QUEENSLAND TREASURY HOLDINGS PTY LTD

ACN 011 027 295

CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013

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 2013 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

Former directors	**Resigned**
I Munro [1]	9 August 2012

[1] Chairman from 24 May 2012 to 9 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 2013 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)

Significant changes in the nature of the activities undertaken by the consolidated entity during the financial year are disclosed below.

REVIEW AND RESULTS OF OPERATIONS

During the financial year, QTH conducted two partial sell-downs of shares in Aurizon Holdings Ltd (Aurizon), liquidating approximately 77% of the State's holdings. In October 2012, QTH sold shares via a selective share buy-back (288 million shares) and placement to cornerstone investors (144 million shares), resulting in proceeds of $1.5 billion. A further 200 million shares were sold to institutional and sophisticated investors in March 2013 resulting in proceeds of $0.8 billion. The net proceeds of each sale were applied against the related debt, resulting in full extinguishment of the associated loan.

REVIEW AND RESULTS OF OPERATIONS - CONTINUED

Other significant transactions included the recognition of an impairment of $40.644 million against a licence fee arrangement with the Port of Brisbane and the transfer of project management responsibilities previously undertaken by City North Infrastructure Pty Ltd (CNI). The impairment relates to a receivable for the rights to cash flows under a revenue sharing arrangement with the Port of Brisbane which has been written down to its recoverable value as at 30 June 2013. The receivable was originally recognised at $121.2 million and has been amortised at 9% annually. Current forecasts indicate the original expectations primarily relating to price growth are unlikely to materialise and as such the carrying value has been written down at year end to $110.462 million. The receivable was funded via a loan from QTC which is supported by a Deed of Guarantee from the State. In addition cashflows from a second Port of Brisbane receivable, funded via a loan from QTC which has been fully repaid, are able to be applied against the loan for the licence fee arrangement.

During the financial year, QTH received an amount of $0.276 million (including GST) under a transitional arrangement between CNI and the State of Queensland. QTH is taking over project management 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 are being finalised under a Project Management Agreement, with the State agreeing to provide funding to allow QTH to meet these responsibilities. An amount of $5.809 million (including GST) was transferred from CNI to QTH in July 2013 to support these operations. These funds 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 $169.891 million
(2012: $18.361 million loss).

The Consolidated Financial Statements include profits from the following entities:
- Brisbane Port Holdings Pty Ltd: $506 000
- DBCT Holdings Pty Ltd: $699 000
- Queensland Lottery Corporation Pty Ltd: $39 000
- Queensland Airport Holdings (Cairns) Pty Ltd: nil, and
- Queensland Airport Holdings (Mackay) Pty Ltd: nil.

DIVIDENDS

No dividends were declared or paid during the year (2012: $77.999 million).

EVENTS SUBSEQUENT TO BALANCE DATE

On 1 July 2013, QTH became the sole beneficial shareholder in CNI following the cancellation of the shares previously held in trust for the State of Queensland by the former Director-General of the Department of Transport and Main Roads. CNI largely ceased operations on 30 April 2013, with its remaining contracts and responsibilities being transitioned to QTH. These operations are funded by way of government grant and therefore are not expected to have any significant effect on the financial performance of QTH.

Other Matters

There are no other 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 2013, QTH has a shareholding in Aurizon Ltd of approximately 8.9% after disposing of approximately 25.1% 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 effect on QTH as any expenditure is matched with grant funding provided by the State. In addition, it is currently intended that CNI will be wound up and deregistered. Therefore QTH is not expecting to consolidate future results of CNI.

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 (2012: Nil).

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

	Base Salary 2013 $	Super 2013 $	Total 2013 $	Base Salary 2012 $	Super 2012 $	Total 2012 $
G Bradley	13 577	1 222	14 799	-	-	-
I Munro	4 335	390	4 725	-	-	-
Total	**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 2013 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 7.

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

02 August 2013

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 2013, 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.

Karen Johnson

ASSISTANT AUDITOR-GENERAL
01 AUG 2013
QUEENSLAND AUDIT OFFICE

K JOHNSON FCA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Notes	2013 $000	2012 $000
Income			
Interest revenue	3	27 183	27 269
Net gain/(loss) on investments held at fair value through profit or loss	4	300 467	(11 586)
Dividends received	5	53 748	61 090
Gain on acquisition of subsidiary		-	3 009
Amortisation of unearned revenue	6	304	299
Government grants	7	239	-
Other		76	48
Total Income		**382 017**	**80 129**
Expenses			
Interest expense	8	87 272	136 608
Management fees	9	1 175	2 027
Brokerage and settlement fees		7 839	-
Operating leases		340	335
Impairment expense	10	40 645	-
Administration expenses	11	4 296	712
Total Expenses		**141 568**	**139 682**
Profit/(loss) before income tax		**240 449**	**(59 553)**
Income tax expense/(benefit)	12	**70 558**	**(41 192)**
Profit/(loss) after income tax		**169 891**	**(18 361)**
Total comprehensive income/(loss) attributable to equity holders of Queensland Treasury Holdings Pty Ltd		**169 891**	**(18 361)**

