FINANCIAL STATEMENTS

For the year ended 30 June 2023

Statement of comprehensive income

For the year ended 30 June 2023

	NOTE	2023 $000	2022 $000
CAPITAL MARKETS OPERATIONS			
Net gain/(loss) on financial instruments at fair value through profit or loss			
Gain/(loss) on financial assets	3	**2 382 028**	(12 367 842)
(Loss)/gain on financial liabilities	3	**(2 226 944)**	12 324 996
		155 084	(42 846)
Other income			
Fee income		**100 738**	96 525
		100 738	96 525
Expenses			
Administration expenses	4	**(80 111)**	(76 442)
Depreciation of right-of-use assets	14	**(1 935)**	(1 919)
		(82 046)	(78 361)
Profit/(loss) from Capital Markets Operations before income tax		**173 776**	(24 682)
Income tax expense	5	**(17 372)**	(11 552)
Profit/(loss) from Capital Markets Operations after income tax		**156 404**	(36 234)
STATE INVESTMENT OPERATIONS			
Net return from investments			
Net change in fair value of unit trusts	16	**2 965 642**	1 602 754
Net change in fair value of fixed rate notes	16	**19 279**	1 073 122
Interest on fixed rate notes	16	**(2 738 745)**	(2 446 413)
Management fees	16	**(246 176)**	(229 463)
Profit/(loss) from State Investment Operations		**-**	-
Total net profit/(loss) for the year after tax		**156 404**	(36 234)
Total comprehensive profit/(loss) attributable to the owner		**156 404**	(36 234)
Total comprehensive income/(loss) derived from:			
Capital Markets Operations		**156 404**	(36 234)
State Investment Operations		**-**	-
Total comprehensive (loss)/income		**156 404**	(36 234)

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

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 portfolios of assets to QTC to support the State's superannuation obligations and other long-term Government initiatives (refer note 1).

Balance sheet

As at 30 June 2023

	NOTE	2023 $000	2022 $000
ASSETS – CAPITAL MARKETS OPERATIONS			
Cash and cash equivalents	6	**7 354 347**	5 247 278
Receivables		**11 189**	6 448
Financial assets at fair value through profit or loss	7	**30 896 629**	28 529 672
Derivative financial assets	8	**116 079**	297 945
Onlendings	9	**91 406 615**	94 582 248
Property, plant and equipment	13	**1 712**	2 277
Right-of-use assets	14	**5 091**	7 026
Intangible assets		**-**	2 838
Deferred tax asset		**3 498**	3 944
		129 795 160	128 679 676
ASSETS - STATE INVESTMENT OPERATIONS			
Financial assets at fair value through profit or loss	16	**43 474 801**	40 372 412
		43 474 801	40 372 412
Total Assets		**173 269 961**	169 052 088
LIABILITIES – CAPITAL MARKETS OPERATIONS			
Payables		**26 421**	25 458
Derivative financial liabilities	8	**239 145**	300 604
Financial liabilities at fair value through profit or loss			
- Interest-bearing liabilities	10(a)	**118 533 840**	119 347 440
- Deposits	10(b)	**10 307 948**	8 431 220
Lease liabilities	14	**9 362**	12 823
Other liabilities		**6 636**	6 727
		129 123 352	128 124 272
LIABILITIES – STATE INVESTMENT OPERATIONS			
Financial liabilities at fair value through profit or loss	16	**43 474 801**	40 372 412
		43 474 801	40 372 412
Total Liabilities		**172 598 153**	168 496 684
NET ASSETS		**671 808**	555 404
EQUITY – CAPITAL MARKETS OPERATIONS			
Retained surplus		**671 808**	555 404
		671 808	555 404
EQUITY – STATE INVESTMENT OPERATIONS			
Retained surplus		**-**	-
		-	-
Total Equity		**671 808**	555 404

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

Statement of changes in equity

For the year ended 30 June 2023

	NOTE	CAPITAL MARKETS OPERATIONS RETAINED SURPLUS $000	STATE INVESTMENT OPERATIONS RETAINED SURPLUS $000	TOTAL EQUITY $000
Balance at 1 July 2021		591 638	-	591 638
Loss for the year		(36 234)	-	(36 234)
Balance at 30 June 2022		**555 404**		**555 404**
Balance at 1 July 2022		555 404	-	555 404
Profit for the year		156 404	-	156 404
Transactions with owners in their capacity as owners:				
- Dividend paid	24	(40 000)	-	(40 000)
Balance at 30 June 2023		**671 808**	**-**	**671 808**

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

Statement of cash flows

For the year ended 30 June 2023

	NOTE	2023 $000	2022 $000
Cash flows from operating activities			
Interest received from onlendings		**3 005 187**	2 889 314
Interest received from investments and other sources		**971 866**	530 119
Fees received		**98 441**	95 051
Net Goods and Services Tax (GST)		**(3)**	(294)
Interest paid on interest-bearing liabilities		**(5 287 697)**	(3 847 128)
Administration expenses paid		**(88 169)**	(74 713)
Interest paid on deposits		**(244 556)**	(55 913)
Income tax paid		**(10 302)**	(8 607)
Net cash used in operating activities	15(a)	**(1 555 233)**	(472 171)
Cash flows from investing activities			
Proceeds from sale of investments		**48 372 490**	27 200 288
Payments for investments		**(50 492 487)**	(41 161 982)
Net client onlendings		**1 515 514**	(5 323 857)
Payments for property, plant and equipment		**(193)**	(709)
Net cash used in investing activities		**(604 676)**	(19 286 260)
Cash flows from financing activities			
Proceeds from interest-bearing liabilities		**29 660 715**	35 113 381
Repayment of interest-bearing liabilities		**(27 184 998)**	(22 233 304)
Net client deposits		**1 831 261**	322 419
Dividends paid		**(40 000)**	-
Net cash provided by financing activities	15(b)	**4 266 978**	13 202 496
Net increase/(decrease) in cash and cash equivalents held		**2 107 069**	(6 555 935)
Cash and cash equivalents at 1 July		**5 247 278**	11 803 213
Cash and cash equivalents at 30 June	6	**7 354 347**	5 247 278

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

Notes to the Financial Statements

For the year ended 30 June 2023

Contents

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 (the State).

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 operations 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.

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 addition to assets and cash previously transferred to fund the State's superannuation and other long-term obligations, $903 million of additional invested assets were transferred into the portfolio in July 2022.

(b) State Initiatives Portfolio

In December 2022, an additional $1.0 billion was transferred to the State Initiatives Portfolio.

(c) Government Holdings Portfolio

No additional assets were transferred to this portfolio during the 2022–23 financial year.

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 SIO portfolios 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 (2022: 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 (2022: 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.

Notes to the Financial Statements

For the year ended 30 June 2023

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. 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.

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 2023 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 2022.

Compliance with International Financial Reporting Standards

QTC is a not-for-profit entity, however in preparing these financial statements QTC has elected to comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as if it is a for-profit entity.

Changes in accounting policy, disclosures, standards and interpretations

New accounting standards and interpretations

No new accounting standards became effective for the year ended 30 June 2023. Amendments to current accounting standards and interpretations which are effective for the first time for the year ended 30 June 2023 have had no material impact on the financial statements.

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.

(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 recorded 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 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.

Notes to the Financial Statements

For the year ended 30 June 2023

2 Significant accounting policies and other explanatory information continued

(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 QTC and are recognised at their assessed values with terms and conditions similar to trade debtors.

(j) 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.

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.

(k) 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.

(l) Rounding

Amounts have been rounded to the nearest thousand dollars except as otherwise stated.

(m) Comparative figures

No material adjustments have been made to prior year comparatives.

(n) 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.

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 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 2023

3 Net gain/(loss) on financial instruments at fair value through profit or loss

Accounting Policy

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

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

	2023 $000	2022 $000
Net gain/(loss) on financial assets at fair value through profit or loss		
Cash and cash equivalents	**97 751**	15 026
Financial assets at fair value through profit or loss	**864 294**	(241 375)
Derivatives	**74 916**	323 965
Onlendings	**1 345 067**	(12 465 458)
	2 382 028	(12 367 842)
Net (loss)/gain on financial liabilities at fair value through profit or loss		
Derivatives	**(44 365)**	292 155
Financial liabilities at fair value through profit or loss		
- Short-term	**(196 796)**	(142 743)
- Long-term	**(1 685 427)**	12 240 121
Deposits	**(290 023)**	(54 031)
Other	**(10 333)**	(10 506)
	(2 226 944)	12 324 996

4 Administration expenses

	2023 $000	2022 $000
Salaries and related costs	**41 842**	43 427
Superannuation contributions	**3 400**	3 374
Special payments[(1)]	**651**	-
Contractors	**3 394**	854
Consultants' fees	**2 386**	2 721
Information and registry services	**3 910**	3 516
Depreciation on property, plant and equipment	**758**	733
Amortisation and impairment on intangible assets	**2 838**	5 572
Office occupancy	**1 262**	1 202
Information and communication technology	**14 009**	11 312
Other administration expenses	**5 661**	3 731
	80 111	76 442

(1) *Special payments represent ex-gratia payments that QTC is not contractually or legally obligated to make to other parties. During 2022–23 ex-gratia payments over $5,000 were made to members of the Executive Leadership Team on the cessation of their employment. The ex-gratia payments are disclosed within note 21(c).*

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

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.

	2023 $000	2022 $000
Current tax	**16 922**	10 617
Deferred tax expense	**450**	935
Total income tax expense recognised in the year	**17 372**	11 552
Numerical reconciliation between income tax expense and pre-tax accounting profit		
Profit/(loss) for the year before tax	**173 744**	(24 682)
Less profit/(loss) from non-taxable portfolios:		
- Capital Markets Operations	**115 838**	(63 159)
- State Investment Operations	**-**	-
Operating profit from taxable portfolios	**57 906**	38 477
Tax at the Australian tax rate of 30% on taxable portfolios	**17 372**	11 543
Effect of non-deductible items	**-**	9
Income tax expense	**17 372**	11 552

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.

	2023 $000	2022 $000
Cash at bank	**7 354 347**	5 247 278
	7 354 347	5 247 278

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

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 statement of comprehensive income.

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.

	2023 $000	2022 $000
Discount securities	**8 078 139**	9 015 293
Commonwealth and state securities [(1)]	**1 438 988**	2 137 752
Floating rate notes	**10 227 181**	8 772 443
Term deposits	**9 767 739**	7 940 159
Other investments	**1 384 582**	664 025
	30 896 629	28 529 672

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

As at 30 June 2023, $8.7 billion (2022: $8.6 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 statement of comprehensive income. 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.

	2023 $000	2022 $000
Derivative financial assets		
Interest rate swaps	**52 080**	183 379
Cross currency swaps	**59 984**	19 761
Foreign exchange contracts	**2 323**	86 132
Futures contracts	**1 692**	8 673
	116 079	297 945
Derivative financial liabilities		
Interest rate swaps	**(205 842)**	(169 475)
Cross currency swaps	**(26 643)**	(75 901)
Futures contracts	**(6 660)**	(55 228)
	(239 145)	(300 604)
Net derivatives	**(123 066)**	(2 659)

As at 30 June 2023, derivatives with a net liability position of $90.8 million have maturity dates exceeding 12 months (2022: net liability position of $58.5 million).

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

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.

	2023 $000	2022 $000
Government departments and agencies	**40 103 888**	43 704 767
Government owned corporations	**27 943 926**	27 123 470
Statutory bodies	**17 198 764**	17 222 205
Local governments	**5 869 692**	6 192 908
QTC related entities (1)	**99 705**	101 339
Other bodies (2)	**190 640**	237 559
	91 406 615	94 582 248

(1) *QTC related entities includes DBCT Holdings Pty Ltd.*
(2) *The amount for Other bodies in 2022 included loans advanced under the Industry Support Package. All of the Industry Support Package loans were repaid by 31 December 2022.*

At 30 June 2023, client deposits of $5.2 billion were placed in redraw facilities and offset the value of onlendings in the balance sheet (2022: $2.4 billion). The gross value of onlendings at 30 June 2023 was $96.6 billion (2022: $97.0 billion).

As at 30 June 2023, $98.1 billion of principal repayments of a total book value of $99.5 billion is expected to be received after 12 months (2022: $94.7 billion of a total book value of $101.1 billion).

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.

	2023 $000	2022 $000
Interest-bearing liabilities		
Short-term		
Treasury notes	**4 846 903**	4 778 349
Commercial paper	**208 586**	1 474 609
	5 055 489	6 252 958
Long-term		
AUD Bonds	**100 251 180**	100 868 073
Floating rate notes	**11 867 168**	10 858 377
Medium-term notes	**939 427**	936 475
Other	**420 576**	431 557
	113 478 351	113 094 482
Total interest-bearing liabilities	**118 533 840**	119 347 440

69.5% (2022: 72.2%) of QTC borrowings are guaranteed by the State under the Act. As at 30 June 2023, $105.0 billion (2022: $102.8 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 movements. 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 2023, QTC has issued Green Bonds with a market value of $9.46 billion (2022: $5.93 billion).

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

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 2023	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
Treasury notes	**4 846 903**	**4 900 000**	**(53 097)**
Commercial paper	**208 586**	**211 259**	**(2 673)**
	5 055 489	**5 111 259**	**(55 770)**
Long-term			
AUD Bonds	**100 251 180**	**108 615 493**	**(8 364 313)**
Floating rate notes	**11 867 168**	**11 800 000**	**67 168**
Medium-term notes	**939 427**	**1 088 362**	**(148 935)**
Other	**420 576**	**444 424**	**(23 848)**
	113 478 351	**121 948 279**	**(8 469 928)**
Total interest-bearing liabilities	**118 533 840**	**127 059 538**	**(8 525 698)**

AS AT 30 JUNE 2022	FAIR VALUE $000	REPAYMENT AT MATURITY $000	DIFFERENCE $000
Interest-bearing liabilities			
Short-term			
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)
Long-term			
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)
Total interest-bearing liabilities	119 347 440	124 488 314	(5 140 874)

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

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 is disclosed as deposits.

	2023 $000	2022 $000
Client deposits		
Local governments	**3 598 797**	4 691 689
Statutory bodies	**2 778 562**	3 131 029
Government departments and agencies	**3 372 958**	93 862
Government owned corporations	**162 770**	42 074
QTC related entities [1]	**110 818**	101 288
Other depositors	**247 562**	224 978
	10 271 467	8 284 920
Collateral held	**36 481**	146 300
Total deposits	**10 307 948**	8 431 220

(1) 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 2023, $10.2 billion (2022: $8.3 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, interest rate risk, and other price 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 2023

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	
	2023 $000	2022 $000	2023 $000	2022 $000	2023 $000	2022 $000	2023 $000	2022 $000
USD	**(211 259)**	(1 481 325)	**-**	-	**211 259**	1 481 325	**-**	-
CHF	**(184 554)**	(167 333)	**-**	-	**184 554**	167 333	**-**	-
JPY	**(156 501)**	(159 877)	**-**	-	**156 501**	159 877	**-**	-
EUR	**(747 307)**	(693 031)	**-**	75 990	**747 307**	617 041	**-**	-

(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. 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) Other price risk

QTC is not directly exposed to equity or 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 State, (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 through the SIO segment of QTC.

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.

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Capital Markets Operations

For the year ended 30 June 2023

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 2023	3 MONTHS OR LESS $000	3 - 6 MONTHS $000	6 - 12 MONTHS $000	1 - 5 YEARS $000	MORE THAN 5 YEARS $000	TOTAL $000	FAIR VALUE $000
Financial assets							
Cash and cash equivalents	7 354 347	-	-	-	-	7 354 347	7 354 347
Receivables	11 189	-	-	-	-	11 189	11 189
Onlendings (1)	2 032 656	1 623 832	1 624 296	17 119 448	93 925 329	116 325 561	91 406 615
Financial assets at fair value through profit or loss	13 891 235	6 433 036	2 102 056	7 992 362	3 014 277	33 432 966	30 896 629
Total financial assets	**23 289 427**	**8 056 868**	**3 726 352**	**25 111 810**	**96 939 606**	**157 124 063**	**129 668 780**
Financial liabilities							
Payables	(26 421)	-	-	-	-	(26 421)	(26 421)
Deposits	(7 304 954)	(66 156)	(46 246)	(3 066 815)	(88 075)	(10 572 246)	(10 307 948)
Financial liabilities at fair value through profit or loss							
- Short-term	(1 995 450)	(3 115 809)	-	-	-	(5 111 259)	(5 055 489)
- Long-term	(9 436 858)	(216 554)	(2 625 181)	(56 442 437)	(75 596 940)	(144 317 970)	(113 478 351)
Total financial liabilities	**(18 763 683)**	**(3 398 519)**	**(2 671 427)**	**(59 509 252)**	**(75 685 015)**	**(160 027 896)**	**(128 868 209)**
Derivatives							
Interest rate swaps	(6 079)	(25 390)	(31 697)	(72 623)	(36 886)	(172 675)	(153 762)
Cross currency swaps	(748)	(6 154)	(20 201)	(108 232)	(343 720)	(479 055)	33 341
Foreign exchange contracts	2876	-	-	-	-	2876	2 323
Futures contracts	-	(3 450 000)	750 000	1 007 300	(68 100)	(1 760 800)	(4 968)
Net derivatives	**(3 951)**	**(3 481 544)**	**698 102**	**826 445**	**(448 706)**	**(2 409 654)**	**(123 066)**
Net (liabilities)/assets	**4 521 793**	**1 176 805**	**1 753 027**	**(33 570 997)**	**20 805 885**	**(5 313 487)**	**677 505**
Cumulative	**4 521 793**	**5 698 598**	**7 451 625**	**(26 119 372)**	**(5 313 487)**		

(1) *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 2023

11 Financial risk management continued

(b) Funding and liquidity risks continued

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
Financial assets							
Cash and cash equivalents	5 247 278	-	-	-	-	5 247 278	5 247 278
Receivables	6 448	-	-	-	-	6 448	6 448
Onlendings[(1)]	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
Total financial assets	22 059 284	5 994 030	3 091 905	22 262 823	101 089 816	154 497 858	128 365 646
Financial liabilities							
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)
Total financial liabilities	(19 964 499)	(3 338 882)	(5 142 142)	(53 519 304)	(72 610 737)	(154 575 564)	(127 804 118)
Derivatives							
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)
Net derivatives	8 919 405	9 957	(34 110)	(143 621)	(376 095)	8 375 536	(2 659)
Net (liabilities)/assets	11 014 190	2 665 105	(2 084 347)	(31 400 102)	28 102 984	8 297 830	558 869
Cumulative	11 014 190	13 679 295	11 594 948	(19 805 154)	8 297 830		

(1) *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 2023

11 Financial risk management continued

(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).

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

BY CREDIT RATING [1] 30 JUNE 2023	AAA $000	AA+ $000	AA $000	AA- $000	A+ $000	A $000	OTHER[2] $000	TOTAL $000
Cash & cash equivalents	**-**	**-**	**-**	**7 354 347**	**-**	**-**	**-**	**7 354 347**
Financial assets[3]	**2 079 083**	**609 490**	**364 300**	**22 523 794**	**3 312 250**	**919 183**	**522 423**	**30 330 523**
Derivatives	**-**	**-**	**-**	**38 968**	**16 183**	**-**	**-**	**55 151**
	2 079 083	**609 490**	**364 300**	**29 917 109**	**3 328 433**	**919 183**	**522 423**	**37 740 021**
	6%	**2%**	**1%**	**79%**	**9%**	**2%**	**1%**	**100%**

BY CREDIT RATING [1] 30 JUNE 2022	AAA $000	AA+ $000	AA $000	AA- $000	A+ $000	A $000	OTHER[2] $000	TOTAL $000
Cash & cash equivalents	-	-	-	5 247 278	-	-	-	5 247 278
Financial assets[3]	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%

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

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

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

QTC has a significant concentration of credit risk to the banking sector and in particular, the domestic banking sector. At 30 June 2023, QTC's exposure to systemically important domestic banks (which are rated AA-) was approximately 73% (2022: 61%). QTC's concentrated investment exposure to domestic banks reflects the structure of the Australian credit markets because the domestic credit markets are dominated by issuance from Australian banks rather than corporations and other entities. This means that the Australian credit markets are not as diversified as other global markets. Due to this market structure, QTC executes a range of risk management processes to deliver a heightened continuous monitoring of the domestic and global banking sectors and the credit markets they operate within. These measures span credit reviews of QTC's counterparties, monitoring of ratings agency assessments, daily quantitative analysis of market price and credit spread movements and continuous thematic reporting on macro and event-driven developments. This credit risk management framework is used to inform decisions on credit limits within Board appetite and to assist decision-making in managing these exposures (such as altering investments or duration).

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 higher, 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 a range of factors including an assessment against key credit risk metrics and characteristics of their Australian dollar 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.

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

11 Financial risk management continued

(c) Credit risk continued

(ii) Onlending counterparties

QTC is also exposed to the credit risk associated with onlendings to clients. Except for some small exposures to private companies, 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).

69.5% of QTC's onlendings (2022: 72.2%) are explicitly guaranteed by the State, including 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 $27.2 billion at 30 June 2023 (2022: $26.5 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, over 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

69.5% (2022: 72.2%) of QTC's borrowings are guaranteed by the State. 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.

(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		
	GROSS AND NET AMOUNTS ON THE BALANCE SHEET $000	FINANCIAL INSTRUMENTS COLLATERAL $000	CASH COLLATERAL RECEIVED OR GIVEN $000	NET AMOUNT $000
2023				
Derivative assets: - subject to master netting arrangements	**116 079**	**-**	**(101 434)**	**14 645**
Derivative liabilities: - subject to master netting arrangements	**(239 145)**	**-**	**218 492**	**(20 653)**
Net exposure	**(123 066)**	**-**	**117 058**	**(6 008)**
2022				
Derivative assets: - subject to master netting arrangements	297 945	-	(275 954)	21 991
Derivative liabilities: - subject to master netting arrangements	(300 604)	-	300 604	-
Net exposure	(2 659)	-	24 650	21 991

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12 Fair value hierarchy

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

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

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

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

All 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.

AS AT 30 JUNE 2023	QUOTED PRICES LEVEL 1 $000	OBSERVABLE INPUTS LEVEL 2 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	**7 354 347**	**-**	**7 354 347**
Financial assets through profit or loss	**15 727 554**	**15 169 075**	**30 896 629**
Derivative financial assets	**1 692**	**114 387**	**116 079**
Onlendings	**-**	**91 406 615**	**91 406 615**
Total financial assets	**23 083 593**	**106 690 077**	**129 773 670**
Financial liabilities			
Derivative financial liabilities	**6 660**	**232 485**	**239 145**
Financial liabilities through profit or loss			
- Short-term	**-**	**5 055 489**	**5 055 489**
- Long-term	**86 766 105**	**26 712 246**	**113 478 351**
Deposits	**-**	**10 307 948**	**10 307 948**
Total financial liabilities	**86 772 765**	**42 308 168**	**129 080 933**

AS AT 30 JUNE 2022	QUOTED PRICES LEVEL 1 $000	OBSERVABLE INPUTS LEVEL 2 $000	TOTAL $000
Financial assets			
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
Total financial assets	20 135 164	108 521 978	128 657 142
Financial liabilities			
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
Total financial liabilities	90 604 224	37 475 040	128 079 264

QTC holds no Level 3 financial instruments.

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

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	10 – 25%

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:

	2023 $000	2022 $000
Cost at balance date	**5 838**	5 645
Accumulated depreciation and impairment	**(4 126)**	(3 368)
Net carrying amount	**1 712**	2 277
Movement		
Net carrying amount at the beginning of the year	**2 277**	2 967
Additions	**193**	43
Depreciation expense	**(758)**	(733)
Net carrying amount at the end of the year	**1 712**	2 277

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	14 – 33%

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

	2023 $000	2022 $000
Cost at balance date	**12 368**	12 368
Accumulated depreciation and impairment	**(7 277)**	(5 342)
Net carrying amount at the end of the year	**5 091**	7 026
Movement		
Net carrying amount at the beginning of the year	**7 026**	8 278
Additions	**-**	667
Depreciation expense	**(1 935)**	(1 919)
Net carrying amount at the end of the year	**5 091**	7 026

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

	2023 $000	2022 $000
Net carrying amount at the beginning of the year	**12 823**	15 165
Additions	**-**	667
Interest	**183**	233
Lease repayments	**(3 644)**	(3 242)
Net carrying amount at the end of the year	**9 362**	12 823

Notes to the Financial Statements

Capital Markets Operations

For the year ended 30 June 2023

15 Notes to the statement of cash flows

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

	2023 $000	2022 $000
Profit/(loss) for the year	**156 404**	(36 234)
Non-cash flows in operating surplus		
Gain on interest-bearing liabilities	**(1 199 288)**	(14 660 103)
Loss/(gain) on deposits held	**193**	(273)
Loss on onlendings	**1 679 557**	15 348 389
(Gain)/loss on financial assets at fair value through profit or loss	**(90 167)**	382 210
Depreciation and amortisation	**5 531**	8 225
Changes in assets and liabilities		
Decrease in financial assets at fair value through profit or loss	**25 073**	47 292
Decrease in deferred tax asset	**446**	949
(Increase)/decrease in onlendings	**(19 437)**	4 449
(Increase)/decrease in receivables	**(4 735)**	880
Increase in interest-bearing liabilities	**(2 151 488)**	(1 566 051)
Increase in deposits	**45 275**	1 390
Decrease in payables and other liabilities	**(2 597)**	(3 294)
Net cash used in operating activities	**(1 555 233)**	(472 171)

(b) Reconciliation of liabilities arising from financing activities

AS AT 30 JUNE 2023	OPENING BALANCE $000	CASH FLOWS $000	FAIR VALUE MOVEMENT $000	FOREIGN EXCHANGE MOVEMENT $000	OTHER NON-CASH MOVEMENTS $000	CLOSING BALANCE $000
Interest-bearing liabilities [1]	**119 648 044**	**2 475 717**	**(1 294 795)**	**95 507**	**(2 151 488)**	**118 772 985**
Deposits	**8 431 220**	**1 831 261**	**192**	**-**	**45 275**	**10 307 948**
Dividend paid	**-**	**(40 000)**	**-**	**-**	**40 000**	**-**
	128 079 264	**4 266 978**	**(1 294 603)**	**95 507**	**(2 066 213)**	**129 080 933**
AS AT 30 JUNE 2022						
Interest-bearing liabilities [1]	122 994 122	12 880 077	(14 758 621)	98 518	(1 566 052)	119 648 044
Deposits	8 107 683	322 419	(273)	-	1 391	8 431 220
	131 101 805	13 202 496	(14 758 894)	98 518	(1 564 661)	128 079 264

[1] Includes derivatives.

Notes to the Financial Statements

State Investment Operations

For the year ended 30 June 2023

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.

	2023		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LTA[1] $000	QFF[2] $000	TOTAL STATE INVESTMENT OPERATIONS $000
Investments in unit trusts and other holdings - QIC:			
Movement during the year:			
Opening balance	**32 654 392**	**7 718 020**	**40 372 412**
Deposits [3]	**2 497 799**	**-**	**2 497 799**
Withdrawals [3]	**(2 114 876)**	**-**	**(2 114 876)**
Fees paid	**(197 434)**	**(48 742)**	**(246 176)**
Net change in fair value of unit trusts	**2 298 819**	**666 823**	**2 965 642**
Closing balance	**35 138 700**	**8 336 101**	**43 474 801**

	2022		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	LTA[1] $000	QFF[2] $000	TOTAL STATE INVESTMENT OPERATIONS $000
Investments in unit trusts and other holdings - QIC:			
Movement during the year:			
Opening balance	30 072 492	7 742 219	37 814 711
Deposits [3]	3 202 792	-	3 202 792
Withdrawals [3]	(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

(1) *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.*

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

(3) *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 2023

16 Financial instruments at fair value through profit or loss continued

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2023 LTA[1] $000	QFF[2] $000	TOTAL STATE INVESTMENT OPERATIONS $000
Comprised of the following asset classes:			
Defensive assets			
Cash	**3 925 783**	**1 450 236**	**5 376 019**
Fixed interest	**1 812 152**	**234 785**	**2 046 937**
Growth assets			
Equities	**9 432 169**	**3 128 188**	**12 560 357**
Diversified alternatives	**6 197 578**	**692 495**	**6 890 073**
Unlisted assets			
Infrastructure [3]	**4 458 302**	**746 948**	**5 205 250**
Private equity	**3 605 102**	**382 843**	**3 987 945**
Real estate [3]	**5 707 614**	**1 700 606**	**7 408 220**
	35 138 700	**8 336 101**	**43 474 801**

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

(1) *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.*

(2) *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.*

(3) *The change to the infrastructure and real estate asset classes during the year ended 30 June 2023 were as a result of the reclassification of an underlying asset, not a change in underlying asset exposure. Further information is disclosed in note 18(b).*

Notes to the Financial Statements

State Investment Operations

For the year ended 30 June 2023

16 Financial instruments at fair value through profit or loss continued

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2023 LTA [1] $000	QFF [2] $000	TOTAL STATE INVESTMENT OPERATIONS $000
Fixed rate notes			
Movement during the year:			
Opening balance	**32 654 392**	**7 718 020**	**40 372 412**
Increases [3]	**2 497 799**	**-**	**2 497 799**
Interest	**2 204 192**	**534 553**	**2 738 745**
Decreases [3]	**(2 114 876)**	**-**	**(2 114 876)**
Net change in fair value of the fixed rate note [4]	**(102 807)**	**83 528**	**(19 279)**
Closing balance	**35 138 700**	**8 336 101**	**43 474 801**

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

(1) 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.

(2) 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.

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

(4) The negative net change in the fair value of the fixed rate notes for 2023 and 2022, reflects the lower returns achieved on the invested assets when compared to the interest paid by QTC on the FRN of 6.5%.

Notes to the Financial Statements

State Investment Operations

For the year ended 30 June 2023

17 Financial risk management

QTC also holds a portfolio of assets that was transferred to QTC by the State but is 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 market risk, liquidity risk and credit 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. 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 State'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 GS007 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 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:

	2023 CHANGE		2023 PROFIT/EQUITY		2022 CHANGE		2022 PROFIT/EQUITY	
	Low %	**High %**	**Decrease $000**	**Increase $000**	**Low %**	**High %**	**Decrease $000**	**Increase $000**
Cash and fixed interest [(1)]	**-0.4%**	**0.4%**	**(29 273)**	**29 273**	-3%	3%	(187 149)	187 149
Equities	**-10%**	**10%**	**(1 256 036)**	**1 256 036**	-10%	10%	(1 154 239)	1 154 239
Diversified alternatives [(2)]	**-10%**	**10%**	**(688 439)**	**688 439**	-10%	10%	(617 948)	617 948
Infrastructure	**-10%**	**10%**	**(520 276)**	**520 276**	-10%	10%	(955 940)	955 940
Private equities	**-10%**	**10%**	**(398 603)**	**398 603**	-10%	10%	(415 244)	415 244
Real estate	**-11%**	**12%**	**(793 447)**	**864 855**	-13%	16%	(343 605)	444 914
Currency overlay	**-10%**	**10%**	**(961 891)**	**961 891**	-10%	10%	(876 129)	876 129
			(4 647 965)	**4 719 373**			(4 550 254)	4 651 563

(1) *Cash and fixed interest include exposure to interest rate and inflation overlays on hedging instruments.*
(2) *Diversified alternatives include exposure to both price and interest rate risk.*

(b) Liquidity risk

No external cash flows are generated 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 2023

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 2023	OBSERVABLE INPUTS LEVEL 2 $000	UNOBSERVABLE INPUTS LEVEL 3 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	**5 376 019**	**-**	**5 376 019**
Fixed interest	**2 046 937**	**-**	**2 046 937**
Equities	**12 560 357**	**-**	**12 560 357**
Diversified alternatives	**2 568 721**	**4 321 352**	**6 890 073**
Infrastructure	**-**	**5 205 250**	**5 205 250**
Private equities	**-**	**3 987 945**	**3 987 945**
Real estate	**583 669**	**6 824 551**	**7 408 220**
Total financial assets	**23 135 703**	**20 339 098**	**43 474 801**
Financial liabilities			
Fixed rate note - LTA	**-**	**35 138 700**	**35 138 700**
Fixed rate note - QFF	**-**	**8 336 101**	**8 336 101**
Total financial liabilities	**-**	**43 474 801**	**43 474 801**

AS AT 30 JUNE 2022	OBSERVABLE INPUTS LEVEL 2 $000	UNOBSERVABLE INPUTS LEVEL 3 $000	TOTAL $000
Financial assets			
Cash and cash equivalents	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
Total financial assets	19 842 951	20 529 461	40 372 412
Financial liabilities			
Fixed rate note- LTA	-	32 654 392	32 654 392
Fixed rate note- QFF	-	7 718 020	7 718 020
Total financial liabilities	-	40 372 412	40 372 412

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 2023

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 2023. 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 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
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 2023 ASSET CLASS	OPENING BALANCE $000	DISTRIBUTIONS[1] $000	UNREALISED MARKET MOVEMENTS[1] $000	SETTLEMENTS[1] $000	CLOSING BALANCE $000
Diversified alternatives	**4 065 983**	(639 271)	132 508	762 132	**4 321 352**
Infrastructure	**9 555 545**	(534 489)	291 086	(4 106 892)[2]	**5 205 250**
Private equities	**4 153 698**	(187 792)	(59 973)	82 012	**3 987 945**
Real estate	**2 754 235**	(182 476)	487 894	3 764 898[2]	**6 824 551**

30 JUNE 2022 ASSET CLASS	OPENING BALANCE $000	DISTRIBUTIONS[1] $000	UNREALISED MARKET MOVEMENTS[1] $000	SETTLEMENTS[1] $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

(1) *Data in the above table is based on movements in the unit trusts that hold the assets*

(2) *The movements to the infrastructure and real estate asset classes were as a result of the reclassification of an underlying asset, not a change in underlying asset exposure.*

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 2023

19 Contingent liabilities

The following contingent liabilities existed at balance date:

- QTC has provided guarantees to the value of $3.3 billion (2022: $2.8 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, 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. 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:

- loan balances with a book value of $89.4 billion (2022: $90.9 billion) and interest received $2.7 billion (2022: $2.5 billion)
- investment of cash surpluses $5.2 billion (2022: $1.9 billion) and interest paid $103.8 million (2022: $11.4 million)
- fees received $80.2 million (2022: $75.4 million)
- dividends paid to Queensland Treasury $40 million (2022: No dividend)
- The State transferred $1.9 billion to the LTA portfolio of the SIO segment (2022: $2.5 billion).

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 $225.7 million in management fees to QIC (2022: $236.7 million) and $0.5 million (2022: $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 $1.0 million (2022: $1.4 million).
- QTC has a shareholding in QTH and its associated entities (QTH group). The QTH group hold deposits of $110.8 million (2022: $101.3 million) and loans of $99.7 million (2022: $101.3 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 (2022: $0.4 million) for the provision of these services.

(e) Agency arrangements

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

- QTC provides services on behalf of Queensland Treasury under a GOC Cash Management Facility. QTC is not exposed to the risks and benefits of this facility and therefore does not recognise these deposits on its balance sheet. QTC charges a fee for this service. The balance of deposits under this facility at year end was $1.7 billion (2022: $1.0 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 $35.6 million (2022: $31.4 million).
- From time to time QTC holds foreign exchange balances in segregated accounts on behalf of its clients to facilitate foereign exchange transactions. QTC is not exposed to the risks and benefits of these balances as it does not own or control these accounts. The balances of the foreign exchange in these segregated accounts at year end was $14.0 million (2022: Nil).

Notes to the Financial Statements

Other information

For the year ended 30 June 2023

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 *Act*.

(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 *Act*. 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 ultimate responsibility and decision making for remuneration matters. QTC receives annual industry benchmarking data from the Financial Institutions Remuneration Group (FIRG) and Aon Hewitt, where applicable, 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 for QTC employees is reviewed each year and is benchmarked against the FIRG remuneration data and Aon Hewitt, where applicable. Total compensation levels were 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 were 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 (STI) opportunity for eligible employees, aligned to financial year performance. This opportunity is designed to differentiate and reward performance. 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 2023, STI payments will be made to eligible staff in September 2023.

Variable remuneration – short term incentives for the Executive Leadership Team

Members of the Executive Leadership Team (ELT), excluding members on secondment to QTC, are eligible for an STI if their performance meets or exceeds corporate and individual key performance indicators. STIs are at risk with no payment made for underperformance and additional premiums of up to 30% of the target paid for above expected performance.

STI payments are based on a percentage of individual total fixed remuneration with the STI 'target' range for permanent ELT members of between 40% and 50%. For acting ELT members, the STI payment is based on a percentage of their total fixed remuneration from their substantiative position, excluding any higher duties allowance for acting in a higher position. The STI 'target' for acting ELT members is 40%.

QTC's overall performance for 2022-23, documented in the annual performance assessment reviewed and approved by QTC's Board, was assessed as achieving the benchmark. This reflects the performance achieved across QTC's whole-of-State, client, funding, and operational activities. This performance assessment led to individual STIs for the Executive Leadership Team of between 40% and 50% of fixed remuneration.

Deferral of short-term incentives for the Chief Executive Officer

The remuneration package for the Chief Executive Officer provides 40% of their determined STI to be deferred and paid over 24 months comprising two deferral periods:

- 20% paid out at the conclusion of 12 months after the original STI was determined, and
- 20% paid out at the conclusion of 24 months after the original STI was determined.

Payment of the deferred STI will be subject to satisfying the criteria outlined in the Risk Gateway Framework, which is defined in the Short-Term Incentive Risk Gateway and Deferral Policy. At the end of each deferral period, a report prepared by the Chief Risk Officer on the criteria in the Risk Gateway Framework will be assessed by the Board to determine whether the deferred STI will vest.

For 2022-23, the total STI entitlement for the Chief Executive Officer is $142,650, which includes the STI deferral of $57,060. The STI deferral has been fully expensed in 2022-23 and recognised as a long-term employee benefit.

Notes to the Financial Statements

Other information

For the year ended 30 June 2023

21 Key management personnel continued

(c) Remuneration by category

	2023 $	2022 $
Capital Markets Operations		
Directors		
Short-term employment benefits (1)	**317 131**	350 563
Post-employment benefits (4)	**31 765**	21 350
Total	**348 896**	371 913
Executive Leadership Team		
Short-term employment benefits (2)	**2 912 362**	4 031 798
Long-term employment benefits (3)	**120 460**	81 437
Post-employment benefits (4)	**166 769**	128 063
Ex-gratia payments	**650 570**	-
Termination benefits (5)	**1 103 888**	141 424
Total	**4 954 049**	4 382 722

	2023 $	2022 $
State Investment Operations		
Directors		
Short-term employment benefits (1)	**99 054**	100 653
Post-employment benefits (4)	**10 401**	10 065
Total	**109 455**	110 718

(1) *Directors' short-term benefits include Board member and committee fees, and in relation to the Chair of the Capital Markets Board, it also includes the provision of a car park.*

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

(3) *Long-term employment benefits relate to long service leave and deferred STI (2023).*

(4) *Post-employment benefits include superannuation contributions made by QTC.*

(5) *Termination benefits include payments in lieu of notice and redundancy payments.*

Ex-gratia payments

During the year ended 30 June 2023, QTC made ex-gratia payments totalling $650,570 to five executives on cessation of their respective employment with QTC. The payments made were in addition to individual contractual entitlements, but were duly considered by the Capital Markets Board and were in-step with industry practice for commercial organisations. The payments recognised individual contributions towards organisational performance and took account of the nature of the separations. Payments were within the delegations contained in section 14 of the Act. Individual deeds of separation were utilised to give effect to the separations which is common practice across industry.

Notes to the Financial Statements

Other information

For the year ended 30 June 2023

21 Key management personnel continued

(c) Remuneration by category continued

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	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Damien Frawley – Chair (1)	**126 728**	-	**11 773**	-	**138 501**	-
Gerard Bradley – Chair (2)	**-**	137 069	**-**	-	**-**	137 069
Leon Allen (3)(4)	**-**	-	**-**	-	**-**	-
Neville Ide (5)	**37 764**	43 856	**3 965**	4 386	**41 729**	48 242
Dennis Molloy (6)(4)	**-**	-	**-**	-	**-**	-
Anne Parkin (7)	**10 964**	43 856	**1 151**	4 386	**12 115**	48 242
Karen Smith-Pomeroy (8)	**37 802**	45 362	**3 969**	4 536	**41 771**	49 898
Jim Stening (9)	**41 498**	40 210	**4 357**	4 021	**45 855**	44 231
Rosemary Vilgan	**42 786**	40 210	**4 493**	4 021	**47 279**	44 231
John Wilson (10)	**19 589**	-	**2 057**	-	**21 646**	-
Total	**317 131**	350 563	**31 765**	21 350	**348 896**	371 913

(1) *Appointed 1 July 2022*
(2) *Resigned 30 June 2022*
(3) *Resigned 8 December 2022*
(4) *No remuneration is payable to the Queensland Treasury representative*
(5) *Leave of absence for term as Interim Chief Executive Officer 3 January 2023 to 19 February 2023*
(6) *Appointed 25 January 2023*
(7) *Term ended 30 September 2022*
(8) *Term ended 30 September 2022. Reappointed 15 December 2022*
(9) *Term ended 30 June 2023*
(10) *Appointed 15 December 2022*

Notes to the Financial Statements

Other information

For the year ended 30 June 2023

21 Key management personnel continued

(c) Remuneration by category continued

Capital markets operations 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 2023	SHORT-TERM EMPLOYMENT BENEFITS BASE $	SHORT-TERM EMPLOYMENT BENEFITS SHORT-TERM INCENTIVE $	SHORT-TERM EMPLOYMENT BENEFITS NON-MONETARY $	POST-EMPLOYMENT BENEFITS $	LONG-TERM BENEFITS $	EX-GRATIA PAYMENTS $	TERMINATION BENEFITS	TOTAL $
Chief Executive (1)	**303 192**	**85 590**	**6 631**	**9 977**	(11) **57 060**	**-**	**-**	**462 450**
Interim Chief Executive (2)	**117 406**	**-**	**-**	**4 834**	**-**	**-**	**-**	**122 240**
Chief Executive (3)	**391 462**	**-**	**8 943**	**14 635**	**16 500**	**240 300**	**385 476**	**1 057 316**
Acting Managing Director, Funding and Markets (4)	**165 266**	**67 775**	**6 972**	**16 876**	**3 873**	**-**	**-**	**260 762**
Deputy Chief Executive and Managing Director, Funding and Markets (5)	**317 084**	**-**	**12 968**	**16 902**	**-**	**-**	**-**	**346 954**
Acting Managing Director, Client (6)	**93 772**	**33 830**	**4 959**	**7 352**	**-**	**-**	**-**	**139 913**
Managing Director, Client (7)	**287 236**	**-**	**12 142**	**20 053**	**11 491**	**146 385**	**40 352**	**517 659**
Acting Managing Director, Risk, and Chief Risk Officer (8)	**85 470**	**33 140**	**4 863**	**7 352**	**1 301**	**-**	**-**	**132 126**
Managing Director, Risk, and Chief Risk Officer (7)	**271 384**	**-**	**11 429**	**20 053**	**12 998**	**143 020**	**39 346**	**498 230**
Acting Managing Director, Finance, Technology and Data (9)	**78 480**	**-**	**3 810**	**8 629**	**1 943**	**-**	**-**	**92 862**
Managing Director, Finance, Technology and Data, and Chief Financial Officer (10)	**253 375**	**-**	**11 429**	**20 053**	**9 215**	**64 285**	**335 697**	**694 054**
Managing Director, Culture and Performance, and Company Secretary (10)	**230 647**	**-**	**13 107**	**20 053**	**6 079**	**56 580**	**303 017**	**629 483**
Total	**2 594 774**	**220 335**	**97 253**	**166 769**	**120 460**	**650 570**	**1 103 888**	**4 954 049**

(1) *Commenced 20 February 2023*
(2) *Appointed for the period 3 January 2023 to 19 February 2023*
(3) *Ceased 31 December 2022*
(4) *Commenced 25 January 2023*
(5) *Ceased 24 January 2023*
(6) *Commenced 25 March 2023*
(7) *Ceased 9 March 2023*
(8) *Commenced 27 March 2023*
(9) *Commenced 22 March 2023*
(10) *Commenced 1 July 2022, ceased 15 March 2023*
(11) *Long-term benefit for the Chief Executive is a deferred STI*

30 JUNE 2022	SHORT-TERM EMPLOYMENT BENEFITS BASE $	SHORT-TERM EMPLOYMENT BENEFITS SHORT-TERM INCENTIVE $	SHORT-TERM EMPLOYMENT BENEFITS NON-MONETARY $	POST-EMPLOYMENT BENEFITS $	LONG-TERM BENEFITS $	TERMINATION BENEFITS	TOTAL $
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
Total	2 437 341	1 508 715	85 742	128 063	81 437	141 424	4 382 722

Notes to the Financial Statements

Other information

For the year ended 30 June 2023

21 Key management personnel continued

(c) Remuneration by category continued

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	
	2023 $	2022 $	**2023 $**	2022 $	**2023 $**	2022 $
Maryanne Kelly- Chair (1)(2)	**-**	-	**-**		**-**	-
Leon Allen- Chair (2)(3)	**-**	-	**-**	-	**-**	-
Philip Graham (4)	**33 018**	33 551	**3 467**	3 355	**36 485**	36 906
Tony Hawkins (5)	**-**	33 551	**-**	3 355	**-**	36 906
William Ryan (2)	**-**	-	**-**	-	**-**	-
Maria Wilton (4)	**33 018**	33 551	**3 467**	3 355	**36 485**	36 906
Cate Wood (6)	**33 018**	-	**3 467**	-	**36 485**	-
Total	**99 054**	100 653	**10 401**	10 065	**109 455**	110 718

(1) *Appointed 16 February 2023*

(2) *Queensland Treasury representative. No additional remuneration is paid for this appointment.*

(3) *Resigned 15 February 2023*

(4) *Term ended 30 June 2022, reappointed 7 July 2022*

(5) *Term ended 30 June 2022*

(6) *Appointed 7 July 2022*

(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.

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:

	2023 $	**2022 $**
Audit services		
Audit of QTC financial statements	**397 000**	387 000

Notes to the Financial Statements

Other information

For the year ended 30 June 2023

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(n) Judgments and assumptions).

24 Dividends

Each year the Board determines the appropriate level of dividends to be paid to the Queensland Government taking into consideration the financial situation of the Corporation. In June 2023 a dividend of $40 million was paid (2022: No dividend).

25 Events subsequent to balance date

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.

Certificate of the Queensland Treasury Corporation

The foregoing general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the FA Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements.

The Directors draw attention to note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

In accordance with section 62(1)(b) of the FA Act we certify that in our opinion:

(i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects, and

(ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view of Queensland Treasury Corporation's assets and liabilities, financial position and financial performance for the year ended 30 June 2023.

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

The financial statements are authorised for issue on the date of signing this certificate which is signed in accordance with a resolution of the Capital Markets Board.

D J FRAWLEY
Chair

L ALLEN
Chief Executive Officer

Brisbane
17 August 2023