Notes to the Financial Statements

For the year ended 30 June 2022

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## 1 General information

Queensland Treasury Corporation (QTC) is the Queensland Government's central financing authority. It also provides a range of financial services to State public sector entities, local governments and universities. QTC is constituted under the *Queensland Treasury Corporation Act 1988* (the Act), with the Under Treasurer designated as the Corporation Sole under section 5(2) of the Act. QTC is domiciled in Queensland, Australia, with its principal place of business being 111 Eagle Street, Brisbane, Queensland. QTC's ultimate parent is the State of Queensland.

QTC's business operations are made up of two segments, namely Capital Markets Operations and State Investment Operations (SIO).

### Capital Markets Operations

The remit of Capital Markets Operations includes 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. 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. The gains/losses associated with QTC's management of these loans is passed on annually to the State Consolidated Fund.

Capital Markets Operations also generates a net return from financial markets instruments held for capital and liquidity purposes.

In undertaking its capital markets activities, QTC maintains adequate capital to manage its risks having regard to its Capital Policy.

### State Investment Operations

SIO consists of portfolios of assets that were transferred to QTC by the State Government.

The assets of this segment are held in unit trusts managed by QIC Limited (QIC) and overseen by the State Investment Advisory Board (SIAB). These assets are invested in two portfolios, the Long Term Assets (LTA) portfolio and the Queensland Future Fund (QFF) portfolio. Each portfolio has its own investment management agreement. In the case of the Long Term Assets portfolio, a number of sub-portfolios exist.

#### Long Term Assets Portfolio

The LTA portfolio consists of assets that were transferred to QTC by the State and invested in several sub-portfolios:

##### (a) Endowment Portfolio

In 2008, the State transferred assets to fund the State's superannuation and other long-term obligations and in April 2022, \$2.5 billion in cash was transferred into the portfolio.

##### (b) State Initiatives Portfolio

In June 2021, assets worth \$2.0 billion were transferred to support a number of Government initiatives.

##### (c) Government Holdings Portfolio

The State transferred \$118.6 million in securities of strategic holdings in April 2022.

#### Queensland Future Fund

The QFF and its sub portfolio, the Debt Retirement Fund (DRF) were established as funds under the *Queensland Future Fund Act 2020*.

The DRF was set up to support both the State's credit rating and generate returns to reduce the State's debt burden.

Withdrawals from the DRF are limited to amounts to reduce the State's debt, and fees or expenses associated with administering the fund by the *Queensland Future Fund Act 2020*.

### Fixed Rate Notes

A Fixed Rate Note (FRN) has been issued by QTC for each of the portfolios of SIO in return for the transfer of assets from the State.

The FRN issued to match the LTA portfolio has an interest rate of 6.5% per annum (2021: 6.5%) which accrues on the book value of the FRN and is for the benefit of the State's Consolidated Fund.

The FRN issued in return for the initial transfer of assets to the QFF is for the benefit of Queensland Treasury. Interest at a rate of 6.5% per annum (2021: 6.5%) accrues on the book value of this FRN.

Recognising the direct relationship between the FRNs and the assets of SIO, any difference between the return paid by QTC on the FRNs and the return received by QTC on the invested assets is recognised in the financial statements annually as a market value adjustment to the value of the FRNs. Any market value adjustment does not impact QTC's Capital Markets Operations or its ability to meet its obligations.

SIAB members include representatives from Queensland Treasury and external members with experience in investment management and governance. SIAB has been delegated all responsibility for overseeing SIO 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 SIO's assets is therefore distinct from QTC's Capital Markets Board and day-to-day Capital Markets Operations and is the responsibility of SIAB and its appointed investment manager (QIC).

Each year, QTC's Capital Markets Board receives relevant information about the assets of SIO 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 the QTC Capital Markets Board.

# Notes to the Financial Statements

For the year ended 30 June 2022

## 2 Significant accounting policies and other explanatory information

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

### (a) Basis of preparation

These general purpose financial statements for the year ended 30 June 2022 have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB), the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019*, and the Financial Reporting Requirements for Queensland Government Agencies (as applicable to statutory bodies) for reporting periods beginning on or after 1 July 2021.

### 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 and interpretations***

During the year, QTC revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software as a Service (SaaS) arrangements in response to the IFRS Interpretations Committee agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. This has resulted in QTC changing its accounting policy for the recognition of intangible assets.

The below section shows the restatement of each line of the historical financial information affected by this change in accounting policy.

	ACTUAL 2021 \$000	CHANGE IN ACCOUNTING POLICY ADJUSTMENT \$000	RESTATED 2021 \$000
<b>STATEMENT OF COMPREHENSIVE INCOME (EXTRACT)</b>			
<b>Capital Markets Operations</b>			
<b>Expenses</b>			
Administration expenses	(77 770)	(723)	(78 493)
<b>Total Expenses</b>	<b>(79 483)</b>	<b>(723)</b>	<b>(80 206)</b>
Income tax expense	(8 282)	217	(8 065)
<b>Profit from capital Market Operations after income tax</b>	<b>115 651</b>	<b>(506)</b>	<b>115 145</b>
<b>BALANCE SHEET (EXTRACT)</b>			
<b>Capital Markets Operations</b>			
Intangible assets	9 462	(1 052)	8 410
<b>Total Assets</b>	<b>131 742 729</b>	<b>(1 052)</b>	<b>131 741 677</b>
Payables	26 579	(316)	26 263
<b>Total Liabilities</b>	<b>131 150 355</b>	<b>(316)</b>	<b>131 150 039</b>
<b>Net Assets</b>	<b>592 374</b>	<b>(736)</b>	<b>591 638</b>
<b>STATEMENT OF CHANGES IN EQUITY (EXTRACT)</b>			
Balance at 1 July 2020	526 723	(230)	526 493
<b>Capital Markets Operations</b>			
Profit for the year	115 651	(506)	115 145
<b>Balance as at 30 June 2021</b>	<b>592 374</b>	<b>(736)</b>	<b>591 638</b>
<b>STATEMENT OF CASH FLOWS (EXTRACT)</b>			
<b>Cash flows from operating activities</b>			
Administration expenses paid	(71 654)	(626)	(72 280)
<b>Net cash provided by operating activities</b>	<b>620 629</b>	<b>(626)</b>	<b>620 003</b>
<b>Cash flows from investing activities</b>			
Payment for intangibles	<b>(709)</b>	<b>626</b>	<b>(83)</b>
<b>Net cash used in investing activities</b>	<b>(2 875 435)</b>	<b>626</b>	<b>(2 874 809)</b>

### ***Standards and interpretations not yet adopted***

Certain new accounting standards and interpretations 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 on the basis of fair value measurement of assets and liabilities except where otherwise stated. Fair value is the amount for which an asset could be exchanged, or liability settled between knowledgeable, willing parties in an arm's length transaction.

### **Functional and presentation currency**

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

### **Classification of assets and liabilities**

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

# Notes to the Financial Statements

For the year ended 30 June 2022

## 2 Significant accounting policies and other explanatory information continued

### (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
- deposits, and
- fixed rate notes

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 on the basis of pricing models or other recognised valuation techniques.

QTC uses mid-market rates as the basis for establishing fair values of quoted financial instruments with offsetting risk positions. In general, the risk characteristics of funds borrowed, together with the financial derivatives used to manage interest rate and foreign currency risks, closely match those of funds on-lent. 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, and 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, which is recognised 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.

### (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 State Consolidated Fund is made by way of dividends, which are provided for following approval by the Board after considering QTC's capital requirements.

### (i) 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**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, which is usually between three and seven years. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

Costs incurred to acquire on-premise computer software licences and for the development of software code that enhances, modifies, or creates additional capability to these systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible assets.

Software-as-a-Service (SaaS) arrangements are service contracts providing QTC with the right to access the provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

**(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 QTC's debtors and relevant industry data form part of 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**

Comparative figures have been restated to account for the change in accounting policy as detailed in Note 2(a).

**(o) Judgements and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management evaluates its judgements, estimates and underlying assumptions 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 applied 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% beneficial interest in QTH and 76% of the voting rights. The remaining 40% beneficial interest and 24% 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. Counterparty credit risk and credit risk associated with QTC's clients is separately monitored by QTC (refer note 11(c)). ESG and other sustainability risks are key considerations in determining credit ratings. 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 2022

### 3 Net (loss)/gain 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.

	2022 \$000	2021 \$000
<b>Net (loss)/gain on financial assets at fair value through profit or loss</b>		
Cash and cash equivalents	15 026	16 690
Financial assets at fair value through profit or loss	(241 375)	81 683
Derivatives	323 965	30 951
Onlendings	(12 465 458)	(372 633)
	<b>(12 367 842)</b>	<b>(243 309)</b>
<b>Net gain/(loss) on financial liabilities at fair value through profit or loss</b>		
Derivatives	292 155	(87 578)
Financial liabilities at fair value through profit or loss		
- Short-term	(142 743)	169 285
- Long-term	12 240 121	354 350
Deposits	(54 031)	(62 922)
Other	(10 506)	(18 289)
	<b>12 324 996</b>	<b>354 846</b>

During the year ended 30 June 2022, long term yields rose leading to a decline in the market value of financial assets and in particular QTC's onlendings. This loss was offset by a decrease in the market value of financial liabilities.

### 4 Administration expenses

	2022 \$000	RESTATE 2021 <sup>(1)</sup> \$000
Salaries and related costs	43 427	44 803
Superannuation contributions	3 374	3 603
Contractors	854	1 863
Consultants' fees	2 721	1 107
Information and registry services	3 516	3 380
Depreciation on property, plant and equipment	733	680
Amortisation and impairment on intangible assets (1)	5 572	5 498
Office occupancy	1 202	1 967
Information and communication technology	11 312	12 295
Other administration expenses	3 731	3 297
	<b>76 442</b>	<b>78 493</b>

<sup>(1)</sup> The amounts have been restated for the change in accounting policy set out in Note 2(a) in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 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 State 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 SIO segment or a large part of the net gain/(loss) on financial instruments.

	2022 \$000	RESTATED 2021 <sup>(1)</sup> \$000
Current tax	10 617	8 389
Deferred tax (income)/expense	935	(324)
<b>Total income tax expense recognised in the year</b>	<b>11 552</b>	<b>8 065</b>
<b>Numerical reconciliation between income tax expense and pre-tax accounting profit</b>		
(Loss)/profit for the year before tax	(24 682)	123 210
Less (loss)/profit from non-taxable portfolios:		
- Capital Markets Operations	(63 159)	96 022
- State Investment Operations	-	-
<b>Operating profit from taxable portfolios</b>	<b>38 477</b>	<b>27 188</b>
<b>Tax at the Australian tax rate of 30% on taxable portfolios</b>	<b>11 543</b>	<b>8 156</b>
Effect of non-deductible items	9	(91)
<b>Income tax expense</b>	<b>11 552</b>	<b>8 065</b>

<sup>(1)</sup> The amounts have been restated for the change in accounting policy set out in Note 2(a) in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements.

### 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.

	2022 \$000	2021 \$000
Cash at bank	5 247 278	11 803 213
	<b>5 247 278</b>	<b>11 803 213</b>

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 7 Financial assets at fair value through profit or loss

#### Accounting Policy

Financial assets are recognised on the balance sheet when QTC becomes party to the contractual provisions of the financial instrument with gains and losses recognised in the income statement.

All financial assets are measured at fair value by reference to quoted market exit prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

	2022 \$000	2021 \$000
Discount securities	9 015 293	1 404 764
Commonwealth and state securities <sup>(1)</sup>	2 137 752	1 840 526
Floating rate notes	8 772 443	8 254 147
Term deposits	7 940 159	2 776 061
Other investments	664 025	683 091
	<b>28 529 672</b>	14 958 589

<sup>(1)</sup> 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 2022, \$8.6 billion (2021: \$9.4 billion) 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.

	2022 \$000	2021 \$000
<b>Derivative financial assets</b>		
Interest rate swaps	183 379	224 737
Cross currency swaps	19 761	49 657
Foreign exchange contracts	86 132	59 924
Futures contracts	8 673	2 518
	<b>297 945</b>	336 836
<b>Derivative financial liabilities</b>		
Interest rate swaps	(169 475)	(177 299)
Cross currency swaps	(75 901)	(51 758)
Futures contracts	(55 228)	(9 130)
	<b>(300 604)</b>	(238 187)
Net derivatives	<b>(2 659)</b>	98 649

As at 30 June 2022, derivatives with a net liability position of \$58.5 million have maturity dates exceeding 12 months (2021: net liability position of \$38.9 million).

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 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.

	2022 \$000	2021 \$000
Government departments and agencies	43 704 767	48 965 762
Government owned corporations	27 123 470	28 609 158
Statutory bodies	17 222 205	19 744 887
Local governments	6 192 908	6 883 658
QTC related entities <sup>(1)</sup>	101 339	102 898
Other bodies <sup>(2)</sup>	237 559	304 866
	<b>94 582 248</b>	104 611 229

<sup>(1)</sup> QTC related entities includes DBCT Holdings Pty Ltd.

<sup>(2)</sup> Other bodies include loans advanced under the Industry Support Package.

At 30 June 2022, client deposits of \$2.4 billion were placed in redraw facilities and offset the value of onlendings in the balance sheet (2021: \$2.3 billion). The gross value of onlendings at 30 June 2022 was \$97.0 billion (2021: \$106.9 billion).

As at 30 June 2022, \$94.7 billion of principal repayments of a total book value of \$101.1 billion is expected to be received after 12 months (2021: \$91.6 billion of a total \$95.7 billion).

The State continues to provide financial assistance in the form of loans and grants to various Queensland private sector entities. This program is called the Industry Support Package (ISP) and was established to enable entities to trade through the COVID-19 pandemic and facilitate a period of recovery. At 30 June 2022, \$25.3 million (2021: \$36.5 million) remained outstanding on loans advanced under the ISP. Each loan in this package was negotiated individually and contains different terms and conditions and is guaranteed by the State. The maximum term for the ISP loans was 10 years from inception, with the final repayments from a loan in the program due on 17 September 2030.

### 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.

	2022 \$000	2021 \$000
<b>Interest-bearing liabilities</b>		
<b>Short-term</b>		
Treasury notes	4 778 349	3 174 801
Commercial paper	1 474 609	2 460 771
	<b>6 252 958</b>	5 635 572
<b>Long-term</b>		
AUD Bonds	100 868 073	105 388 979
Floating rate notes	10 858 377	10 082 630
Medium-term notes	936 475	1 276 180
Other	431 557	372 574
	<b>113 094 482</b>	117 120 363
<b>Total interest-bearing liabilities</b>	<b>119 347 440</b>	122 755 935

QTC borrowings are guaranteed by the Queensland Government under the *Queensland Treasury Corporation Act 1988*. As at 30 June 2022, \$102.8 billion (2021: \$114.6 billion) 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).

QTC's Green Bond program supports the State's pathway to a low carbon, climate resilient and environmentally sustainable economy. As at 30 June 2022, QTC has issued Green Bonds with a market value of \$5.93 billion (2021: \$4.13 billion).

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 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 2022	FAIR VALUE \$000	REPAYMENT AT MATURITY \$000	DIFFERENCE \$000
<b>Interest-bearing liabilities</b>			
<b>Short-term</b>			
Treasury notes	4 778 349	4 810 000	(31 651)
Commercial paper	1 474 609	1 481 324	(6 715)
	6 252 958	6 291 324	(38 366)
<b>Long-term</b>			
AUD Bonds	100 868 073	105 892 029	(5 023 956)
Floating rate notes	10 858 377	10 825 000	33 377
Medium-term notes	936 475	1 020 241	(83 766)
Other	431 557	459 720	(28 163)
	113 094 482	118 196 990	(5 102 508)
<b>Total interest-bearing liabilities</b>	<b>119 347 440</b>	<b>124 488 314</b>	<b>(5 140 874)</b>
<b>AS AT 30 JUNE 2021</b>			
<b>Interest-bearing liabilities</b>			
<b>Short-term</b>			
Treasury notes	3 174 801	3 175 000	(199)
Commercial paper	2 460 771	2 594 228	(133 457)
	5 635 572	5 769 228	(133 656)
<b>Long-term</b>			
AUD Bonds	105 388 979	115 650 611	(10 261 632)
Floating rate notes	10 082 630	10 292 668	(210 038)
Medium-term notes	1 276 180	1 486 560	(210 380)
Other	372 574	376 977	(4 403)
	117 120 363	127 806 816	(10 686 453)
<b>Total interest-bearing liabilities</b>	<b>122 755 935</b>	<b>133 576 044</b>	<b>(10 820 109)</b>

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 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 that are sold under agreements to repurchase are disclosed as deposits.

	2022 \$000	2021 \$000
<b>Client deposits</b>		
Local governments	4 691 689	4 029 212
Statutory bodies	3 131 029	3 404 693
Government departments and agencies	93 862	78 308
Government owned corporations	42 074	144 543
QTC related entities <sup>(1)</sup>	101 288	114 683
Other depositors	224 978	189 180
	<b>8 284 920</b>	7 960 619
Collateral held	146 300	147 064
Repurchase agreements	-	-
	<b>146 300</b>	147 064
<b>Total deposits</b>	<b>8 431 220</b>	8 107 683

<sup>(1)</sup> QTC related entities include 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 2022, \$8.3 billion (2021: \$8.0 billion) will mature within 12 months.

### 11 Financial risk management

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

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

All financial risk management activities are conducted within Board-approved policies, as set out in the Financial Markets Risk Policy with new financial instruments approved by the QTC Executive Leadership Team under delegated authority from the 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 Policy. QTC has no legal, regulatory or accounting requirement to hold capital however, its Capital Policy sets out how QTC should manage its capital. QTC endeavours to maintain adequate capital to support its business activities risk profile and risk appetite.

#### (a) Market risk

Market risk is the risk of incurring losses in positions arising from adverse movements in financial market prices. QTC is exposed to market risk arising from the impact of movements in foreign exchange rates and interest rates. QTC's exposure to market risk is through its borrowing and investment activities. 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 that 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.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>USD</b>	<b>(1 481 325)</b>	(2 311 346)	-	-	<b>1 481 325</b>	2 311 346	-	-
<b>CHF</b>	<b>(167 333)</b>	(158 715)	-	-	<b>167 333</b>	158 715	-	-
<b>JPY</b>	<b>(159 877)</b>	(180 376)	-	-	<b>159 877</b>	180 376	-	-
<b>EUR</b>	<b>(693 031)</b>	(721 451)	<b>75 990</b>	79 106	<b>617 041</b>	642 345	-	-

##### (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 the State, 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% 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 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 in 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.

##### (iii) Commodity price risk

QTC is not directly exposed to commodity price changes.

#### (b) Funding and liquidity 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. Even in difficult 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 & Poors, Moody's and Fitch respectively) and that QTC benchmark bonds are Reserve Bank of Australia (RBA) repurchase agreement eligible (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:

- QTC Liquidity Coverage Ratio – QTC must maintain a minimum liquidity balance sufficient to cover a stressed liquidity requirement over a set horizon.
- Standard & Poor's Liquidity Ratio – QTC must maintain a minimum ratio of liquid assets to debt servicing requirements at all times over a rolling 12 month horizon.
- Cash Flow Waterfall – QTC must maintain positive cash equivalents net of all inflows and outflows over a set horizon.

In addition to adhering to Board-approved liquidity metrics, QTC holds contingent liquid assets in the form of public sector entity deposits and investments owned by SIO.

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 a Green Bond Program, Euro and US medium-term note facilities and Euro and US commercial paper facilities to take advantage of alternative funding opportunities in global markets. These facilities ensure that QTC is readily able to access both the domestic and international financial markets.

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 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.

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.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 11 Financial risk management continued

#### (b) Funding and liquidity risks continued

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

CONTRACTUAL MATURITIES AS AT 30 JUNE 2022	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
<b>Financial assets</b>							
Cash and cash equivalents	5 247 278	-	-	-	-	5 247 278	5 247 278
Receivables	6 448	-	-	-	-	6 448	6 448
Onlendings <sup>(1)</sup>	2 985 180	1 324 708	1 325 159	15 229 417	97 015 633	117 880 097	94 582 248
Financial assets at fair value through profit or loss	13 820 378	4 669 322	1 766 746	7 033 406	4 074 183	31 364 035	28 529 672
<b>Total financial assets</b>	<b>22 059 284</b>	<b>5 994 030</b>	<b>3 091 905</b>	<b>22 262 823</b>	<b>101 089 816</b>	<b>154 497 858</b>	<b>128 365 646</b>
<b>Financial liabilities</b>							
Payables	(25 458)	-	-	-	-	(25 458)	(25 458)
Deposits	(8 320 769)	(2 416)	(23 235)	(7 378)	(92 327)	(8 446 125)	(8 431 220)
Financial liabilities at fair value through profit or loss							
- Short-term	(2 600 043)	(3 191 282)	(500 000)	-	-	(6 291 325)	(6 252 958)
- Long-term	(9 018 229)	(145 184)	(4 618 907)	(53 511 926)	(72 518 410)	(139 812 656)	(113 094 482)
<b>Total financial liabilities</b>	<b>(19 964 499)</b>	<b>(3 338 882)</b>	<b>(5 142 142)</b>	<b>(53 519 304)</b>	<b>(72 610 737)</b>	<b>(154 575 564)</b>	<b>(127 804 118)</b>
<b>Derivatives</b>							
Interest rate swaps	5 978	(10 003)	(13 969)	(31 233)	82 323	33 096	13 904
Cross currency swaps	1 020	(6 886)	(20 141)	(112 388)	(458 418)	(596 813)	(56 140)
Foreign exchange contracts	61 007	26 846	-	-	-	87 853	86 132
Futures contracts	8 851 400	-	-	-	-	8 851 400	(46 555)
<b>Net derivatives</b>	<b>8 919 405</b>	<b>9 957</b>	<b>(34 110)</b>	<b>(143 621)</b>	<b>(376 095)</b>	<b>8 375 536</b>	<b>(2 659)</b>
<b>Net (liabilities)/assets</b>	<b>11 014 190</b>	<b>2 665 105</b>	<b>(2 084 347)</b>	<b>(31 400 102)</b>	<b>28 102 984</b>	<b>8 297 830</b>	<b>558 869</b>
<b>Cumulative</b>	<b>11 014 190</b>	<b>13 679 295</b>	<b>11 594 948</b>	<b>(19 805 154)</b>	<b>8 297 830</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> A large proportion of QTC's onlendings are based on the quality of the business and financial strength of the client. Funds are on-lent on the basis of 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 that 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. Despite QTC's attempt to structure funding that matches the underlying business profile, QTC's liability maturity profile can be shorter than the asset maturity profile. While interest rate risk mismatches are hedged with swap and futures contracts, this approach requires QTC to undertake periodic refinancing of its liabilities.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 11 Financial risk management continued

#### (b) Funding and liquidity risks continued

CONTRACTUAL MATURITIES AS AT 30 JUNE 2021 RESTATED <sup>(2)</sup>	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
<b>Financial assets</b>							
Cash and cash equivalents	11 803 213	-	-	-	-	11 803 213	11 803 213
Receivables	7 262	-	-	-	-	7 262	7 262
Onlendings <sup>(1)</sup>	1 133 459	1 108 672	1 284 119	14 068 787	95 460 106	113 055 143	104 611 229
Financial assets at fair value through profit or loss	2 529 589	2 450 967	698 604	6 831 173	3 908 991	16 419 324	14 958 589
<b>Total financial assets</b>	<b>15 473 523</b>	<b>3 559 639</b>	<b>1 982 723</b>	<b>20 899 960</b>	<b>99 369 097</b>	<b>141 284 942</b>	<b>131 380 293</b>
<b>Financial liabilities</b>							
Payables <sup>(2)</sup>	(26 263)	-	-	-	-	(26 263)	(26 263)
Deposits	(7 779 197)	(377 209)	(20 809)	(9 013)	(92 327)	(8 278 555)	(8 107 683)
Financial liabilities at fair value through profit or loss							
- Short-term	(3 715 528)	(1 903 701)	(150 000)	-	-	(5 769 229)	(5 635 572)
- Long-term	(1 811 267)	(78 646)	(4 334 921)	(49 840 758)	(71 741 222)	(127 806 814)	(117 120 363)
<b>Total financial liabilities</b>	<b>(13 332 255)</b>	<b>(2 359 556)</b>	<b>(4 505 730)</b>	<b>(49 849 771)</b>	<b>(71 833 549)</b>	<b>(141 880 861)</b>	<b>(130 889 881)</b>
<b>Derivatives</b>							
Interest rate swaps	6 103	(6 027)	5 147	(27 875)	72 267	49 615	47 438
Cross currency swaps	(1 198)	(5 928)	(19 058)	(108 264)	(432 061)	(566 509)	(2 101)
Foreign exchange contracts	2 350	-	-	-	-	2 350	59 924
Futures contracts	(1 536 000)	-	-	-	-	(1 536 000)	(6 612)
<b>Net derivatives</b>	<b>(1 528 745)</b>	<b>(11 955)</b>	<b>(13 911)</b>	<b>(136 139)</b>	<b>(359 794)</b>	<b>(2 050 544)</b>	<b>98 649</b>
<b>Net (liabilities)/assets</b>	<b>612 523</b>	<b>1 188 128</b>	<b>(2 536 918)</b>	<b>(29 085 950)</b>	<b>27 175 754</b>	<b>(2 646 463)</b>	<b>589 061</b>
<b>Cumulative</b>	<b>612 523</b>	<b>1 800 651</b>	<b>(736 237)</b>	<b>(29 822 217)</b>	<b>(2 646 463)</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> A large proportion of QTC's onlendings are based on the quality of the business and financial strength of the client. Funds are on-lent on the basis of 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 that 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. Despite QTC's attempt to structure funding that matches the underlying business profile, QTC's liability maturity profile can be shorter than the asset maturity profile. While interest rate risk mismatches are hedged with swap and futures contracts, this approach requires QTC to undertake periodic refinancing of its liabilities.

<sup>(2)</sup> The amounts have been restated for the change in accounting policy set out in Note 2(a) in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements.

#### (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 uses collateral arrangements to limit its exposure to counterparties with which it trades derivatives (refer (iv) master netting arrangements).

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 11 Financial risk management continued

#### (c) Credit risk continued

##### (i) Financial markets counterparties continued

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

BY CREDIT RATING <sup>(1)</sup> 30 JUNE 2022	AAA \$000	AA+ \$000	AA \$000	AA- \$000	A+ \$000	A \$000	OTHER <sup>(2)</sup> \$000	TOTAL \$000
Cash & cash equivalents	-	-	-	5 247 278	-	-	-	5 247 278
Financial assets <sup>(3)</sup>	2 769 577	1 115 703	371 200	18 889 841	3 043 093	1 784 349	514 661	28 488 424
Derivatives	-	-	-	34 523	14 390	-	-	48 913
	2 769 577	1 115 703	371 200	24 171 642	3 057 483	1 784 349	514 661	33 784 615
	8%	3%	1%	72%	9%	5%	2%	100%

BY CREDIT RATING <sup>(1)</sup> 30 JUNE 2021	AAA \$000	AA+ \$000	AA \$000	AA- \$000	A+ \$000	A \$000	OTHER <sup>(2)</sup> \$000	TOTAL \$000
Cash & cash equivalents	-	-	-	11 803 213	-	-	-	11 803 213
Financial assets <sup>(3)</sup>	2 069 924	1 083 854	451 715	7 456 454	2 957 201	797 203	-	14 816 351
Derivatives	-	-	-	48 403	12 795	-	-	61 198
	2 069 924	1 083 854	451 715	19 308 070	2 969 996	797 203	-	26 680 762
	8%	4%	2%	72%	11%	3%	0%	100%

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

<sup>(2)</sup> Includes long-term ratings of A- and BBB+, or a short-term rating of A-1+ & A-2.

<sup>(3)</sup> 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 2022, QTC's exposure to systemically important domestic banks (which are rated AA-) was approximately 61% (2021: 40%). 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.

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 that 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.

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 onlendings to clients. Except for some small exposures to private companies and exposures as part of the ISP (refer Note 9) portfolio, QTC on-lends funds to Queensland Government sector entities (including Queensland Treasury, statutory bodies and Government owned corporations) and non-State Government entities (including, local governments, universities and grammar schools).

Most of QTC's onlendings (72.2% in 2022 and 72.0% in 2021) are explicitly guaranteed by the State, including the loans that form the ISP and all debt held by clients operating in key Environmental, Social and Governance (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 \$26.5 billion at 30 June 2022 (2021: \$29.6 billion).

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

QTC has a robust credit assessment and ratings methodology in place that informs its onlending recommendations to the State. This methodology includes analysis of quantitative and qualitative factors (industry, regional, demographic, and economic characteristics) across a number of years. An assessment of a client's performance against key credit metrics is made and borrowing recommendations are appraised by an independent Credit Committee prior to being communicated to the State.

QTC adopts a cautious risk appetite to ensure onlendings are provided to clients with satisfactory credit profiles. The majority of QTC's onlending clients maintain an adequate financial buffer to manage short term financial shocks, though longer term financial impacts may adversely affect their performance. Of the non-guaranteed onlending, 99 per cent has been provided to clients that have been assigned a credit rating of Moderate or above by QTC. QTC's Moderate credit rating approximates to an Investment Grade rating used by the major Rating Agencies.

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

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

<sup>(1)</sup> As noted in Note 9, during the year ended 30 June 2021, the State provided financial assistance in the form of loans and grants to various Queensland private sector entities. This program was called the ISP.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 11 Financial risk management continued

#### (c) Credit risk continued

#### (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 therefore presents 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.

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

	RELATED TO AMOUNTS NOT SET OFF IN THE BALANCE SHEET			NET AMOUNT \$000
	GROSS AND NET AMOUNTS ON THE BALANCE SHEET \$000	FINANCIAL INSTRUMENTS COLLATERAL \$000	CASH COLLATERAL RECEIVED OR GIVEN \$000	
<b>2022</b>				
Derivative assets:				
- subject to master netting arrangements	297 945	-	(275 954)	21 991
Derivative liabilities:				
- subject to master netting arrangements	(300 604)	-	300 604	-
<b>Net exposure</b>	<b>(2 659)</b>	<b>-</b>	<b>24 650</b>	<b>21 991</b>
<b>2021</b>				
Derivative assets:				
- subject to master netting arrangements	336 836	-	54 880	391 716
Derivative liabilities:				
- subject to master netting arrangements	(238 187)	-	(147 060)	(385 247)
<b>Net exposure</b>	<b>98 649</b>	<b>-</b>	<b>(92 180)</b>	<b>6 469</b>

### 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 at fair value through profit or loss are valued 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 tradeable bank deposits, Commonwealth and semi-government bonds and futures contracts where an active market has been established.

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 1 consist of QTC benchmark bonds.

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.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 12 Fair value hierarchy continued

AS AT 30 JUNE 2022	QUOTED PRICES LEVEL 1 \$000	OBSERVABLE INPUTS LEVEL 2 \$000	TOTAL \$000
<b>Financial assets</b>			
Cash and cash equivalents	5 247 278	-	5 247 278
Financial assets through profit or loss	14 879 212	13 650 458	28 529 671
Derivative financial assets	8 674	289 272	297 945
Onlendings	-	94 582 248	94 582 248
<b>Total financial assets</b>	<b>20 135 164</b>	<b>108 521 978</b>	<b>128 657 142</b>
<b>Financial liabilities</b>			
Derivative financial liabilities	55 228	245 376	300 604
Financial liabilities through profit or loss			
- Short-term	-	6 252 958	6 252 958
- Long-term	90 548 996	22 545 486	113 094 482
Deposits	-	8 431 220	8 431 220
<b>Total financial liabilities</b>	<b>90 604 224</b>	<b>37 475 040</b>	<b>128 079 264</b>
<b>AS AT 30 JUNE 2021</b>			
	QUOTED PRICES LEVEL 1 \$000	OBSERVABLE INPUTS LEVEL 2 \$000	TOTAL \$000
<b>Financial assets</b>			
Cash and cash equivalents	11 803 213	-	11 803 213
Financial assets through profit or loss	9 042 835	5 915 754	14 958 589
Onlendings	-	104 611 229	104 611 229
Derivative financial assets	168	336 668	336 836
<b>Total financial assets</b>	<b>20 846 216</b>	<b>110 863 651</b>	<b>131 709 867</b>
<b>Financial liabilities</b>			
Financial liabilities through profit or loss			
- Short-term	-	5 635 572	5 635 572
- Long-term	100 786 473	16 333 890	117 120 363
Deposits	-	8 107 683	8 107 683
Derivative financial liabilities	9 129	229 058	238 187
<b>Total financial liabilities</b>	<b>100 795 602</b>	<b>30 306 203</b>	<b>131 101 805</b>

QTC holds no Level 3 financial instruments.

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 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:

	2022 \$000	2021 \$000
Cost at balance date	5 645	5 765
Accumulated depreciation and impairment	(3 368)	(2 798)
<b>Net carrying amount</b>	<b>2 277</b>	<b>2 967</b>
<b>Movement</b>		
Net carrying amount at beginning of the year	2 967	3 633
Additions	43	14
Depreciation expense	(733)	(680)
<b>Net carrying amount at end of the year</b>	<b>2 277</b>	<b>2 967</b>

### 14 Right-of-use assets and lease liabilities

#### Accounting Policy

All leases, other than short-term leases and leases of low value assets, are 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 and any lease incentives received
- Initial direct costs incurred, and
- The initial estimate of restoration 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 year are set out below:

	2022 \$000	2021 \$000
Cost at balance date	12 368	11 702
Accumulated depreciation and impairment	(5 342)	(3 424)
<b>Net carrying amount at end of the year</b>	<b>7 026</b>	<b>8 278</b>
<b>Movement</b>		
Net carrying amount at beginning of the year	8 278	9 991
Additions	667	-
Depreciation expense	(1 919)	(1 713)
<b>Net carrying amount at end of the year</b>	<b>7 026</b>	<b>8 278</b>

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

	2022 \$000	2021 \$000
Net carrying amount at beginning of the year	15 165	17 826
Additions	667	-
Interest	233	270
Lease repayments	(3 242)	(2 931)
<b>Net carrying amount at end of the year</b>	<b>12 823</b>	<b>15 165</b>

# Notes to the Financial Statements

## Capital Markets Operations

For the year ended 30 June 2022

### 15 Notes to the statement of cash flows

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

	2022 \$000	RESTATED 2021 <sup>(1)</sup> \$000
<b>(Loss)/profit for the year<sup>(1)</sup></b>	<b>(36 234)</b>	115 145
<b>Non-cash flows in operating surplus</b>		
Gain on interest-bearing liabilities	<b>(14 660 103)</b>	(3 552 597)
Gain on deposits held	<b>(273)</b>	(838)
Loss on onlendings	<b>15 348 389</b>	3 550 453
Loss on financial assets at fair value through profit or loss	<b>382 210</b>	176 137
Depreciation and amortisation <sup>(1)</sup>	<b>8 225</b>	7 891
<b>Changes in assets and liabilities</b>		
Decrease/(increase) in financial assets at fair value through profit or loss	<b>47 292</b>	(25 626)
Decrease/(increase) in deferred tax asset	<b>949</b>	(303)
Decrease in onlendings	<b>4 449</b>	12 743
Decrease/(increase) in receivables	<b>880</b>	(1 042)
(Decrease)/increase in interest-bearing liabilities	<b>(1 566 051)</b>	334 558
Increase/(decrease) in deposits	<b>1 390</b>	(857)
(Decrease)/increase in payables and other liabilities <sup>(1)</sup>	<b>(3 294)</b>	4 339
<b>Net cash (used in)/provided by operating activities</b>	<b>(472 171)</b>	620 003

<sup>(1)</sup> The amounts have been restated for the change in accounting policy set out in Note 2(a) in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements.

#### (b) Reconciliation of liabilities arising from financing activities

AS AT 30 JUNE 2022	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 <sup>(1)</sup>	<b>122 994 122</b>	<b>12 880 077</b>	<b>(14 758 621)</b>	<b>98 518</b>	<b>(1 566 052)</b>	<b>119 648 044</b>
Deposits	<b>8 107 683</b>	<b>322 419</b>	<b>(273)</b>	-	<b>1 391</b>	<b>8 431 220</b>
Dividend paid	-	-	-	-	-	-
	<b>131 101 805</b>	<b>13 202 496</b>	<b>(14 758 894)</b>	<b>98 518</b>	<b>(1 564 661)</b>	<b>128 079 264</b>
<b>AS AT 30 JUNE 2021</b>						
Interest-bearing liabilities <sup>(1)</sup>	113 835 698	12 376 463	(3 318 628)	(233 969)	334 558	122 994 122
Deposits	8 865 253	(755 875)	(838)	-	(857)	8 107 683
Dividend paid	-	(50 000)	-	-	50 000	-
	122 700 951	11 570 588	(3 319 466)	(233 969)	383 701	131 101 805

<sup>(1)</sup> Includes derivatives.

# Notes to the Financial Statements

## State Investment Operations

For the year ended 30 June 2022

### 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 managed by QIC. These investments include cash, international equities and other diversified products, which are measured at market value based on a hard close unit price quoted by QIC (adjusted for fees outstanding on the account and net of any GST recoverable) for the end of the financial year.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of FRNs issued to the State in exchange for portfolios of assets. The FRNs were initially recognised at a value that equated to the fair value of the financial assets contributed by the State. The FRNs will terminate upon the greater of 50 years from the initial transaction date or the date that the FRNs are repaid in full. The market value of the FRNs is payable by QTC to the State. Interest on the FRNs is capitalised monthly. The FRN interest rate may be varied by the State under the terms of their corresponding agreements.

Recognising the direct relationship between the FRNs and the assets of SIO, financial liabilities at fair value through profit or loss are determined by reflecting the changes (including market value movements) in the value of the invested assets of the portfolio, as equivalent market value movements in the FRNs. That is, any difference between the return paid by QTC on the FRNs and the return received by QTC on the invested assets is recognised as a market value adjustment to the value of the FRNs, eliminating any accounting mismatch between the financial assets and liabilities in this segment.

	\$000 LTA <sup>(1)</sup>	2022 \$000 QFF <sup>(2)</sup>	\$000 TOTAL STATE INVESTMENT OPERATIONS
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			

#### Investments in unit trusts and other holdings - QIC:

##### Movement during the year:

Opening balance	30 072 492	7 742 219	37 814 711
Deposits <sup>(3)</sup>	3 202 792	-	3 202 792
Withdrawals <sup>(3)</sup>	(2 018 382)	-	(2 018 382)
Fees paid	(181 302)	(48 161)	(229 463)
Net change in fair value of unit trusts	1 578 792	23 962	1 602 754
Closing balance	32 654 392	7 718 020	40 372 412

<sup>(1)</sup> The LTA are assets held to fund the defined benefit superannuation and other long term obligations of the State as well as assets to support other State initiatives.

<sup>(2)</sup> At 30 June 2022, the only sub fund of the QFF is the DRF. The DRF was established to support both the State's credit rating and generate returns to reduce the State's debt burden.

<sup>(3)</sup> For every investment deposited or withdrawal from the LTA or QFF, there is an equivalent increase or decrease to the corresponding FRN.

	\$000 LTA <sup>(1)</sup>	2021 \$000 QFF <sup>(2)</sup>	\$000 TOTAL STATE INVESTMENT OPERATIONS
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			

#### Investments in unit trusts and other holdings - QIC:

##### Movement during the year:

Opening balance	26 216 930	-	26 216 930
Deposits <sup>(3)</sup>	2 747 056	6 195 724	8 942 780
Transfers	(1 500 000)	1 500 000	-
Withdrawals <sup>(3)</sup>	(1 863 018)	-	(1 863 018)
Fees paid	(155 387)	(2 671)	(158 058)
Net change in fair value of unit trusts	4 626 911	49 166	4 676 077
Closing balance	30 072 492	7 742 219	37 814 711

<sup>(1)</sup> The LTA are assets held to fund the defined benefit superannuation and other long term obligations of the State as well as assets to support other State initiatives.

<sup>(2)</sup> At 30 June 2022, the only sub fund of the QFF is the DRF. The DRF was established to support both the State's credit rating and generate returns to reduce the State's debt burden.

<sup>(3)</sup> For every investment deposited or withdrawal from the LTA or QFF, there is an equivalent increase or decrease to the corresponding FRN.

# Notes to the Financial Statements

## State Investment Operations

For the year ended 30 June 2022

### 16 Financial instruments at fair value through profit or loss continued

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	\$000 LTA <sup>(1)</sup>	2022 \$000 QFF <sup>(2)</sup>	\$000 TOTAL STATE INVESTMENT OPERATIONS
<b>Comprised of the following asset classes:</b>			
<b>Defensive assets</b>			
Cash	3 128 932	1 095 673	4 224 605
Fixed interest	1 449 208	511 381	1 960 589
<b>Growth assets</b>			
Equities	8 572 442	2 969 947	11 542 389
Diversified alternatives	5 648 794	532 557	6 181 351
<b>Unlisted assets</b>			
Infrastructure	7 807 543	1 748 002	9 555 545
Private equity	3 749 903	403 795	4 153 698
Real estate	2 297 570	456 665	2 754 235
	<b>32 654 392</b>	<b>7 718 020</b>	<b>40 372 412</b>

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	\$000 LTA <sup>(1)</sup>	2021 \$000 QFF <sup>(2)</sup>	\$000 TOTAL STATE INVESTMENT OPERATIONS
<b>Comprised of the following asset classes:</b>			
<b>Defensive assets</b>			
Cash	2 069 345	2 731 104	4 800 449
Fixed interest	3 689 262	584 512	4 273 774
<b>Growth assets</b>			
Equities	8 207 274	2 116 604	10 323 878
Diversified alternatives	4 439 721	-	4 439 721
<b>Unlisted assets</b>			
Infrastructure	7 097 897	1 605 433	8 703 330
Private equity	3 252 069	359 610	3 611 679
Real estate	1 316 924	344 956	1 661 880
	<b>30 072 492</b>	<b>7 742 219</b>	<b>37 814 711</b>

<sup>(1)</sup> The LTA are assets held to fund the defined benefit superannuation and other long term obligations of the State.

<sup>(2)</sup> At 30 June 2022, the only sub fund of the QFF is the DRF. The DRF was established to support both the State's credit rating and generate returns to reduce the State's debt burden.

# Notes to the Financial Statements

## State Investment Operations

For the year ended 30 June 2022

### 16 Financial instruments at fair value through profit or loss continued

	\$000 LTA <sup>(1)</sup>	2022 \$000 QFF <sup>(2)</sup>	\$000 TOTAL STATE INVESTMENT OPERATIONS
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Fixed rate notes</b>			
<b>Movement during the year:</b>			
Opening balance	30 072 492	7 742 219	37 814 711
Increases <sup>(3)</sup>	3 202 792	-	3 202 792
Interest	1 944 485	501 928	2 446 413
Decreases <sup>(3)</sup>	(2 018 382)	-	(2 018 382)
Net change in fair value of the fixed rate note <sup>(4)</sup>	(546 995)	(526 127)	(1 073 122)
Closing balance	32 654 392	7 718 020	40 372 412

	\$000 LTA <sup>(1)</sup>	2021 \$000 QFF <sup>(2)</sup>	\$000 TOTAL STATE INVESTMENT OPERATIONS
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>			
<b>Fixed rate notes</b>			
<b>Movement during the year:</b>			
Opening balance	26 216 930	-	26 216 930
Increases <sup>(3)</sup>	2 747 056	6 195 724	8 942 780
Transfers	(1 500 000)	1 500 000	-
Interest	1 838 728	26 263	1 864 991
Decreases <sup>(3)</sup>	(1 863 018)	-	(1 863 018)
Net change in fair value of the fixed rate note <sup>(4)</sup>	2 632 796	20 232	2 653 028
Closing balance	30 072 492	7 742 219	37 814 711

<sup>(1)</sup> The LTA are assets held to fund the defined benefit superannuation and other long term obligations of the State.

<sup>(2)</sup> At 30 June 2022, the only sub fund of the QFF is the DRF. The DRF was established to support both the State's credit rating and generate returns to reduce the State's debt burden.

<sup>(3)</sup> For every investment deposited or withdrawal from the LTA or QFF, there is an equivalent increase or decrease to the corresponding FRN.

<sup>(4)</sup> The net change in the fair value of the fixed rate notes was negative in 2022, reflecting the lower returns achieved on the assets invested when compared to the interest paid by QTC on the FRN of 6.5%. In the previous year, the return on assets invested was positive, reflecting higher returns achieved on the assets invested when compared to the interest paid on the FRN of 6.5%.

# Notes to the Financial Statements

## State Investment Operations

For the year ended 30 June 2022

### 17 Financial risk management

QTC also holds a portfolio of assets that were transferred to QTC by the State Government but are managed by QIC on behalf of SIAB. SIAB members include representatives from Queensland Treasury and three external members with experience in investment management and governance.

The assets of SIO 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 invested assets of the SIO segment within the framework provided by the State 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 invested assets of the SIO segment are therefore distinct from QTC's Capital Markets Board and day-to-day Capital Markets Operations and are the responsibility of SIAB and its 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 of each portfolio of invested assets of the SIO segment. 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 invested assets of the SIO segment.

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 GS 007 report signed by the Auditor-General of Queensland.

The interest rate applicable on the FRN liabilities of QTC for both the LTA and the QFF portfolios is set at 6.5% per annum on the book value of the notes.

#### (a) Market risk

The assets of SIO 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 values through these trusts. While the portfolios do 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 diversified portfolios of investments in unit trusts held with QIC in accordance with the investment strategies 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 for each portfolio of assets. Under these agreements, 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 S&P/ASX 200 Index, the MSCI World ex Australia Equities Index, the Reserve Bank of Australia official cash rate, the US Federal Reserve 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 portfolios.

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:

	2022 CHANGE		2022 PROFIT/EQUITY		2021 CHANGE		2021 PROFIT/EQUITY	
	Low %	High %	Decrease \$000	Increase \$000	Low %	High %	Decrease \$000	Increase \$000
Cash and fixed interest <sup>(1)</sup>	-3%	3%	(187 149)	187 149	-4%	4%	(350 837)	350 837
Equities	-10%	10%	(1 154 239)	1 154 239	-10%	10%	(1 032 629)	1 032 629
Diversified alternatives <sup>(2)</sup>	-10%	10%	(617 948)	617 948	-10%	10%	(444 076)	444 076
Infrastructure	-10%	10%	(955 940)	955 940	-10%	10%	(870 536)	870 536
Private equities	-10%	10%	(415 244)	415 244	-9%	9%	(325 283)	325 283
Real estate	-13%	16%	(343 605)	444 914	-22%	35%	(367 115)	578 903
Currency overlay	-10%	10%	(876 129)	876 129	-10%	10%	(732 642)	732 642
			(4 550 254)	4 651 563			(4 123 118)	4 334 906

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

<sup>(2)</sup> Diversified alternatives include exposure to both price and interest rate risk.

#### (b) Liquidity risk

No external cash flows are generated by QTC from SIO. Deposits and withdrawals from SIO result in a corresponding change to the value of the FRNs. Interest owing to Treasury on the FRNs is capitalised, as are returns and fees to the SIO. As such, daily movements in these cash flows do not expose QTC to liquidity risk.

#### (c) Credit risk

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

# Notes to the Financial Statements

## State Investment Operations

For the year ended 30 June 2022

### 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 2022	OBSERVABLE INPUTS LEVEL 2 \$000	UNOBSERVABLE INPUTS LEVEL 3 \$000	TOTAL \$000
<b>Financial assets</b>			
Cash	4 224 605	-	4 224 605
Fixed interest	1 960 589	-	1 960 589
Equities	11 542 389	-	11 542 389
Diversified alternatives	2 115 368	4 065 983	6 181 351
Infrastructure	-	9 555 545	9 555 545
Private equities	-	4 153 698	4 153 698
Real estate	-	2 754 235	2 754 235
<b>Total financial assets</b>	<b>19 842 951</b>	<b>20 529 461</b>	<b>40 372 412</b>
<b>Financial liabilities</b>			
Fixed rate note - LTA	-	32 654 392	32 654 392
Fixed rate note - QFF	-	7 718 020	7 718 020
<b>Total financial liabilities</b>	<b>-</b>	<b>40 372 412</b>	<b>40 372 412</b>
<b>AS AT 30 JUNE 2021</b>			
<b>Financial assets</b>			
Cash	4 800 449	-	4 800 449
Fixed interest	4 273 774	-	4 273 774
Equities	10 323 878	-	10 323 878
Diversified alternatives	1 290 496	3 149 225	4 439 721
Infrastructure	-	8 703 330	8 703 330
Private equities	-	3 611 679	3 611 679
Real estate	-	1 661 880	1 661 880
<b>Total financial assets</b>	<b>20 688 597</b>	<b>17 126 114</b>	<b>37 814 711</b>
<b>Financial liabilities</b>			
Fixed rate note - LTA	-	30 072 494	30 072 494
Fixed rate note - QFF	-	7 742 217	7 742 217
<b>Total financial liabilities</b>	<b>-</b>	<b>37 814 711</b>	<b>37 814 711</b>

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.

# Notes to the Financial Statements

## State Investment Operations

For the year ended 30 June 2022

### 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 2022. 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 utilises 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 equities	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 portfolio of assets in the SIO 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 2022 ASSET CLASS	OPENING BALANCE \$000	DISTRIBUTIONS <sup>(1)</sup> \$000	UNREALISED MARKET MOVEMENTS <sup>(1)</sup> \$000	SETTLEMENTS <sup>(1)</sup> \$000	CLOSING BALANCE \$000
Diversified alternatives	3 149 225	(513 803)	466 868	963 693	4 065 983
Infrastructure	8 703 331	(107 211)	1 308 889	(349 464)	9 555 545
Private equities	3 611 679	(453 054)	941 950	53 123	4 153 698
Real estate	1 661 880	-	(20 469)	1 112 824	2 754 235

30 JUNE 2021 ASSET CLASS	OPENING BALANCE \$000	DISTRIBUTIONS <sup>(1)</sup> \$000	UNREALISED MARKET MOVEMENTS <sup>(1)</sup> \$000	SETTLEMENTS <sup>(1)</sup> \$000	CLOSING BALANCE \$000
Diversified alternatives	4 882 357	(870 939)	91 042	(953 235)	3 149 225
Infrastructure	3 190 411	(79 420)	402 922	5 189 418	8 703 331
Private equities	2 799 276	(392 689)	1 433 742	(228 650)	3 611 679
Real estate	1 939 790	(12 339)	(396 182)	130 611	1 661 880

<sup>(1)</sup> Data in the above table is based on movements in the unit trusts that hold the assets.

FRN 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 2022

### 19 Contingent liabilities

The following contingent liabilities existed at balance date:

- QTC has provided guarantees to the value of \$2.8 billion (2021: \$2.5 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 also 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 \$90.9 billion (2021: \$93.8 billion) and interest received \$2.5 billion (2021: \$2.7 billion)
- investment of cash surpluses \$1.9 billion (2021: \$1.9 billion) and interest paid \$11.4 million (2021: \$14.3 million)
- fees received \$75.4 million (2021: \$71.9 million)
- No dividends were declared or paid to Queensland Treasury during the year (2021: \$50 million)
- \$118.6 million investment in the Dalrymple Bay Coal terminal was transferred from the Backing Queensland Investment Fund to the LTA portfolio, and
- The State transferred \$2.5 billion to the LTA portfolio of the SIO segment.

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 SIO has paid \$236.7 million in management fees to QIC (2021: \$157.5 million) and \$0.5 million (2021: \$0.5 million) to Queensland Treasury for board secretariat services to SIAB.

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 generally 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 \$1.4 million (2021: \$6.0 million).
- QTC has a shareholding in QTH and its associated entities (QTH group). The QTH group hold deposits of \$101.3 million (2021: \$114.1 million) and loans of \$101.3 million (2021: \$102.9 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 (2021: \$0.3 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 \$1.0 billion (2021: \$1.1 billion).
- 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 \$31.4 million (2021: \$36.7 million).

# Notes to the Financial Statements

## Other information

For the year ended 30 June 2022

### 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 SIAB. Both boards are appointed by the Governor-in-Council, pursuant to section 10(2) of the *Queensland Treasury Corporation Act 1988*.

#### (b) 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 SIAB on 4 July 2019, new external Board members were appointed who were entitled to remuneration. Remuneration for the new 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, 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. The fixed remuneration component is market-competitive and the variable remuneration component is 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 uses a subset of the data mapped to relevant organisations within the FIRG membership. Analysis and advice are obtained from external consultants to ensure that QTC continues to align roles to the market.

##### Total compensation

The total compensation fixed remuneration of each QTC employee is reviewed each year and is benchmarked against the FIRG remuneration data. Total compensation levels are set around the FIRG market median position of a relevant sub-set of the FIRG database. Role scope and complexity, knowledge 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 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 relevant 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 year ended 30 June 2022, STI payments will be made to eligible staff in September 2022.

##### Variable remuneration – short term incentives for the Executive Leadership Team

For the year ended 30 June 2022, where the Executive Leadership Team performed strongly against corporate and individual KPIs, they were eligible to receive a short-term incentive payment based on a percentage of their total fixed remuneration. Short term incentives are at risk with no payment made for underperformance and additional premiums of up to 30% of the target paid for above expected performance.

The outcomes for the Executive Leadership Team are aligned to achievements measured against corporate and individual KPIs. For 2021-22, short-term incentive 'targets' for the Executive Leadership Team ranged between 40% and 60% of their total fixed remuneration. The proportion of each executive's short-term incentive 'target' opportunity is based on corporate and individual performance, and the achievement of targets set out in QTC's Strategic Plan 2021-25.

QTC's overall performance for 2021-22, documented in the annual performance assessment reviewed and approved by QTC's Board, was assessed as exceeding benchmark. This reflects a strong performance 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 46% and 71% of fixed remuneration.

# Notes to the Financial Statements

## Other information

For the year ended 30 June 2022

### 21 Key management personnel continued

#### (c) Remuneration by category

	2022 \$	2021 \$
<b>Capital Markets Operations</b>		
<b>Directors</b>		
Short-term employment benefits <sup>(1)</sup>	350 563	332 066
Post-employment benefits <sup>(4)</sup>	21 350	21 391
<b>Total</b>	<b>371 913</b>	<b>353 457</b>
<b>Executive Leadership Team</b>		
Short-term employment benefits <sup>(2)</sup>	4 031 798	3 961 409
Long-term employment benefits <sup>(3)</sup>	81 437	60 059
Post-employment benefits <sup>(4)</sup>	128 063	108 890
Termination benefits	141 424	-
<b>Total</b>	<b>4 382 722</b>	<b>4 130 358</b>

	2022 \$	2021 \$
<b>State Investment Operations</b>		
<b>Directors</b>		
Short-term employment benefits <sup>(1)</sup>	100 653	100 653
Post-employment benefits <sup>(4)</sup>	10 065	9 561
<b>Total</b>	<b>110 718</b>	<b>110 214</b>

<sup>(1)</sup> Directors' short-term benefits include Board member and committee fees, and in relation to the Chairman of the Capital Markets Board, also includes the provision of a car park.

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

<sup>(3)</sup> Long-term employment benefits relate to long service leave.

<sup>(4)</sup> 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	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
Gerard Bradley – Chair <sup>(1)</sup>	137 069	130 176	-	2 213	137 069	132 389
Leon Allen <sup>(2)(3)</sup>	-	-	-	-	-	-
Anne Parkin	43 856	44 360	4 386	4 214	48 242	48 574
Karen Smith-Pomeroy	45 362	45 362	4 536	4 309	49 898	49 671
Jim Stening	40 210	38 709	4 021	3 677	44 231	42 386
Neville Ide	43 856	43 856	4 386	4 166	48 242	48 022
Rosemary Vilgan <sup>(4)</sup>	40 210	29 603	4 021	2 812	44 231	32 415
<b>Total</b>	<b>350 563</b>	<b>332 066</b>	<b>21 350</b>	<b>21 391</b>	<b>371 913</b>	<b>353 457</b>

<sup>(1)</sup> Term expired 30 June 2020, reappointed 16 July 2020 and resigned effective 30 June 2022.

<sup>(2)</sup> Appointed 16 July 2020.

<sup>(3)</sup> No remuneration is payable to the Queensland Treasury representative.

<sup>(4)</sup> Appointed 1 October 2020.

# Notes to the Financial Statements

## Other information

For the year ended 30 June 2022

### 21 Key management personnel continued

#### (c) Remuneration by category continued

##### (ii) Executive Leadership Team

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

30 JUNE 2022	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TERMINATION BENEFITS	TOTAL
	BASE \$	SHORT-TERM INCENTIVE \$	NON-MONETARY \$	\$	\$		\$
Chief Executive	752 689	492 085	17 273	25 630	22 532	-	1 310 209
Deputy Chief Executive and Managing Director, Funding and Markets	600 627	446 030	18 887	25 601	17 475	-	1 108 620
Managing Director, Client	396 972	220 980	17 273	25 630	11 646	-	672 501
Managing Director, Corporate Services and Chief Risk Officer	391 541	191 820	15 036	25 601	16 381	-	640 379
Managing Director, Finance, Data and Compliance	295 512	157 800	17 273	25 601	13 403	141 424	651 013
<b>Total</b>	<b>2 437 341</b>	<b>1 508 715</b>	<b>85 742</b>	<b>128 063</b>	<b>81 437</b>	<b>141 424</b>	<b>4 382 722</b>

30 JUNE 2021	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TOTAL
	BASE \$	SHORT-TERM INCENTIVE \$	NON-MONETARY \$	\$	\$	\$
Chief Executive	738 627	449 410	17 767	21 778	18 277	1 245 859
Deputy Chief Executive and Managing Director, Funding and Markets	583 564	424 710	19 842	21 778	14 459	1 064 353
Managing Director, Client	393 486	203 800	17 767	21 778	9 685	646 516
Managing Director, Corporate Services and Chief Risk Officer	368 475	185 600	16 047	21 778	9 078	600 978
Managing Director, Finance, Data and Compliance	348 467	176 080	17 767	21 778	8 560	572 652
<b>Total</b>	<b>2 432 619</b>	<b>1 439 600</b>	<b>89 190</b>	<b>108 890</b>	<b>60 059</b>	<b>4 130 358</b>

#### State Investment Operations

##### (iii) 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	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
Leon Allen - Chair <sup>(1)</sup>	-	-	-	-	-	-
William Ryan <sup>(1)</sup>	-	-	-	-	-	-
Maria Wilton	33 551	33 551	3 355	3 187	36 906	36 738
Philip Graham	33 551	33 551	3 355	3 187	36 906	36 738
Tony Hawkins	33 551	33 551	3 355	3 187	36 906	36 738
<b>Total</b>	<b>100 653</b>	<b>100 653</b>	<b>10 065</b>	<b>9 561</b>	<b>110 718</b>	<b>110 214</b>

<sup>(1)</sup> Queensland Treasury representative. No additional remuneration is paid for this appointment.

#### (d) 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 2022

### 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:

	2022 \$	2021 \$
<b>Audit services</b>		
Audit and review of QTC financial statements	<b>387 000</b>	368 000

### 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 trademarks
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% beneficial interest in the companies listed above. QTC does not apply the equity method to its investment in QTH (refer note 2(o) Judgments and assumptions).

### 24 Dividends

Each year the Board determines the appropriate level of dividends to be declared taking into consideration the financial situation of the Corporation. No dividend was declared or paid during the year. A dividend of \$50 million was paid to the Queensland Government in June 2021.

### 25 Events subsequent to balance date

In early July 2022 \$906 million of invested assets which previously belonged to the Residential Tenancies Authority were transferred to the Queensland General Insurance Fund investment account of the LTA. In return for these assets the LTA FRN will be increased by the corresponding amount.

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the Capital Markets Operations segment of QTC, the results of these operations or the state of affairs of QTC's Capital Markets Operations segment in future years.