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2013

	Notes	2013 $000	2012 $000
Current Assets			
Cash and cash equivalents	13	46 456	44 382
Lease receivables	14	9 954	19 438
Prepayments	15	564	654
Investments at fair value through profit or loss	16	787 195	2 802 979
Other receivables		183	9
Total Current Assets		**844 352**	**2 867 462**
Non-Current Assets			
Loans and receivables	17	164 065	191 853
Lease receivables	14	157 520	167 474
Deferred tax asset	18	58 013	61 983
Total Non-Current Assets		**379 598**	**421 310**
TOTAL ASSETS		**1 223 950**	**3 288 772**
Current Liabilities			
Payables	19	451	316
Interest bearing liabilities	20	9 954	19 438
Deferred revenue	21	325	301
Tax liabilities	22	183 535	6
Total Current Liabilities		**194 265**	**20 061**
Non-Current Liabilities			
Interest bearing liabilities	20	299 394	2 591 030
Deferred revenue	21	3 685	4 002
Deferred tax liabilities	23	91 575	208 539
Total Non-Current Liabilities		**394 654**	**2 803 571**
TOTAL LIABILITIES		**588 919**	**2 823 632**
NET ASSETS		**635 031**	**465 140**
Equity			
Contributed equity	25	94 413	94 413
Retained profits		540 618	370 727
TOTAL SHAREHOLDERS' EQUITY		**635 031**	**465 140**

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 2013

	Notes	Contributed Equity $000	Retained Profits $000	Total Equity $000
Balance at 1 July 2011		94 413	467 087	561 500
Loss for the year after income tax		-	(18 361)	(18 361)
Dividends paid	24	-	(77 999)	(77 999)
Balance at 30 June 2012		**94 413**	**370 727**	**465 140**
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**

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 2013

	Notes	2013 $000	2012 $000
Cash flows from operating activities			
Payments to suppliers		(12 888)	(18 750)
Receipts from customers		82	59
Interest received		11 206	11 702
Interest paid		(88 375)	(136 608)
Income tax paid		(23)	1 422
GST received from ATO		371	67
GST paid to ATO		(1)	-
Other income		5	-
Net cash used in operating activities	31	**(89 623)**	**(142 108)**
Cash flows from investing activities			
Proceeds from investments		2 319 370	3 102
Dividend received		53 748	61 090
Novation payments received		18 416	19 705
Lease payments received		1 022	960
Net cash acquired through acquisition of subsidiary		-	244
Net cash provided by investing activities		**2 392 556**	**85 101**
Cash flows from financing activities			
Proceeds from borrowings		79 765	127 002
Repayment of borrowings		(2 380 873)	(84 255)
Dividend paid		-	(77 999)
Receipt of government grant		251	-
Net cash used in financing activities		**(2 300 857)**	**(35 252)**
Net increase/(decrease) in cash and cash equivalents held		**2 074**	**(92 259)**
Cash and cash equivalents at beginning of financial year		44 382	136 641
Cash and cash equivalents at end of financial year	13	**46 456**	**44 382**

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 2013

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 2013 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 02 August 2013.

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. Shares held in Aurizon Ltd (formerly QR National Ltd) have been reclassified to current assets in the Balance Sheet following the expiry of the escrow period in 2012.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

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 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).

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by QTH as at 30 June 2013 and the results of all controlled entities from the date control was established. Control exists when the consolidated entity has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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

For the purposes of the Consolidated Balance Sheet and Consolidated Statement of Cash Flows, cash includes cash at bank and deposits at call. Cash 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 2013

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.

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.

Loans and receivables

Loans and 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.

Measurement

In 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 in the Consolidated Statement of Comprehensive Income.

Loans and 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 Consolidated Statement of Comprehensive Income in the period in which they are incurred.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

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 in the Consolidated Statement of Comprehensive Income 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. Revenue and accrued revenue are recognised at the time services are provided, or the work is completed taking into consideration the type of transaction and the specifics of each arrangement.

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 to the financial assets.

Lease revenue
Revenue from operating leases is recognised in the Consolidated Statement of Comprehensive Income on a straight line basis over the term of the lease. Revenue received in advance from operating lease arrangements is 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 in the Consolidated Statement of Comprehensive Income 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) Contributions by owners

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities are adjusted to contributed equity in accordance with Interpretation 1038: *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. These transactions primarily relate to restructures under administrative arrangements and establish the criteria for determining whether a transfer of assets to wholly-owned public sector entities from other wholly-owned public sector entities satisfies the definition of contributions by owners based on the rights held directly or indirectly by the controlling government.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

2. Summary of significant accounting policies continued

(l) 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. QTH applies the default realisation and accrual methods under TOFA.

(m) 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

2. Summary of significant accounting policies continued

(n) New accounting standards and interpretations

A number of new and amended accounting standards are mandatory for the year ended 30 June 2013. None of these standards or interpretations have been deemed to have any material impact on the financial statements of the consolidated entity.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. The consolidated entity's assessment on the impact of these new standards is set out below:

The following accounting standards are effective for annual reporting periods beginning on or after 1 January 2013:

- AASB 10 *Consolidated Financial Statements* requires a parent to present consolidated financial statements as those of a single economic entity and introduces a single model of control. This is wider than the current definition of control and is based on an entity's exposure to the rights and variability of returns through power to direct the activities of an investee. This standard is not expected to change the entities being consolidated by QTH.

- AASB 12 *Disclosure of Involvement with Other Entities* requires qualitative and quantitative disclosures of an entity's interest in, and judgements applied to subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard will expand on disclosures currently included in these statements.

- AASB 13 *Fair Value Measurement* provides a single source of guidance on how fair value is measured and replaces the guidance currently in multiple Australian Accounting Standards. For all assets and liabilities which are measured at fair value, entities are required to disclose how fair value measurement is determined based on the three level hierarchy system currently used for financial assets and financial liabilities.

The following accounting standard is effective for annual reporting periods beginning on or after 1 January 2015:

- AASB 9 *Financial Instruments* introduces new classification and measurement requirements for financial assets, with measurement at either fair value through profit or loss or amortised cost depending on the business model in which they are held and the contractual cash flow characteristics of the financial asset. For financial liabilities, AASB 9 has largely adopted the recognition and measurement criteria currently contained in AASB 139. This standard is not expected to have a material impact on the financial statements.

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 2013

3. Interest revenue

	2013 $000	2012 $000
Interest – Bank	-	592
Interest – QTC	2 595	1 488
Interest – QIC Growth Fund	120	794
Interest - lease receivables (1)	8 611	9 606
Interest - loans and receivables (2)	15 857	14 789
	27 183	**27 269**

(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/(loss) on investments at fair value through profit or loss

Gain/(loss) – QIC Growth Fund	399	(790)
Gain on shares - unrealised (1)	143 814	16 430
Loss on shares - realised (2)	(642 011)	-
Dividends – proceeds from sale (3)	798 271	-
Bonus shares provided (4)	(6)	(27 226)
	300 467	**(11 586)**

(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 $4.16/share (2012: $3.40/share)).

(2) During the 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: 288 284 438 shares at $3.47/share comprising a $2.7643/share dividend component and $0.7057/share capital component), and
- a sale to institutional investors (March 2013: 200 000 000 shares at $4.03/share).

The fair value loss is mainly due to the capital component ($0.7057/share compared to the sale price of $3.47/share) received on the share buy-back.

(3) As part of the share buy-back in November 2012, a dividend of $2.7643/share was received as a component of the proceeds on sale (288 284 438 shares).

(4) During the year 1,707 Loyalty Bonus Shares (2012: 8 054 986) were provided to Retail Investors in accordance with the obligations of the State under the Retail Offer document.

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5. Dividends received

Dividends received		
- Unfranked	37 790	61 090
- Partially franked	15 958	-
	53 748	**61 090**

Dividends received relate to interim and final dividends on AZJ shares. As part of the off-market share buy back in November 2012, a dividend of $2.7643/share was received as a component of the proceeds on sale (288 million shares) which is included in Note 4.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

	2013	2012
	$000	$000

6. Amortisation of unearned revenue

Amortisation of unearned revenue	**304**	**299**

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

Government grant revenue	**239**	**-**

During the year, QTH received an amount of $250 918 (excluding GST) under a transitional arrangement between City North Infrastructure Pty Ltd (CNI), QTH and the State of Queensland. QTH is taking over project 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 are being formalised under a Project Management Agreement which is currently being finalised, with the State agreeing to provide funding to allow QTH to meet these responsibilities. Project management expenses recognised totalled $238 859. In July 2013, a further $5,280,909 (excluding GST) was transferred from CNI to QTH to support these operations.

8. Interest expense

Interest – AZJ shares	61 507	115 822
Interest – BPH receivables	17 154	11 180
Interest – DBCTH leases	8 611	9 606
	87 272	**136 608**

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

9. Management fees

Management fee – QTC Loans	1 103	1 984
Management fee – QTC Cash Fund	67	27
Management fee – QIC Growth Fund	5	16
	1 175	**2 027**

The consolidated entity incurs fees relating to loans with QTC and investments in the QTC Cash Fund and QIC Growth Fund.

10. Impairment expense

Impairment expense	**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 with $29.857 million recognised in interest revenue over the two years. Current forecasts indicate the original expectations relating primarily to price growth are unlikely to materialise and as such the carrying value has been written down to $110.462 million as at 30 June 2013.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

11. Administration expenses

	2013 $000	2012 $000
Audit fees	34	50
Company secretariat and accounting services - QTC	388	384
Directors fees	20	19
Insurance	104	107
Licence fees	35	34
Legal and professional fees	3 469	114
Project management - CNI	239	-
Other expenses	7	4
	4 296	**712**

12. Income tax expense/(benefit)

	2013 $000	2012 $000
Current tax comprises:		
Current tax on profit for the year	181 415	189
Adjustment in respect of prior year – Loyalty Bonus Shares	2 136	-
	183 551	**189**
Deferred tax comprises:		
Decrease/(increase) in deferred tax asset	3 970	(41 018)
Decrease in deferred tax liability	(116 963)	(363)
	(112 993)	**(41 381)**
Income tax expense/(benefit)	**70 558**	**(41 192)**

Numerical reconciliation of income tax expense to prima facie tax payable:

	2013 $000	2012 $000
Profit/(loss) before income tax expense	240 449	(59 553)
Less: (profit)/loss of non-taxable entities	(1 205)	(294)
Profit/(loss) before income tax expense from taxable entities	**239 244**	**(59 847)**
Tax at the Australian tax rate of 30%	71 773	(17 954)
Adjustment in respect of prior year	2 136	162
Non-assessable dividend - BPH	-	(23 400)
Franking credits received - AZJ	(3 351)	-
Income tax expense/(benefit)	**70 558**	**(41 192)**

13. Cash and cash equivalents

	2013 $000	2012 $000
Cash at bank	5	15
Cash Fund - QTC	46 449	44 365
Working Capital Facility - QTC	2	2
	46 456	**44 382**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

	2013 $000	2012 $000
14. Lease receivables		
Current		
Lease receivable	1 064	1 022
Novation receivable	8 890	18 416
	9 954	**19 438**
Non-Current		
Lease receivable	111 954	113 018
Novation receivable	45 566	54 456
	157 520	**167 474**
Total		
Lease receivable	113 018	114 040
Novation receivable	54 456	72 872
	167 474	**186 912**
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	214 873	221 344
Minimum lease commitments receivable at balance date [(a)]	247 226	253 697
Less: future finance charges	(134 208)	(139 657)
Total lease receivable	**113 018**	**114 040**
Present value of minimum lease payments		
- Not later than one year	1 064	1 022
- Later than one year and not later than five years	4 802	4 578
- Later than five years	107 152	108 440
	113 018	**114 040**

[(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.

	2013 $000	2012 $000
Novation receivable		
Minimum lease payments		
- Not later than one year	11 344	21 578
- Later than one year and not later than five years	36 993	39 946
- Later than five years	15 253	23 644
Minimum novation payments receivable at balance date [(b)]	**63 590**	**85 168**
Less: future finance charges	(9 134)	(12 295)
Total novation receivable	**54 456**	**72 873**
Present value of minimum lease payments		
- Not later than one year	8 890	18 416
- Later than one year and not later than five years	31 092	32 511
- Later than five years	14 474	21 946
	54 456	**72 873**

[(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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

	2013 $000	2012 $000

15. Prepayments

	2013 $000	2012 $000
Insurance	460	564
Operating lease rentals	96	81
Other	8	9
	564	**654**

16. Investments at fair value through profit or loss

	2013 $000	2012 $000
Shares– AZJ [(a)]	787 195	2 793 127
QIC Growth Fund No.2 [(b)]	-	9 852
	787 195	**2 802 979**

(a) QTH holds 189 229 499 (2012: 821 507 863) 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 $4.16 per share (2012: $3.40). During the financial year, QTH sold 632 276 657 shares, with the net proceeds from sale being applied in full repayment of the related debt with QTC (refer note 20).

QTH's residual holding at 30 June 2013 represents approximately 8.9% of shares in AZJ.

(b) The consolidated entity, through its subsidiary DBCTH held an investment in the QIC Growth Fund No.2, a unitised trust. This investment was fully redeemed in September 2012 and the proceeds deposited in the QTC Cash Fund.

17. Loans and receivables

	2013 $000	2012 $000
Loans and receivables	**164 065**	**191 853**

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 receive all moneys owing (whether or not due and payable) under agreements with entities in the QPH group. Under these arrangements, the risks and benefits, including the credit risk, have been transferred to QTH.

The receivables include the rights to payments under a loan arrangement entered into between BPH and QPH Hold Trust. The loan is discounted at a rate of 5.6% and includes fixed annual payments with the loan maturing on 31 December 2025. The receivables also include the rights to future licence fees from Port of Brisbane Pty Ltd. The licence fee entitles BPH the right to a percentage of trade revenue 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 has been written down at 30 June 2013 to its recoverable amount (refer note 10).

The State of Queensland has provided a guarantee to QTH for any shortfall of moneys payable under the loan arrangements (refer note 20).

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

18. Deferred tax asset

	2013 $000	2012 $000
Comprises temporary differences attributable to:		
Capital loss on sale – AZJ [a]	31 373	-
Long term receivable – BPH	3 236	-
Reduction in subsidiary carrying value	23 400	23 400
Carried forward tax loss	-	20 955
Tax benefit	-	18 178
Prior year adjustment	-	(556)
Accruals	4	6
	58 013	**61 983**

[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 $2.7643/share with a further $0.70/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 year of $428.6 million from sales to cornerstone and institutional investors.

19. Payables

	2013 $000	2012 $000
Company secretariat and accounting services – QTC	94	75
Other creditors	357	241
	451	**316**

20. Interest bearing liabilities

	2013 $000	2012 $000
Current loans with QTC		
Lease loan[a]	1 064	1 022
Novation loan[b]	8 890	18 416
	9 954	**19 438**
Non-Current loans with QTC		
Lease loan[a]	111 954	113 018
Novation loan[b]	45 566	54 456
Loan – shares in AZJ [c]	-	2 236 722
Loan - BPH receivables [d]	141 874	186 834
	299 394	**2 591 030**
Total	**309 348**	**2 610 468**

[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 holds 189 229 499 (2012: 821 507 863) shares in AZJ, purchased at the institutional price of $2.55 per share which was initially funded by a loan from QTC. During the year, QTH sold 632 276 657 shares and the proceeds from the sales have been applied against the loan resulting in the debt being fully extinguished (refer note 16).

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

20. Interest-bearing liabilities continued

(d) QTH has purchased the rights to future cashflows from BPH which was funded by loans from QTC (refer note 17). During the year an amount of $59.3 million was applied against the fixed rate loan which resulted in the full repayment of this loan. Under a Deed of Guarantee, dated 7 December 2010, all loan repayments with QTC are guaranteed by the State of Queensland. In the event QTH is unable to pay any amount pursuant to the loan when due, the State can be called upon to meet the shortfall

The QTC loans are recorded at amortised cost being the carrying value at balance date. QTC prices the loans with reference to notional financial instruments and manages interest rate risk arising in connection with each facility. Interest and fees on loans are charged quarterly and capitalised..

21. Deferred revenue

	2013 $000	2012 $000
Current		
Government grant (1)	**12**	-
Sub-lease on land (2)	**313**	301
	325	**301**
Non-Current		
Sub-lease on land (2)	**3 685**	**4 002**
Total	**4 010**	**4 303**

(1) During the year, QTH received an amount of $250 918 (plus GST) under a transitional arrangement between QTH, CNI and the State of Queensland (refer note 7). An amount of $238 859 has been recognised in the year relating to the contract management expenses incurred during the period.

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

22. Current tax liabilities

	2013 $000	2012 $000
Current tax liabilities	**183 535**	**6**

23. Deferred tax liabilities

	2013 $000	2012 $000
Attributable to temporary differences:		
Long term receivables - BPH	-	5 217
Financial assets at fair value - AZJ	91 398	203 322
Investments in subsidiaries - DBCTH	177	-
	91 575	**208 539**

24. Dividends paid

	2013 $000	2012 $000
Total dividend paid - Type A shareholders	**-**	**77 999**

In 2012 an amount of $77 998 600 was received by QTH from its investment in BPH which was repatriated to the State of Queensland as a dividend from QTH.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

25. Contributed equity

(a) Issued and paid up capital

	2013 $	2012 $
Capital - Issued and paid up		
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**

(b) Movements in shares on issue

	Number of shares 2013	Number of shares 2012
Beginning of the financial year	10	10
Issued during the year	-	-
End of the financial year	**10**	**10**

(c) Movements in contributed equity

	2013 $	2012 $
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	**38 300**	**53 300**

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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

27. Related party transactions continued

(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.

	2013	2012
	$	$
Independent directors		
Short-term employee benefits [1]	17 912	-
Post-employment benefits [2]	1 612	-
	19 524	**-**

(1) Short-term employment benefits include fees paid to directors
(2) 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 2013 totalled $46.4 million (2012: $44.4 million) and interest revenue net of management fees received during the year totalled $2.5 million (2012: $1.5 million).
- The balance of loans outstanding to QTC as at 30 June 2013 was $309.3 million (2012: $2 610.5 million) with interest expense and fees totalling $88.4 million (2012: $138.6 million) capitalised against these loans. During the year, a loan for the purchase of shares in AZJ (previously QR National) was fully paid along with a loan for the rights to fixed cashflows relating to the Port of Brisbane Pty Ltd sale.
- The State of Queensland has provided a guarantee to QTH for any shortfall of moneys payable under the loan arrangements (refer note 20).
- QTC provides administrative services to the consolidated entity. A fee of $387 650 (2012: $384 189) was charged for these services.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

28. Investments in controlled entities

Name of Entity	Country of Incorporation	Shares held No.	Carrying value $	Equity Holding 2013	Equity Holding 2012
Parent Entity					
Queensland Treasury Holdings Pty Ltd (QTH)	Australia				
Controlled Entities					
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 [(1)]	Australia	2	2	100%	100%
Brisbane Port Holdings Pty Ltd (BPH)	Australia	2 314 152	16 414 358	100%	100%
DBCT Holdings Pty Ltd (DBCTH)	Australia	2	6 017 190	100%	100%

[(1)] 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:

	2013 $000	2012 $000
Income Statement		
Revenues	371 432	147 373
Expenses	132 244	207 312
Profit/(loss) before income tax	239 188	(59 939)
Income tax expense/(benefit)	70 541	(41 381)
Profit/ (loss) after income tax	**168 647**	**(18 558)**
Balance Sheet		
Current assets	826 131	25 102
Non current assets	222 078	3 069 394
Total assets	**1 048 209**	**3 094 496**
Current liabilities	183 776	66
Non current liabilities	233 450	2 632 094
Total liabilities	**417 226**	**2 632 160**
Net assets	**630 983**	**462 336**
Contributed equity	94 413	94 413
Retained earnings	536 570	367 923
Total Shareholders equity	**630 983**	**462 336**

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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

28. Investments in controlled entities continued

Summarised financial information of controlled entities is as follows:

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.

	2013 $000	2012 $000
Queensland Airport Holdings (Mackay) Pty Ltd		
Income Statement		
Revenues	5	-
Expenses	5	-
Profit after tax	**-**	**-**
Balance Sheet		
Assets	-	-
Liabilities	-	-
Net assets	**-**	**-**

No financial transactions have occurred in Queensland Airport Holdings (Cairns) Pty Ltd in either the current or prior financial year.

- **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.

	2013 $000	2012 $000
Income Statement		
Revenues	108	135
Expenses	53	41
Profit before income tax	55	94
Income tax expense	16	28
Profit after tax	**39**	**66**
Balance Sheet		
Current assets	2 695	2 658
Total assets	**2 695**	**2 658**
Current liabilities	8	10
Total liabilities	**8**	**10**
Net assets	**2 687**	**2 648**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

28. Investments in controlled entities continued

▪ 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.

	2013 $000	2012 $000
Income Statement		
Revenues	688	655
Expenses	182	229
Profit before income tax expense	506	426
Income tax expense	-	161
Profit after tax	**506**	**265**
Balance Sheet		
Current assets	17 234	16 756
Total assets	**17 234**	**16 756**
Current liabilities	24	52
Total liabilities	**24**	**52**
Net assets	**17 210**	**16 704**

▪ 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.

Income Statement		
Revenues	9 782	9 965
Expenses	9 083	10 099
Profit/ (loss) before income tax	699	(134)
Income tax expense	-	-
Profit/ (loss) after tax	**699**	**(134)**
Balance Sheet		
Current assets	20 723	19 966
Non current assets	157 520	177 326
Total assets	**178 243**	**197 292**
Current liabilities	10 456	19 997
Non current liabilities	161 205	171 412
Total liabilities	**171 661**	**191 409**
Net assets	**6 582**	**5 883**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

29. Investments in other entities

The following disclosures relate to the consolidated entity.

Name of Entity:	Principal Activities	Percentage Ownership		Carrying Amount	
		2013 %	2012 %	2013 $000	2012 $000
City North Infrastructure Pty Ltd (CNI) [(a)]	Manages the procurement of the Airport Link and part of the Northern Busway	50%	50%	-	-

[(a)] At balance date, QTH held a 50% shareholding in CNI. The remaining 50% of shares were cancelled on 1 July 2013 and resulted in QTH obtaining control from that date. QTH has not equity accounted CNI into these statements as the effect would not be material. The operations of CNI are currently being wound down with a transition of the project management responsibilities to QTH.

30. Lease commitments

Lease expenditure commitments

	2013 $000	2012 $000
Operating leases:		
Minimum lease payments		
- Not later than one year	376	371
- Later than one year and not later than five years	1 503	1 484
- Later than five years	14 382	14 570
Aggregate lease expenditure contracted for at balance date	**16 261**	**16 425**

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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

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

	2013 $000	2012 $000
Profit /(loss) after income tax	169 891	(18 361)
Adjustments for:		
Gain on shares - unrealised	(143 808)	10 796
Gain on shares - realised	(156 260)	-
Gain on acquisition - subsidiary	-	(3 009)
Amortisation of unearned income	(304)	(312)
Gain/loss - QIC Growth Fund	(399)	790
Interest - QIC Growth Fund	(120)	(794)
Interest – loans and receivables	(15 857)	(14 789)
Impairment expense	40 645	-
Dividend received	(53 748)	(61 090)
Tax expense/(benefit)	70 541	(41 381)
Changes in assets and liabilities		
- Decrease/(increase) in prepayments	90	(36)
- (Increase)/decrease in receivables	(148)	68
- Decrease in prepaid tax	-	1 613
- Increase in other assets	-	(127)
- Decrease in payables	(152)	(15 476)
- Increase in deferred revenue	12	-
- Decrease in tax provision	(6)	-
Net cash provided by operating activities	**(89 623)**	**(142 108)**

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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

32. Other arrangements continued

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 their 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.

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:

	2013 $000	2012 $000
Fixed rate or non-interest bearing instruments		
Financial assets – loans and receivables	164 065	191 853
Financial liabilities - QTC loans	(167 475)	(2 476 864)
	(3 410)	**(2 285 011)**
Floating rate instruments		
Financial assets - cash	46 456	44 382
Financial liabilities - QTC loan	(141 874)	(133 604)
	(95 418)	**(89 221)**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

33. Financial risk management continued

ii) 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 2013				
Financial assets	464	(464)	464	(464)
Financial liabilities	(57)	65	(57)	65
	407	**(399)**	**407**	**(399)**
30 June 2012				
Financial assets	444	(444)	444	(444)
Financial liabilities	(50)	60	(50)	60
	394	**(384)**	**394**	**(384)**

QTC borrowings include both floating rate and loans that are fixed in nature. The interest rate sensitivity of the floating rate loan is based on a modified duration of 7 years (2012: 6 years) and includes the effect of periodic rebalancing over the year. No interest rate sensitivity has been calculated for the fixed rate loans. In relation to the AZJ share loan carried at 30 June 2012, the loan was structured to approximate a fixed rate loan by allowing its duration to decay. There is negligible impact on interest costs from changes in interest rates structured in this manner.

The QIC Growth Fund is exposed to market risk in the form of movements in interest rates and equity prices, however, as the impact of any movement is not material, the interest rate of investments held in the QIC Growth Fund at 30 June 2012 have not been included in the sensitivity analysis.

iii) Sensitivity Analysis

Equities
Sensitivity analysis for equity instruments is based on a reasonable possible change in the ASX200 share price which is estimated at +/- 10% (2012: +/- 15%).

	Profit or loss		**Equity**	
	$000 10% increase	**$000 10% decrease**	**$000 10% increase**	**$000 10% decrease**
30 June 2013				
Investments at fair value through profit or loss - shares	78 720	(78 720)	78 720	(78 720)
	15% increase	**15% decrease**	**15% increase**	**15% decrease**
30 June 2012				
Investments at fair value through profit or loss - shares	418 969	(418 969)	418 969	(418 969)

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

33. Financial risk management continued

(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 and through its borrowings with QTC, however this is mitigated by back to back arrangements whereby the consolidated entity's debt obligations are matched by the receipt of cash flows from third parties. In addition, there is a guarantee from the State Government in the event a shortfall on the BPH loan occurs (refer notes 17 & 20).

The consolidated entity manages its exposure to liquidity risk by maintaining sufficient cash deposits, and through its ability to borrow with QTC, to cater for unexpected volatility in cash flows.

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.

As at 30 June 2013

Contractual payments	0 to 1 year $000	1 to 5 years $000	Over 5 years $000	Total contractual cash flows $000	Carrying amount $000
Financial liabilities					
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	167 475
– Loan - BPH	-	-	186 952	186 952	141 874
	201 800	**62 875**	**417 079**	**681 754**	**493 334**

As at 30 June 2012

Contractual payments	0 to 1 year $000	1 to 5 years $000	Over 5 years $000	Total contractual cash flows $000	Carrying amount $000
Financial liabilities					
Payables	322	-	-	322	322
Interest-bearing liabilities –					
Lease and novation loan	28 048	65 828	244 989	338 865	186 912
– Loan - AZJ	-	-	2 768 531	2 768 531	2 236 722
– Loans - BPH	3 000	17 000	249 117	269 117	186 834
	31 370	**82 828**	**3 262 637**	**3 376 835**	**2 610 790**

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 $3.0 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 current year an impairment expense has been recognised against the licence fee receivable relating primarily to expectations of lower price growth affecting these cashflows (refer note 10).

In the event there is a shortfall in the receipt of cashflows from PBPL, there is a guarantee from the State to enable it to meet its debt obligations backing the arrangement.

The consolidated entity is also exposed to credit risk through its investments in the QTC Cash Fund and the QTC Working Capital Facility. 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. Working Capital facility deposits have a duration of one day and all investments are required to have a minimum credit rating of “A-”, therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong. The remainder of cash is held with the Commonwealth Bank under the Whole of Government banking facility.

(d) Fair values of assets and liabilities

The carrying amounts and fair values of financial assets and liabilities of the consolidated entity at balance date are as follows:

	2013 Carrying Value $000	2013 Fair Value $000	2012 Carrying Value $000	2012 Fair Value $000
Financial assets				
Cash and cash equivalents	46 456	46 456	44 382	44 382
Investment at fair value				
- QIC Growth Fund	-	-	9 852	9 852
- Shares - AZJ	787 195	787 195	2 793 127	2 793 127
Loans and receivables	164 065	164 065	191 853	191 853
Lease receivables	167 474	167 474	186 912	186 912
	1 165 190	**1 165 190**	**3 226 126**	**3 226 126**

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

33. Financial risk management continued

(d) Fair values of assets and liabilities continued

	2013 Carrying Value $000	2013 Fair Value $000	2012 Carrying Value $000	2012 Fair Value $000
Financial liabilities				
Interest bearing liabilities - QTC	309 348	321 179	2 610 468	2 657 710
	309 348	**321 179**	**2 610 468**	**2 657 710**
Net Financial Assets	**855 842**	**855 842**	**615 658**	**568 416**

The fair values of assets and liabilities have been based on the following:

- Cash and cash equivalents is at the carrying value.
- Units in the QIC Growth Fund No.2 are based on the closing unit price as valued by the Unit Trust.
- Shares in AZJ are valued using the closing quoted market price at reporting date.
- For loans and receivables where recovery is deferred, the receivable is discounted to present value using a discount rate taking into account the entity specific risks and using valuation techniques. For all other receivables (including lease receivables), fair value is based on the carrying value.
- The fair value of QTC loans is based on the QTC market value of the debt outstanding at balance date.

(e) Fair value hierarchy

The recognised fair values of financial assets and financial liabilities are classified based on the lowest level of input significant to the overall fair value:

Level 1 : based on quoted prices (unadjusted) in active markets for identical instruments
Level 2 : based on inputs other than quoted prices included in Level 1 that are observable directly or indirectly
Level 3: based on unobservable inputs or observable inputs to which significant adjustments have been applied

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

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

33. Financial risk management continued

(e) Fair value hierarchy continued

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2013				
Financial assets				
Cash at bank	5	-	-	5
QTC Cash Fund & Working Capital Facility	-	46 451	-	46 451
Shares - AZJ	787 195	-	-	787 195
Total financial assets	**787 200**	**46 451**	**-**	**833 651**
30 June 2012				
Financial assets				
Cash at bank	15	-	-	15
QTC Cash Fund & Working Capital Facility	-	44 367	-	44 367
Units in QIC Growth Fund No.2	-	9 852	-	9 852
Shares - AZJ	2 793 127	-	-	2 793 127
Total financial assets	**2 793 142**	**54 219**	**-**	**2 794 147**

No transfers between classification levels occurred during the financial year.

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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2013

35. Events subsequent to balance date

On 1 July 2013, the remaining 50% of shares in City North Infrastructure Pty Ltd (CNI) held in trust for the State by the Former Director-General of the Department of Transport and Main Roads were cancelled. This resulted in QTH obtaining 100% ownership and control of CNI. CNI is currently transferring its operations to QTH pending deregistration of the company. An amount of $5.809 million (including GST) was transferred from CNI to QTH in July 2013 to support these operations.

Other than as mentioned above, there are no other 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 8 to 38 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 2013 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

02 August 2013

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 2013, 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 2013 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.

ASSISTANT AUDITOR-GENERAL
0[illegible] AUG 2013
QUEENSLAND AUDIT OFFICE

Karen Johnson

K JOHNSON FCA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane