QUEENSLAND TREASURY HOLDINGS PTY LTD

ACN 011 027 295

CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014

CONTENTS

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report of Queensland Treasury Holdings Pty Ltd for the year ended 30 June 2014 made in accordance with a resolution of the directors.

DIRECTORS

The names of the directors of Queensland Treasury Holdings Pty Ltd (QTH) in office during or since the end of the financial year are:

Current directors	**Appointed**
G Bradley (Chairman)	10 August 2012
P Noble	17 March 2011
J Frazer	17 March 2011
K Millman	17 May 2012
L Gordon	10 August 2012

No directors held any interest in shares or options of QTH or its controlled entities.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity for the year ended 30 June 2014 was to act as a corporate vehicle through which the Queensland Government holds assets of strategic importance to the State. QTH holds residual assets resulting from the State's privatisations under the Renewing Queensland Plan and other State interests including the State Government's shares retained in Aurizon Holdings Ltd (formerly QR National Ltd).

QTH holds a controlling interest in the following entities:
- Brisbane Port Holdings Pty Ltd
- DBCT Holdings Pty Ltd
- Network Infrastructure Company Pty Ltd (dormant)
- Queensland Lottery Corporation Pty Ltd
- Queensland Airport Holdings (Cairns) Pty Ltd
- Queensland Airport Holdings (Mackay) Pty Ltd
- City North Infrastructure Pty Ltd (from 1 July 2013)

There were no significant changes in the nature of the activities undertaken by the consolidated entity during the financial year.

REVIEW AND RESULTS OF OPERATIONS

During the financial year, QTH continued to sell-down shares in Aurizon Holdings Ltd (Aurizon), liquidating approximately 70% of the State's holdings. The net proceeds from sale were applied to repay QTH's debt with Queensland Treasury Corporation (QTC), with the remainder paid to the State in dividend and taxes.

REVIEW AND RESULTS OF OPERATIONS - CONTINUED

During the financial year, QTH received an amount of $5.809 million (including GST) under a transitional arrangement with CNI and the State of Queensland. QTH has taken over project and contract management responsibilities on behalf of the State for the Airport Link, Northern Busway (Windsor to Kedron) and Airport Roundabout Upgrade projects which were previously undertaken by CNI. The details of the arrangement were finalised under a Project Management Agreement, with the State agreeing to provide funding to allow QTH to meet these responsibilities. Funds received will be held as a liability to the State to offset outlays required under the arrangements set out in the Project Management Agreement.

The profit after tax of the consolidated entity for the financial year was $94.9 million (2013: $169.9 million).

The Consolidated Financial Statements include profits from the following entities:
- Brisbane Port Holdings Pty Ltd: $389 000
- DBCT Holdings Pty Ltd: $213 000
- Queensland Airport Holdings (Cairns) Pty Ltd: nil
- Queensland Airport Holdings (Mackay) Pty Ltd: nil
- Queensland Lottery Corporation Pty Ltd: $20 000
- Queensland Treasury Holdings Pty Ltd: $94 298 000

DIVIDENDS

A dividend of $260 000 000 was declared and paid to the State during the year (2013: nil).

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

As at 30 June 2014, QTH has a residual shareholding in Aurizon Holdings Ltd after reducing its holding below that of a substantial shareholder during the year. As the State has indicated it is not a long term holder of shares in AZJ, QTH will continue to consider its options regarding the shareholding and this may result in further reductions in the future.

During the year, QTH will continue to perform the project management responsibilities taken over from CNI. This is not expected to have a significant financial impact on QTH as any expenditure is matched with grant funding provided by the State.

Other than as mentioned above, there are no known matters or circumstances which are likely to significantly affect the operations or results of the consolidated entity in the future.

PERFORMANCE IN RELATION TO ENVIRONMENTAL LEGISLATION

The consolidated entity's operations, through its subsidiaries, are subject to various environmental regulations under both Commonwealth and State legislation, although responsibility for environmental matters generally resides with third party lessees. The Board is not aware of any significant breaches of environmental regulations during or since the end of the financial year which would impact on the consolidated entity.

DIRECTORS REMUNERATION

Remuneration was paid to independent directors of the consolidated entity during the financial year. No remuneration is paid to directors who are employees of the Queensland Government or employees of its related bodies (2013: nil).

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

	Base Salary 2014 $	Super 2014 $	Total 2014 $	Base Salary 2013 $	Super 2013 $	Total 2013 $
G Bradley	15 213	1 407	16 620	13 577	1 222	14 799
I Munro	5 071	469	5 540	4 335	390	4 725
Total	**20 284**	**1 876**	**22 160**	**17 912**	**1 612**	**19 524**

INDEMNIFICATION OF OFFICERS AND AUDITORS

The consolidated entity has not, during the financial year, in respect of any person who is or has been an officer or auditor of the consolidated entity or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings, and

- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

The State has entered into deeds indemnifying all company officers for certain liabilities which they may incur by reason of acting as an officer of the consolidated entity.

The auditor of QTH and its controlled entities for the year ended 30 June 2014 is the Auditor-General of Queensland.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 6.

ROUNDING OF AMOUNTS

QTH is a kind of entity referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

G Bradley
Chairman

05 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Queensland Treasury Holdings Pty Ltd

This audit independence declaration has been provided pursuant to s 307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of Queensland Treasury Holdings Pty Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been –

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

M Keane

QUEENSLAND
4 AUG 2014
AUDIT OFFICE

M KEANE CA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 $000	2013 $000
Income			
Interest revenue	3	31 728	27 183
Net gain on investments held at fair value through profit or loss	4	134 029	300 467
Dividends received	5	21 051	53 748
Amortisation of unearned revenue	6	310	304
Government grants	7	2 510	239
Other		48	76
Total Income		**189 676**	**382 017**
Expenses			
Interest expense	8	33 144	87 272
Other financing costs	9	1 966	9 014
Operating leases		347	340
Impairment expense	10	13 945	40 645
Administration expenses	11	3 944	4 296
Total Expenses		**53 346**	**141 568**
Profit before income tax		**136 330**	**240 449**
Income tax expense	12	**41 411**	**70 558**
Profit after income tax		**94 919**	**169 891**
Total comprehensive income attributable to equity holders of Queensland Treasury Holdings Pty Ltd		**94 919**	**169 891**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Notes	2014 $000	2013 $000
Current Assets			
Cash and cash equivalents	13	67 394	46 456
Lease receivables	14	9 217	9 954
Prepayments	15	462	564
Investments at fair value through profit or loss	16	273 532	787 195
Loans and receivables	17	3 871	3 388
Other receivables		18	183
Total Current Assets		**354 494**	**847 740**
Non-Current Assets			
Loans and receivables	17	156 089	160 677
Lease receivables	14	148 303	157 520
Deferred tax asset	18	27 844	58 013
Total Non-Current Assets		**332 236**	**376 210**
TOTAL ASSETS		**686 730**	**1 223 950**
Current Liabilities			
Payables	19	475	451
Interest bearing liabilities	20	9 217	9 954
Deferred revenue	21	2 037	325
Tax liabilities	22	12 095	183 535
Total Current Liabilities		**23 824**	**194 265**
Non-Current Liabilities			
Interest bearing liabilities	20	148 303	299 394
Deferred revenue	21	4 434	3 685
Deferred tax liabilities	23	40 219	91 575
Total Non-Current Liabilities		**192 956**	**394 654**
TOTAL LIABILITIES		**216 780**	**588 919**
NET ASSETS		**469 950**	**635 031**
Equity			
Contributed equity	25	94 413	94 413
Retained profits		375 537	540 618
TOTAL SHAREHOLDERS' EQUITY		**469 950**	**635 031**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Notes	Contributed Equity $000	Retained Profits $000	Total Equity $000
Balance at 1 July 2012		94 413	370 727	465 140
Profit for the year after income tax		-	169 891	169 891
Balance at 30 June 2013		**94 413**	**540 618**	**635 031**
Balance at 1 July 2013		94 413	540 618	635 031
Profit for the year after income tax		-	94 919	94 919
Dividends paid	24	-	(260 000)	(260 000)
Balance at 30 June 2014		**94 413**	**375 537**	**469 950**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014 $000	2013 $000
Cash flows from operating activities			
Payments to suppliers		(6 061)	(12 888)
Receipts from customers		578	82
Receipt of government grant		5 281	251
Interest received		18 388	11 206
Interest paid		(33 340)	(88 375)
Income tax paid		(234 036)	(23)
GST received from ATO		317	371
GST paid to ATO		(558)	(1)
Other income		-	5
Net cash used in operating activities	31	**(249 431)**	**(89 372)**
Cash flows from investing activities			
Proceeds from investments		651 191	2 319 370
Dividends received		21 051	53 748
Novation payments received		8 890	18 416
Lease payments received		1 065	1 022
Net cash provided by investing activities		**682 197**	**2 392 556**
Cash flows from financing activities			
Proceeds from borrowings		25 479	79 765
Repayment of borrowings		(177 307)	(2 380 873)
Dividend paid		(260 000)	-
Net cash used in financing activities		**(411 828)**	**(2 301 108)**
Net increase in cash and cash equivalents held		**20 938**	**2 074**
Cash and cash equivalents at beginning of financial year		46 456	44 382
Cash and cash equivalents at end of financial year	13	**67 394**	**46 456**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

1. General information

Queensland Treasury Holdings Pty Ltd (QTH) is a company incorporated and domiciled in Brisbane, Australia. QTH's registered office is Level 6, 123 Albert Street, Brisbane.

The consolidated financial statements of QTH as at and for the year ended 30 June 2014 comprise QTH and its subsidiaries (the consolidated entity). QTH is a for-profit entity and primarily acts as a corporate vehicle through which the Queensland Government invests in and manages assets of strategic importance to the State. QTH is owned by the State of Queensland through a 60% ownership by the Under Treasurer as trustee for the State of Queensland and a 40% ownership by Queensland Treasury Corporation (QTC).

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

All accounting policies have been consistently applied to all the years presented.

(a) Basis of preparation

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated financial statements were authorised for issue by the Board of Directors on 05 August 2014.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, as modified by fair value measurement in valuing financial assets at fair value through profit or loss and amortised cost in valuing financial liabilities.

Functional and presentation currency
The financial statements are presented in Australian dollars, which is the consolidated entity's functional currency.

QTH is of a kind of entity referred to in ASIC Class Order 98/100 dated July 1998 and in accordance with that Class Order, all financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

(a) Basis of preparation continued

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

Loans and receivables
The consolidated entity carries long term loans and receivables at amortised cost. In 2011, QTH paid an amount of $121 million for licence fees receivable from Port of Brisbane Pty Ltd (PBPL). The licence fee is based on a revenue sharing arrangement whereby Brisbane Port Holdings Pty Ltd (BPH) will receive a percentage of revenue above a hurdle amount from PBPL for a period of 35 years. QTH made an upfront payment to BPH for the rights to these cashflows using funds provided from QTC. The upfront payment was based on assumed volume growth for the Port of Brisbane using macroeconomic forecasts combined with analysis of local market and supply chain constraints. The licence fee which is payable from 2016 to 2050 has been discounted at 9% which takes into account the risks and uncertainties at inception. Due to risks and uncertainties around the revenue forecasts, this exposes QTH to volatility over future revenues and therefore the valuation of the investment (refer Note 17).

Deferred revenue
The consolidated entity, through DBCTH has deferred revenue resulting from an upfront payment on a long-term lease arrangement. The deferred revenue is amortised in proportion to the relevant lease payments (refer Note 21). The consolidated entity also has deferred revenue relating to moneys transferred to fund CNI expenditure.

(b) Basis of consolidation
The consolidated financial statements incorporate the assets and liabilities of all entities controlled by QTH as at 30 June 2014 except for CNI which has been deemed immaterial. Control exists when the consolidated entity has the power to direct the current activities of the entity, exposure to variable returns and the ability to use such power to affect those returns.

Subsidiaries
Subsidiaries are entities controlled by the consolidated entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. On obtaining control, the identified assets and liabilities are recognised at their acquisition date fair value.

Transactions eliminated on consolidation
Intra-consolidated entity balances and transactions are eliminated in preparing the consolidated financial statements.

(c) Cash and cash equivalents
Cash at bank and short term deposits are stated at net realisable value.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

(d) Investments and other financial assets

QTH classifies its investments based on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition. On initial recognition, financial assets are measured at fair value including, in the case of financial assets that are not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed.

Investments at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets either held for trading or managed and evaluated on a fair value basis. Assets are classified as current if they are expected to be realised within twelve months, otherwise they are classified as non-current.

Unrealised gains and losses on financial assets at fair value through profit or loss are brought to account in the Consolidated Statement of Comprehensive Income.

Loan receivables and licence fee receivables

Loan receivables and licence fee receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loan receivables and licence fee receivables are subsequently carried at amortised cost using the effective interest rate method.

(e) Leases

Leases are classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(f) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's carrying amount is written down to the asset's estimated recoverable amount. In assessing recoverable value, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Impairment losses are recorded in the Consolidated Statement of Comprehensive Income.

(g) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which at 30 June are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred with subsequent measurement at amortised cost using the effective interest rate method. Interest and fees payable are recognised in the period in which they are incurred.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

(i) Deferred revenue

Leases

Revenue received in advance on operating leases is deferred and amortised in proportion to the lease payments.

Government grants

Government grants are initially recognised as deferred revenue due to the reciprocal nature of the conditions associated with them. Subsequent to initial recognition, the timing of grant revenue recognition will depend on the fulfilment of any conditions or obligations attached to the grant.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Interest revenue

Interest revenue is recognised using the effective interest rate method and is recognised on a proportional basis taking into account the interest rates applicable.

Lease revenue

Revenue from operating leases is recognised on a straight line basis over the term of the lease. Revenue received in advance from operating lease arrangements is initially recognised as a liability, and is included as deferred revenue.

Revenue from finance leases is recognised on commencement of the lease, as a gain or loss on disposal of the assets.

Government Grants

Grants are recognised over the periods necessary to match them with the related costs that they are intended to compensate.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(k) Income tax

From 1 July 2010, following the asset sales under the Renewing Queensland Plan, QTH expanded its activities resulting in QTH being registered under the National Tax Equivalents Regime (NTER).

Under the NTER, payments are made to the State Treasurer equivalent to the amount of Commonwealth income tax. In calculating the income tax equivalent expense, tax effect accounting principles are adopted. Deferred income tax liabilities are recognised for all taxable temporary differences arising from prepayments of expenditure. Deferred tax assets are recognised where it is probable that future taxable income will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they are levied by the same tax authority of the same taxable entity.

QTH falls under the Taxation of Financial Arrangements (TOFA) legislation and applies the default realisation and accrual methods.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

2. Summary of significant accounting policies continued

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Consolidated Balance Sheet.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as an operating cash flow.

(m) Dividends

Provisions are made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(n) New accounting standards and interpretations

A number of new and amended accounting standards became effective for annual reporting periods commencing on 1 July 2013. The affected standards include:

- Principles of Consolidation - new standards AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements* and AASB 12 *Disclosure of Involvement with Other Entities*. AASB 10 changes the definition of control based on the entity's exposure to the rights and variability of returns through its power to direct the activities of an investee. While these standards may have an effect on disclosures, they have not changed the companies QTH consolidates or the carrying amounts of these entities in the financial statements.

- AASB 13 *Fair Value Measurement* which is applicable for the first time this year has introduced additional disclosures however the standard has not changed the amounts reported in the financial statements.

Impact of standards issued but not yet adopted

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The effective date for the standard has changed and is now not applicable until 1 July 2017, however the standard is available for early adoption. QTH has not early adopted AASB 9. The licence fee receivable is currently carried at amortised cost however under AASB 9 only those investments held within a business model where the objective is to collect contractual cash flows that represent payments of principal and interest are measured at amortised cost. All other financial assets are measured at fair value. As the licence fee does not meet the above criteria this will be reclassified as a financial asset at fair value through profit or loss.

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

	2014 $000	2013 $000

3. Interest revenue

	2014 $000	2013 $000
Interest – QTC	10 528	2 595
Interest – QIC Growth Fund	-	120
Interest – lease receivables (1)	7 860	8 611
Interest – loans and receivables (2)	13 340	15 857
	31 728	**27 183**

(1) Relates to interest recognised on Lease receivables by DBCTH (refer note 14).

(2) Relates to interest recognised on financial assets acquired from Brisbane Port Holdings Pty Ltd (BPH) following the sale of the Port of Brisbane (refer note 17).

4. Net gain on investments at fair value through profit or loss

	2014 $000	2013 $000
Gain – QIC Growth Fund	-	399
Gain on shares - unrealised (1)	45 040	143 814
Gain/(loss) on shares - realised (2)	88 984	(642 011)
Dividends – proceeds from sale (2)	-	798 271
Bonus shares refunded /(provided)	5	(6)
	134 029	**300 467**

(1) Relates to the market movement on remaining shares held in Aurizon Holdings Ltd (AZJ) (formerly QR National Limited) recorded at fair value (recognised at the closing listed market price of $4.98/share (2013: $4.16/share)).

(2) During the financial year QTH sold 134 304 485 shares in AZJ. In the prior financial year QTH sold 632 276 657 shares in AZJ through:

- a placement to cornerstone investors (October 2012: 144 092 219 shares at $3.47/share) and share buy-back (November 2012: 288 184 438 shares at $3.47/share comprising a $2.76/share dividend component and $0.71/share capital component), and
- a sale to institutional investors (March 2013: 200 000 000 shares at $4.03/share).

5. Dividends received

	2014 $000	2013 $000
Dividends received		
- Unfranked	-	37 790
- Partially franked	21 051	15 958
	21 051	**53 748**

Dividends received relate to interim and final dividends on AZJ shares.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

	2014 $000	2013 $000

6. Amortisation of unearned revenue

	2014 $000	2013 $000
Amortisation of unearned revenue	**310**	**304**

Amortisation of the upfront payment on the leasing arrangements for Dalrymple Bay Coal Terminal, entered into between DBCTH and the original lessee. The upfront payment was deferred and is amortised in accordance with the related lease payments.

7. Government grants

	2014 $000	2013 $000
Government grant revenue	**2 510**	**239**

QTH has taken over project management responsibilities on behalf of the State of Queensland for the Airport Link, Northern Busway (Windsor to Kedron) and Airport Roundabout Upgrade projects, which were previously undertaken by City North Infrastructure Pty Ltd (CNI). The details of the arrangement have been formalised under a Project Management Agreement, with the State agreeing to provide funding to allow QTH to meet these responsibilities. During the year $5 280 909 (excluding GST) was transferred from CNI to QTH to support these operations (2013: $250 918 (excluding GST)). Project management expenses recognised during the year totalled $2 509 799 (2013: $238 859).

8. Interest expense

	2014 $000	2013 $000
Interest – AZJ shares	-	61 507
Interest – BPH receivables	25 284	17 154
Interest – DBCTH leases	7 860	8 611
	33 144	**87 272**

Represents interest paid on borrowings from QTC for the financing of the above arrangements.

9. Other financing costs

	2014 $000	2013 $000
Brokerage and settlement fees	1 449	7 839
Management fee – QTC Loans	196	1 103
Management fee – QTC Cash Fund	321	67
Management fee – QIC Growth Fund	-	5
	1 966	**9 014**

10. Impairment expense

	2014 $000	2013 $000
Impairment expense	**13 945**	**40 645**

Relates to the rights to cashflows under a revenue sharing arrangement as part of the Port of Brisbane sale which has been written down to its recoverable value. The receivable was originally recognised in 2011 at $121.249 million and has been amortised at 9% annually. The carrying value was written down to $106.458 million (2013: $110.462 million) as at 30 June 2014, due to forecasts indicating volume and revenue growth are trending down from original expectations (refer note 3 and note 17).

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

	2014 $000	2013 $000
11. Administration expenses		
Audit fees	44	34
Company secretariat and accounting services - QTC	404	388
Directors fees	22	20
Insurance	104	104
Licence fees	35	35
Legal and professional fees	821	3 469
Project management - CNI	2 510	239
Other expenses	4	7
	3 944	**4 296**
12. Income tax expense		
Current tax comprises:		
Current tax on profit for the year	56 435	181 415
Adjustment – Loyalty Bonus shares	6 163	2 136
	62 598	**183 551**
Deferred tax comprises:		
Decrease in deferred tax asset	30 169	3 970
Decrease in deferred tax liability	(51 356)	(116 963)
	(21 187)	**(112 993)**
Income tax expense	**41 411**	**70 558**
Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	136 330	240 449
Less: (profit) of non-taxable entities	(601)	(1 205)
Profit before income tax expense from taxable entities	**135 729**	**239 244**
Tax at the Australian tax rate of 30%	40 718	71 773
Adjustment for current tax of prior periods	-	2 136
Non-deductible cost base of Loyalty Bonus Shares	6 163	-
Tax offsets on franked dividends - AZJ	(5 470)	(3 351)
Income tax expense	**41 411**	**70 558**
13. Cash and cash equivalents		
Cash at bank	6	5
Cash Fund - QTC	67 388	46 449
Working Capital Facility - QTC	-	2
	67 394	**46 456**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

	2014 $000	2013 $000
14. Lease receivables		
Current		
Lease receivable	1 116	1 064
Novation receivable	8 101	8 890
	9 217	**9 954**
Non-Current		
Lease receivable	110 838	111 954
Novation receivable	37 465	45 566
	148 303	**157 520**
Total		
Lease receivable	111 954	113 018
Novation receivable	45 566	54 456
	157 520	**167 474**
Lease receivable		
Finance leases		
Minimum lease payments		
- Not later than one year	6 471	6 471
- Later than one year and not later than five years	25 882	25 882
- Later than five years	208 403	214 873
Minimum lease commitments receivable at balance date [(a)]	240 756	247 226
Less: future finance charges	(128 802)	(134 208)
Total lease receivable	**111 954**	**113 018**
Present value of minimum lease payments		
- Not later than one year	6 281	6 281
- Later than one year and not later than five years	22 328	22 329
- Later than five years	83 345	84 408
	111 954	**113 018**

(a) These lease commitments receivable represent payments due from the primary lessee under the Plant lease, On-shore sub-lease, Off-shore sub-sub-lease and Road sub-sub-lease. The terms of the Plant lease and On-shore sub-lease are 50 years each, with options to renew for a further 49 years, while the Off-shore sub-sub-lease and Road sub-sub-lease terms are 99 years each. There are no guaranteed residuals for any of the leases.

	2014 $000	2013 $000
Novation receivable		
Minimum lease payments		
- Not later than one year	10 143	11 344
- Later than one year and not later than five years	34 728	36 993
- Later than five years	7 375	15 253
Minimum novation payments receivable at balance date [(b)]	**52 246**	**63 590**
Less: future finance charges	(6 680)	(9 134)
Total novation receivable	**45 566**	**54 456**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

	2014 $000	2013 $000
14. Lease receivables continued		
Novation receivable continued		
Present value of minimum lease payments		
- Not later than one year	9 847	11 014
- Later than one year and not later than five years	30 079	32 042
- Later than five years	5 640	11 400
	45 566	**54 456**

(b) The novation receivable represents payments owing to North Queensland Bulk Ports Corporation Limited from DBCT Management Pty Ltd which has been novated to DBCT Holdings Pty Ltd. The novation payments to be made are set out in the Framework Agreement, with the final payment to be made on 30 June 2020.

15. Prepayments

	2014 $000	2013 $000
Insurance	355	460
Operating lease rentals	98	96
Other	9	8
	462	**564**

16. Investments at fair value through profit or loss

	2014 $000	2013 $000
Shares– AZJ [a]	**273 532**	**787 195**

a) QTH holds 54 926 186 (2013: 189 229 499) shares in AZJ, purchased at the institutional price of $2.55 per share. The shares are market valued based on the closing listed share price of $4.98 per share (2013: $4.16). During the financial year, QTH sold 134 304 485 shares, with the net proceeds from sale being applied to repay QTH's debt with QTC and the remainder paid to the State through dividend and taxes (refer note 20, note 22 and note 24).

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

17. Loans and receivables

	2014 $000	2013 $000
Current		
Loan Receivable	3 871	3 388
Non-Current		
Loan Receivable	49 630	50 215
Licence Fee Receivable	106 459	110 462
	156 089	**160 677**
Total	**159 960**	**164 065**

As part of the sale of the Port of Brisbane by the State, QTH purchased the rights of BPH (formerly Port of Brisbane Corporation Limited) to future cash flows under various agreements. Under these arrangements, the risks and benefits, including the credit risk, have been transferred to QTH.

The loan receivable is discounted at 6.55% and includes the rights to fixed annual payments up to 31 December 2025. The licence fee receivable provides QTH the right to a percentage of trade revenue from the Port of Brisbane for a period of 35 years commencing from 2016 to 2050. The licence fee receivable has been estimated based on trade volume and price growth and is discounted at a rate of 9%. The licence fee was written down at 30 June 2014 and 30 June 2013 to its recoverable amount (refer note 10).

18. Deferred tax asset

	2014 $000	2013 $000
Comprises temporary differences attributable to:		
Capital loss on sale – AZJ [a]	-	31 373
Long term receivable – BPH	4 438	3 236
Reduction in subsidiary carrying value	23 400	23 400
Accruals	6	4
	27 844	**58 013**

[a] The share price on 288 184 438 shares sold in November 2012 under an off-market share buy-back was $3.47/share made up of a dividend of $2.76/share with a further $0.71/share capital component (refer note 4). The structure of this sale resulted in a capital loss of $1.85/share. This capital loss of $533.1 million was able to be offset against capital gains realised during the 2012-13 year of $428.6 million from sales to cornerstone and institutional investors with the remaining $104.5 million offset against share sales in 2013-14.

19. Payables

	2014 $000	2013 $000
Company secretariat and accounting services – QTC	104	94
Other creditors	371	357
	475	**451**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

20. Interest bearing liabilities

	2014 $000	2013 $000
Current loans with QTC		
Lease loan [(a)]	1 116	1 064
Novation loan [(b)]	8 101	8 890
	9 217	**9 954**
Non-Current loans with QTC		
Lease loan [(a)]	110 838	111 954
Novation loan [(b)]	37 465	45 566
Loan - BPH receivables [(c)]	-	141 874
	148 303	**299 394**
Total	**157 520**	**309 348**

(a) The long-term Lease Loan from QTC, a related party, is for a period of 50 years, unless terminated earlier. Interest on the loan is fixed at 4.8% per annum, calculated on the daily balance and payable in arrears on each date rent is payable. A first ranking registered fixed and floating charge has been granted by DBCTH in favour of QTC over all the assets and undertakings of DBCTH.

(b) The long-term Novation Loan from QTC is for a period of 20 years, unless terminated earlier. Interest on the loan is fixed at 4.8% per annum, calculated on the daily balance and payable in arrears on each date rent is payable. A first ranking registered fixed and floating charge has been granted by DBCTH in favour of QTC over all the assets and undertakings of DBCTH.

(c) QTH has purchased the rights to future cashflows from BPH, which were originally funded by loans from QTC (refer note 17). An amount of $59.3 million was applied in full extinguishment of the fixed rate loan during 2012-13 with a further $163.8 million applied in full extinguishment of the remaining loan during 2013-14.

21. Deferred revenue

	2014 $000	2013 $000
Current		
Government grant [(a)]	1 716	12
Sub-lease on land [(b)]	321	313
	2 037	**325**
Non-Current		
Government grant [(a)]	1 067	-
Sub-lease on land [(b)]	3 367	3 685
	4 434	**3 685**
Total	**6 471**	**4 010**

(a) During the year, QTH received an amount of $5 280 909 (excluding GST) (2013: $250 918 excluding GST)) under an arrangement between QTH, CNI and the State of Queensland (refer note 7). An amount of $2 509 799 (2013: $238 859) has been recognised in the year relating to the contract management expenses incurred during the period.

(b) The consolidated entity, through DBCTH, has deferred revenue resulting from an upfront payment on a long-term lease arrangement.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

	2014 $000	2013 $000
22. Tax liabilities		
Current tax liabilities	**12 095**	**183 535**
23. Deferred tax liabilities		
Attributable to temporary differences:		
Financial assets at fair value - AZJ	40 042	91 398
Investments in subsidiaries - DBCTH	177	177
	40 219	**91 575**
24. Dividends paid		
Dividend paid - Type A shareholders	**260 000**	**-**
Dividend per share	43 333	**-**

25. Contributed equity

	2014 $	2013 $
(a) Issued and paid up capital		
6 "A" class shares	6	6
4 "B" class shares	4	4
	10	**10**
Contribution by owners – transfer of BPH	94 412 958	94 412 958
Total contributed equity	**94 412 968**	**94 412 968**

	Number of shares 2014	Number of shares 2013
(b) Movements in shares on issue		
Beginning of the financial year	10	10
Issued during the year	-	-
End of the financial year	**10**	**10**

	2014 $	2013 $
(c) Movements in contributed equity		
Beginning of the financial year	94 412 968	94 412 968
Contributions	-	-
End of the financial year	**94 412 968**	**94 412 968**

26. Remuneration of auditor

Amount paid or payable to the Auditor-General of Queensland for:		
Audit of accounts	**40 300**	**38 300**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

27. Related party transactions

(a) Ultimate controlling entity

The immediate controlling entity and ultimate Australian controlling entity during the year was the Under Treasurer of Queensland who held a 60% interest and 76% of the voting rights as Trustee for the State of Queensland. A further 40% beneficial interest and 24% of the voting rights is held through QTC which is a Corporation Sole constituted by the Under Treasurer.

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for the planning, directing and controlling of activities of QTH, being members of the Board of directors.

(c) Compensation - directors

Income was paid to independent directors of the consolidated entity during the financial year being those directors who are not employees of the Queensland Government or an associated body.

	2014 $	2013 $
Independent directors		
Short-term employee benefits [a]	20 284	17 912
Post-employment benefits [b]	1 876	1 612
	22 160	**19 524**

[a] Short-term employment benefits include fees paid to directors
[b] Post-employment benefits include superannuation payments

(d) Compensation - other officers

QTH does not employ any other officers. All administration is out-sourced to QTC, a related party. QTC charges a fee for these services (refer note 27(e)).

(e) Other related party transactions

During the year, the following transactions were undertaken between the consolidated entity and related parties. All transactions were at normal commercial terms and conditions unless otherwise stated.

- Funds invested with the QTC Cash Fund and QTC Working Capital Facility as at 30 June 2014 totalled $67.4 million (2013: $46.4 million) and interest revenue net of management fees received during the year totalled $10.2 million (2013: $2.5 million).
- The balance of loans outstanding to QTC as at 30 June 2014 was $157.5 million (2013: $309.3 million) with interest expense and fees totalling $33.3 million (2013: $88.4 million) capitalised against these loans. During the year, a loan for rights to licence fees relating to the Port of Brisbane Pty Ltd sale was fully paid out.
- QTC provides administrative services to the consolidated entity. A fee of $404 084 (2013: $387 650) was charged for these services.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

28. Investments in controlled entities

Name of Entity	Country of Incorporation	Shares held	Carrying value	Equity Holding	
		No.	$	2014	2013
Parent Entity					
Queensland Treasury Holdings Pty Ltd (QTH)	Australia				
Controlled Entities					
Brisbane Port Holdings Pty Ltd (BPH)	Australia	2 314 152	16 414 358	100%	100%
City North Infrastructure Pty Ltd (CNI) [(1)]	Australia	3	-	100%	50%
DBCT Holdings Pty Ltd (DBCTH)	Australia	2	6 017 190	100%	100%
Queensland Lottery Corporation Pty Ltd (QLC)	Australia	1	1	100%	100%
Queensland Airport Holdings (Cairns) Pty Ltd (QAHC)	Australia	2	2	100%	100%
Queensland Airport Holdings (Mackay) Pty Ltd (QAHM)	Australia	2	2	100%	100%
Network Infrastructure Company Pty Ltd [(2)]	Australia	2	2	100%	100%

(1) City North Infrastructure Pty Ltd has not been consolidated due to its immaterial status.
(2) Network Infrastructure Company Pty Ltd was registered on 15 June 2010 and has not traded.

Summarised financial information of the parent entity is as follows:

Queensland Treasury Holdings Pty Ltd
The individual financial statements for the parent entity show the following aggregate amounts:

	2014 $000	2013 $000
Income Statement		
Revenues	180 436	371 432
Expenses	(44 736)	(132 244)
Profit before income tax	135 700	239 188
Income tax expense	(41 402)	(70 541)
Profit after income tax	**94 298**	**168 647**
Balance Sheet		
Current assets	336 693	829 631
Non current assets	183 933	218 578
Total assets	**520 626**	**1 048 209**
Current liabilities	(14 058)	(183 776)
Non current liabilities	(41 287)	(233 450)
Total liabilities	**(55 345)**	**(417 226)**
Net assets	**465 281**	**630 983**
Contributed equity	94 413	94 413
Retained earnings	370 868	536 570
Total Shareholders equity	**465 281**	**630 983**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

28. Investments in controlled entities continued

QTH has not entered into any guarantees or contingent liabilities in relation to the debts of its subsidiaries, nor does it have any contractual commitments for the purchase of property, plant or equipment at balance date.

Summarised financial information of controlled entities is as follows:

Brisbane Port Holdings Pty Ltd

Brisbane Port Holdings Pty Ltd (BPH), formerly Port of Brisbane Corporation Limited, holds land zoned for use as port facilities on behalf of the State Government following the divestment of the Port of Brisbane assets in 2010.

	2014 $000	2013 $000
Income Statement		
Revenues	585	688
Expenses	(196)	(182)
Profit for the year	**389**	**506**
Balance Sheet		
Current assets	17 626	17 234
Total assets	**17 626**	**17 234**
Current liabilities	(27)	(24)
Total liabilities	**(27)**	**(24)**
Net assets	**17 599**	**17 210**

City North Infrastructure Pty Ltd

City North Infrastructure Pty Ltd (CNI) was incorporated on 22 December 2006. CNI was established to manage the procurement of the Airport Link, Northern Busway (Windsor to Kedron) and Airport Roundabout Upgrade projects. In 2013, the State transferred the project and contract management responsibilities undertaken by CNI to QTH, with CNI's remaining activities being the finalisation of administrative and corporate matters, and the retention of records of the company. At 30 June 2014, CNI's position showed net assets of $1.6 million, primarily representing the cash holdings of the company. Subject to finalisation of the administrative and corporate matters, it is expected that any excess cash held by CNI will be transferred to the State during the 2014-15 financial year.

CNI was 50% owned by QTH until 1 July 2013 when the remaining shares were cancelled resulting in QTH holding 100% of shares in CNI. CNI has not been consolidated into the results of QTH, in the current financial year as the effect was considered immaterial (refer Note 29).

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

28. Investments in controlled entities continued

DBCT Holdings Pty Ltd

DBCT Holdings Pty Ltd (DBCTH) was incorporated on 22 May 2001. DBCTH acts as a corporate vehicle through which the Queensland Government owns and leases the assets comprising the Dalrymple Bay Coal Terminal located at Mackay, Queensland.

DBCTH was 50% owned by QTH until 1 July 2011 when the remaining 50% of shares were transferred to QTH from Queensland Transport Holdings Pty Ltd at no consideration. The net fair value of assets transferred at this date was $3.009 million with DBCTH fully consolidated into the results of QTH since this date.

	2014 $000	2013 $000
Income Statement		
Revenues	8 563	9 782
Expenses	(8 350)	(9 083)
Profit for the year	**213**	**699**
Balance Sheet		
Current assets	19 893	20 723
Non current assets	148 303	157 520
Total assets	**168 196**	**178 243**
Current liabilities	(9 730)	(10 456)
Non current liabilities	(151 671)	(161 205)
Total liabilities	**(161 401)**	**(171 661)**
Net assets	**6 795**	**6 582**

Queensland Airport Holdings (Mackay) Pty Ltd (QAHM) and Queensland Airport Holdings (Cairns) Pty Ltd (QAHC)

The principal activity of Queensland Airport Holdings (Mackay) Pty Ltd (QAHM) and Queensland Airport Holdings (Cairns) Pty Ltd (QAHC) is to hold land zoned for use as an airport on behalf of the State, following the divestment of the airport assets. Both entities were established to act as a lessor for the airport assets with a lease established for the land, buildings and infrastructure providing the rights to use these assets under 99 year lease arrangements. The leases expire in December 2107 and January 2108 respectively and have been classified as finance leases as they effectively transfer the risks and rewards associated with the assets to the lessee. As such, the assets have been derecognised. All funds were received upfront and repatriated to the Queensland Treasury Consolidated Fund in 2009.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

28. Investments in controlled entities continued

Queensland Lottery Corporation Pty Ltd

Queensland Lottery Corporation Pty Ltd (QLC) was formed following the sale of Golden Casket Lottery Corporation Limited (GCLC) to Tattersall's Ltd (Tattersall's) in April 2007. QLC holds the Queensland Lottery Licence and Golden Casket brands and trademarks on behalf of the State Government which are licensed to Tattersall's through GCLC.

	2014 $000	2013 $000
Income Statement		
Revenues	92	108
Expenses	(64)	(53)
Profit before income tax	28	55
Income tax expense	(8)	(16)
Profit after tax	**20**	**39**
Balance Sheet		
Current assets	2 716	2 695
Total assets	**2 716**	**2 695**
Current liabilities	(9)	(8)
Total liabilities	**(9)**	**(8)**
Net assets	**2 707**	**2 687**

29. Investments in other entities

The following disclosures relate to the consolidated entity.

Name of Entity	**Principal Activities**	**Percentage Ownership**		**Carrying Amount**	
		2014 %	**2013 %**	**2014 $000**	**2013 $000**
City North Infrastructure Pty Ltd (CNI) [(a)]	Manages the procurement of the Airport Link and part of the Northern Busway	100%	50%	-	-

[(a)] CNI became a controlled entity of QTH on 1 July 2013, when 50% of shares in the company were cancelled (refer note 28).

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

30. Lease commitments

Lease expenditure commitments

	2014	2013
Operating leases:	**$000**	**$000**
Minimum lease payments		
- Not later than one year	394	376
- Later than one year and not later than five years	1 576	1 503
- Later than five years	14 677	14 382
Aggregate lease expenditure contracted for at balance date	**16 647**	**16 261**

These commitments represent payments due for lease and sub-lease arrangements. The payments have not been discounted and exclude any future escalations for CPI increases or projected outgoings which are provided for under the terms of each lease.

31. Reconciliation of profit after income tax to net cash flows from operating activities

	2014 $000	2013 $000
Profit after income tax	94 919	169 891
Adjustments for:		
Gain on shares - unrealised	(45 045)	(143 808)
Gain on shares - realised	(88 984)	(156 260)
Amortisation of unearned income	(310)	(304)
Gain - QIC Growth Fund	-	(399)
Interest - QIC Growth Fund	-	(120)
Interest – loans and receivables	(13 340)	(15 857)
Dividend received	(21 051)	(53 748)
Impairment expense	13 945	40 645
Changes in assets and liabilities:		
Decrease in prepayments	102	90
Decrease/(increase) in other receivables	164	(148)
Increase/(decrease) in payables	24	(152)
Increase in deferred revenue	2 771	263
(Decrease)/ increase in tax provision	(171 440)	183 529
Decrease in deferred tax liability	(51 356)	(116 964)
Decrease in deferred tax asset	30 170	3 970
Net cash used in operating activities	**(249 431)**	**(89 372)**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

32. Other arrangements

Network infrastructure assets
During 2010, the Queensland Government transferred certain assets from Aurizon Network Pty Ltd (formerly QR Network Pty Ltd) to QTH which were subsequently leased back to Aurizon Network under a 99 year lease arrangement.

The transfers consisted of Aurizon Network's right, title and interest in, and obligations and liabilities pursuant to, the Central Queensland Coal Network Infrastructure. These assets were transferred at book value under the direction of the Treasurer. Immediately following this transfer, QTH entered into a 99 year lease in relation to these network infrastructure assets to lease the rights back to Aurizon Network.

The lessee must manage, operate, repair and maintain the infrastructure and is responsible to indemnify the lessor for any loss incurred to the extent of the law. At the completion of the lease term the assets may be surrendered to the lessor at the option of the lessor for the fair market value or the lease extended for a further 99 years.

Consideration for the lease is based on a notional rental of $1 per annum but only if demanded in writing. It is currently not expected that QTH would call upon this payment and therefore no recognition of the lease receivable amount has been recognised.

Property Leases
The consolidated entity has interests in freehold land leased to third parties under long term lease arrangements. The rights to use the assets have been leased to third parties for 99 years with expiry dates ranging from December 2107 to November 2110. All the risks and rewards associated with the land during the lease term have been transferred to the lessee despite there being no transfer of title. Therefore all land subject to long term finance leases have been derecognised in these accounts. It is considered that accounting for land as a finance lease is consistent with the economic position of the transaction.

33. Financial risk management

The consolidated entity's activities expose it to a variety of risks arising from financial instruments, including market risk, liquidity risk and credit risk. The consolidated entity manages its exposure to these financial risks through advice and consultation with QTC primarily in relation to its borrowing activities. Risk management parameters are reviewed regularly by the Board to reflect changes in market conditions and changes to the consolidated entity's activities.

(a) Market risk
Market risk is the risk that changes in market prices, such as equity prices and interest rates, will affect the consolidated entity's income or value of its holdings of financial instruments. The objective is to manage and control market risk exposure within acceptable parameters, while optimising return within desired frameworks.

i) Price risk
Equity price risk arises from movements in the share price of the Aurizon Holdings Ltd shares. The Board monitors the investment exposure based on market data.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

33. Financial risk management continued

ii) Interest rate risk

QTH is exposed to interest rate risk through its investments and borrowings which are primarily held with QTC. Excess cash is held in the QTC Cash Fund which is capital guaranteed. Interest rate risk on borrowings is minimised by managing borrowings to a benchmark duration which takes into account the cashflows associated with the loans. The Board approves the interest rate risk management parameters including the target modified duration in consultation with QTC.

At reporting date, the interest rate profile for interest-bearing financial instruments is as follows:

	2014 $000	2013 $000
Fixed rate or non-interest bearing instruments		
Financial assets – loans and receivables	159 960	164 065
Financial assets – lease receivables	157 520	167 475
Financial liabilities - QTC loans	(157 520)	(167 475)
	159 960	**164 065**
Floating rate instruments		
Financial assets - cash	67 394	46 456
Financial liabilities - QTC loan	-	(141 874)
	67 394	**(95 418)**

iii) Sensitivity analysis

Interest rates

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date. The following interest rate sensitivity analysis depicts the effect that a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period:

	Profit or loss		Equity	
Floating rate instruments	**1% increase $000**	**1% decrease $000**	**1% increase $000**	**1% decrease $000**
30 June 2014				
Financial assets	674	(674)	674	(674)
Financial liabilities	-	-	-	-
	674	**(674)**	**674**	**(674)**
30 June 2013				
Financial assets	464	(464)	464	(464)
Financial liabilities	(57)	65	(57)	65
	407	**(399)**	**407**	**(399)**

At 30 June 2014, all floating rate loans have been fully repaid. No interest rate sensitivity has been calculated for the fixed rate instruments due to their nature. The interest rate sensitivity for floating rate loans in the prior year was based on a modified duration of 7 years and includes the effect of periodic rebalancing.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

33. Financial risk management continued

(a) Market risk continued

iii) Sensitivity analysis continued
Equities
Sensitivity analysis for equity instruments is based on a reasonable possible change in the ASX200 share price which is estimated at +/- 10% (2013: +/- 10%).

	Profit or loss		Equity	
	$000 10% increase	**$000 10% decrease**	**$000 10% increase**	**$000 10% decrease**
30 June 2014				
Shares – AZJ	27 353	(27 353)	27 353	(27 353)
30 June 2013				
Shares – AZJ	78 720	(78 720)	78 720	(78 720)

(b) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The consolidated entity is exposed to liquidity risk through the normal course of business. All borrowings are mitigated by back to back arrangements on the debt obligations.

The following table sets out the liquidity risk in relation to financial liabilities held by the consolidated entity. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period.

Contractual payments	0 to 1 year $000	1 to 5 years $000	Over 5 years $000	Total contractual cash flows $000	Carrying amount $000
As at 30 June 2014					
Payables	475	-	-	475	475
Current tax	12 095	-	-	12 095	12 095
Interest-bearing liabilities					
– Lease and novation loan	16 613	60 610	215 779	293 002	157 520
	29 183	**60 610**	**215 779**	**305 572**	**170 090**
As at 30 June 2013					
Payables	451	-	-	451	451
Current tax	183 535	-	-	183 535	183 535
Interest-bearing liabilities					
– Lease and novation loan	17 815	62 875	230 127	310 817	167 474
– Loan - BPH	-	-	186 952	186 952	141 874
	201 801	**62 875**	**417 079**	**681 755**	**493 334**

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

33. Financial risk management continued

(c) Credit risk

Credit risk is the risk of financial loss in the event a counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure.

QTH is exposed to credit risk in relation to the receivables arrangements entered into with BPH. BPH has assigned its rights to QTH to receive money payable to it by the Port Manager, Port of Brisbane Pty Ltd (PBPL). An upfront payment of $50.5 million was made to BPH for the rights to payments under a loan arrangement entered into between BPH and QPH Hold Trust as part of the sale of the Brisbane Port operations. A further amount of $121.2 million was paid in return for BPH's rights to future licence fees from PBPL. In the current financial year, an amount of $3.5 million was received against the loan with the loan repayable via fixed annual payments to 2025. Repayments against the licence fee primarily commence in 2016 for a period of 35 years. In the prior financial year an impairment expense was recognised against the licence fee receivable relating primarily to expectations of lower price growth affecting these cashflows (refer note 10).

The consolidated entity is also exposed to credit risk primarily through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

(d) Fair values of assets and liabilities

The fair values of financial assets and liabilities not carried at fair value at balance date are as follows:

	2014 Carrying value $000	2014 Fair value $000	2013 Carrying value $000	2013 Fair value $000
Financial assets				
Loan receivable	53 501	60 874	53 603	58 300
Licence fee receivable	106 459	106 459	110 462	110 462
Financial liabilities				
Interest bearing liabilities - QTC	157 520	157 520	309 348	309 348

For financial assets and financial liabilities shown in the above table, fair values have been based on the following:

- Loan receivables and licence fee receivables, are discounted to present value using a discount rate taking into account the entity specific risks and using valuation techniques.
- Interest bearing liabilities with QTC are based on the QTC market value of the debt outstanding at balance date.

Except as detailed above, the carrying value of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

33. Financial risk management continued

(e) 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 to fair valuation techniques.

Level 1 – quoted prices (unadjusted) in active markets that can be accessed 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).

According to the above hierarchy, the fair values of each class of financial instrument carried at fair value are as follows:

	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
30 June 2014				
Financial assets recorded at fair value				
Cash at bank	6	-	-	6
QTC Cash Fund & Working Capital Facility	-	67 388	-	67 388
Shares - AZJ	273 532	-	-	273 532
Financial assets where fair value is disclosed				
Loan receivable	-	53 501	-	53 501
Licence fee receivable	-	-	106 459	106 459
30 June 2013				
Financial assets recorded at fair value				
Cash at bank	5	-	-	5
QTC Cash Fund & Working Capital Facility	-	46 451	-	46 451
Shares - AZJ	787 195	-	-	787 195
Financial assets where fair value is disclosed				
Loan receivable	-	53 603	-	53 603
Licence fee receivable	-	-	110 462	110 462

Classification of instruments into fair value hierarchy levels is reviewed annually, and any transfers are deemed to occur at the end of the reporting period. There were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 30 June 2014.

The inputs used in the classification of Level 2 instruments at fair value are as follows:

- QTC Cash Fund and QTC Working Capital Facility are measured at net realisable value.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

34. Contingent liabilities

(a) Environmental obligations

The consolidated entity has exposure to claims made against it through its subsidiaries and associated companies in relation to any pre-existing contamination of land assets. At balance date, there have been no claims made against the consolidated entity.

(b) Land tax

Under the Port of Brisbane Share Sale and Purchase Agreement, the State has agreed to pay to the Port Lessee, any portion of the Port Lessee’s land tax liability in years the land tax assessment for the leased area exceeds the estimated land tax assessment. The obligations are subject to certain conditions, including the lessee pursuing any objection available to it in relation to an assessment, and are limited to assessment years up to and including 30 June 2025.

35. Events subsequent to balance date

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

DIRECTORS' DECLARATION

The Directors of Queensland Treasury Holdings Pty Ltd declare that:

The financial statements and associated notes as set out on pages 7 to 35 are in accordance with the *Corporations Act 2001,* including:

a. complying with the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

b. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Company and the consolidated entity will be able to meet any obligations or liabilities as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

G Bradley
Chairman

5 August 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of Queensland Treasury Holdings Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of Queensland Treasury Holdings Pty Ltd, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Queensland Treasury Holdings Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion, the financial report of Queensland Treasury Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including –

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

QUEENSLAND
12 AUG 2014
AUDIT OFFICE

M KEANE CA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane