QUEENSLAND TREASURY HOLDINGS PTY LTD

ACN 011 027 295

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

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 2012 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**
T Spencer (1)	4 May 2012
I Munro (2)	9 August 2012

(1) Chairman to 4 May 2012
(2) 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 2012 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 interest in shares retained in QR National Limited.

QTH holds equity in the following entities:
- Brisbane Port Holdings Pty Ltd (formerly Port of Brisbane Corporation Limited)
- Queensland Lottery Corporation Pty Ltd
- Queensland Airport Holdings (Cairns) Pty Ltd
- Queensland Airport Holdings (Mackay) Pty Ltd
- Network Infrastructure Company Pty Ltd (dormant)
- DBCT Holdings Pty Ltd
- City North Infrastructure Pty Ltd

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 held interests on behalf of the State of Queensland following the privatisation of State assets. QTH obtained the remaining 50% of shares in DBCT Holdings Pty Ltd on 1 July 2011 to increase its holding to 100%. QTH also retained its shares in QR National Limited and met the State's obligations under the Loyalty Bonus Share incentive as contained in the QR National Share Offer Document.

REVIEW AND RESULTS OF OPERATIONS - CONTINUED

During the year the consolidated entity reviewed its accounting policy in relation to the treatment of long-term leases. Land which is subject to a long term lease was previously classified as an operating lease in the financial statements. The consolidated entity has reassessed this classification and designated these leases as finance leases. This change has been applied retrospectively in these financial statements.

The net loss after tax of the consolidated entity for the financial year was $18,361,000
(2011: $439,207,000 profit).

The Consolidated Financial Statements included profits and losses from the following entities:
- Queensland Airport Holdings (Cairns) Pty Ltd: Profit nil
- Queensland Airport Holdings (Mackay) Pty Ltd: Profit nil
- Queensland Lottery Corporation Pty Ltd: Profit $65,000
- Brisbane Port Holdings Pty Ltd: Profit $266,000 and
- DBCT Holdings Pty Ltd: Loss $134,000

DIVIDENDS

Dividends were paid during the year of $ 77,998,600 (2011: nil).

EVENTS SUBSEQUENT TO BALANCE DATE

Change of Chairman
On 10 August 2012, QTH appointed G Bradley and L Gordon as Directors of the Company with G Bradley appointed as Chairman.

Other Matters
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

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. 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

No income was paid or made available to any director of QTH during the financial year. Income was paid to the directors of the controlled entity, DBCT Holdings Pty Ltd to August 2011.

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 2012 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 P Bradley
Chairman

16 August 2012

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 2012, 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

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

Queensland Audit Office
Brisbane

Date:

ASSISTANT AUDITOR-GENERAL
16 AUG 2012
QUEENSLAND AUDIT OFFICE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	2012 $000	2011 $000	2010 $000
Revenue				
Interest revenue	3	26 479	9 358	1 042
Fair value (loss)/gain on shares	4	(10 796)	688 537	-
Dividend received	5	61 090	-	-
Gain on acquisition of subsidiary	6	3 009	-	-
Amortisation of unearned revenue	7	299	-	-
Other		48	10	-
Total Income		**80 129**	**697 905**	**1 042**
Expenses				
Interest expense	8	136 608	69 900	-
Finance costs	9	2 027	1 157	-
Audit and professional fees		434	176	-
Operating leases	10	335	-	-
Other		278	82	88
Total Expenses		**139 682**	**71 315**	**88**
Share of profit of equity accounted joint venture	11	**-**	594	178
(Loss)/profit before income tax		**(59 553)**	**627 184**	**1 132**
Income tax (benefit)/expense	12	**(41 192)**	**187 977**	**22**
(Loss)/profit after income tax		**(18 361)**	**439 207**	**1 110**
Total comprehensive (loss)/ income attributable to equity holders of Queensland Treasury Holdings Pty Ltd		**(18 361)**	**439 207**	**1 110**

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

CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Notes	2012 $000	2011 $000	2010 $000
Current Assets				
Cash and cash equivalents	13	44 382	136 641	25 479
Lease receivables	14	19 438	-	-
Prepayments	15	654	373	9
Prepaid tax	16	-	1 613	-
Other receivables		9	82	-
Total Current Assets		**64 483**	**138,709**	**25 488**
Non-Current Assets				
Investments at fair value through profit or loss	17	2 802 979	2 803 922	-
Investment accounted for using the equity method	18	-	3 009	2 415
Loans and receivables	19	191 853	179 564	-
Lease receivables	14	167 474	-	-
Deferred tax asset	20	61 983	20 964	-
Total Non-Current Assets		**3 224 289**	**3 007 459**	**2 415**
TOTAL ASSETS		**3 288 772**	**3 146 168**	**27 903**
Current Liabilities				
Payables	23	316	17 589	17
Interest bearing liabilities	24	19 438	-	-
Tax liabilities		6	7	6
Deferred income	25	365	-	-
Total Current Liabilities		**20 125**	**17 596**	**23**
Non-Current Liabilities				
Interest bearing liabilities	24	2 591 030	2 358 170	-
Deferred income	25	3 938	-	-
Deferred tax liability	26	208 539	208 902	-
Total Non-Current Liabilities		**2 803 507**	**2 567 072**	**-**
TOTAL LIABILITIES		**2 823 632**	**2 584 668**	**23**
NET ASSETS		**465 140**	**561 500**	**27 880**
Equity				
Contributed equity	27	94 413	94 413	-
Retained profits		370 727	467 087	27 880
TOTAL SHAREHOLDERS' EQUITY		**465 140**	**561 500**	**27 880**

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 2012

	Contributed Equity $000	Retained Profits $000	Total Equity $000
Balance at 1 July 2009	-	26 770	26 770
Profit for the year after income tax	-	1 110	1 110
Contributions by Owners			
Transfer of assets - additions			
- Infrastructure assets	1 719 384	-	1 719 384
- Accumulated depreciation	(165 110)	-	(165 110)
Disposal through lease arrangement			
- Infrastructure assets	(1 719 384)	-	(1 719 384)
- Accumulated depreciation	165 110	-	165 110
Balance at 30 June 2010	**-**	**27 880**	**27 880**
Balance at 1 July 2010	-	27 880	27 880
Profit for the year after income tax	-	439 207	439 207
Contributions by Owners			
Transfer of assets - additions			
- Infrastructure assets	262 615	-	262 615
- Accumulated depreciation	(51 168)	-	(51 168)
Disposal through lease arrangement			
- Infrastructure assets	(262 615)	-	(262 615)
- Accumulated depreciation	51 168	-	51 168
Transfer of net assets in BPH	94 413	-	94 413
Balance at 30 June 2011	**94 413**	**467 087**	**561 500**
Balance at 1 July 2011	94 413	467 087	561 500
Profit for the year after income tax	-	(18 361)	(18 361)
Dividends paid	-	(77 999)	(77 999)
Balance at 30 June 2012	**94 413**	**370 727**	**465 140**

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 2012

	Notes	2012 $000	2011 $000
Cash flows from operating activities			
Payments to suppliers		(18 693)	(90)
Receipts from customers		59	-
Interest received		11 702	1 508
Interest paid		(136 608)	(69 901)
Income tax paid		1 422	(38)
GST received		67	4
GST paid		(57)	-
Net cash (used in)/provided by operating activities	34	**(142 108)**	**(68 517)**
Cash flows from investing activities			
Acquisitions of investments		-	(2 287 146)
Proceeds from investments		2 500	-
Net cash acquired through acquisition of subsidiary		244	109 778
Lease payments received		960	-
Novation payments received		19 705	-
Sale of long-term investments		602	-
Dividend received		61 090	-
Net cash provided by/(used in) investing activities		**85 101**	**(2 177 368)**
Cash flows from financing activities			
Proceeds from borrowings		127 002	2 357 047
Repayment of borrowings		(84 255)	-
Dividend paid		(77 999)	-
Net cash provided by financing activities		**(35 252)**	**2 357 047**
Net increase in cash and cash equivalents held		**(92 259)**	**111 162**
Cash and cash equivalents at beginning of financial year		136 641	25 479
Cash and cash equivalents at end of financial year	13	**44 382**	**136 641**

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 2012

1. General information

Queensland Treasury Holdings Pty Ltd (QTH) is a company incorporated and domiciled in Brisbane, Australia. QTH's registered office is Level 14, 61 Mary Street Brisbane.

The consolidated financial statements of QTH as at and for the year ended 30 June 2012 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 Queensland Treasury and Trade 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.

During the year the consolidated entity reviewed its accounting policy in relation to the treatment of long-term leases. Land assets which are subject to long term leases were previously classified as operating leases in the financial statements. The consolidated entity has reassessed this classification and designated these leases as finance leases. The leases are for terms of 99 years with all revenue received upfront. Substantially 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. It is considered that accounting for land as a finance lease is consistent with the economic position of the transaction. This change has been retrospectively applied in these financial statements.

All other 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 (including Australian Interpretations) adopted 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 14 August 2012.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, as modified by fair value used 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

2. Summary of significant accounting policies continued

(a) Basis of preparation continued

Use of judgements and assumptions
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 disclosed in note 19 and 36.

Changes in accounting policies
In July 2010, the accounting standard on leases was changed to remove the requirement that a land lease is to be classified as an operating lease. The change enabled an assessment to be made on the basis of whether the lease transfers substantially all the risks and rewards incidental to ownership, in which case the lease would be classified as a finance lease. The QTH consolidated entity holds long-term leases in relation to property and infrastructure held by Brisbane Port Holdings Pty Ltd (BPH), Queensland Airport Holdings (Cairns) Pty Ltd (QAHC) and Queensland Airport Holdings (Mackay) Pty Ltd (QAHM) and have foregone the right to use these assets for a period of 99 years in return for an upfront payment. The land was originally classified as an operating lease, however, while the title has not been passed to the lessees, substantially all risks and rewards have transferred, with the consolidated entity in a similar economic position to that if the title had been transferred. A reassessment of these transactions during the financial year has resulted in the entire leases being classified as finance leases.

This change in accounting policy has been applied retrospectively. The following table summarises the transitional adjustments made to the balance sheet upon implementation of the new accounting policy:

	Investment property (land) ($000)	Deferred revenue ($000)	Profit or loss ($000)	Equity ($000)
30 June 2009				
Balance as reported	54 664	(54 395)	1 235	27 039
Adjustment due to change in accounting policy	(54 664)	54 395	(269)	(269)
Restated balance at 30 June 2009	**-**	**-**	**966**	**26 770**
30 June 2010				
Balance as reported	54 664	(53 843)	1 662	28 701
Adjustment due to change in accounting policy	(54 664)	(53 843)	(552)	(821)
Restated balance at 30 June 2010	**-**	**-**	**1 110**	**27 880**
30 June 2011				
Balance as reported	1 034 514	(1 015 836)	453 669	580 177
Adjustment due to change in accounting policy	(1 034 514)	1 015 836	(14 462)	(18 677)
Restated balance at 30 June 2011	**-**	**-**	**439 207**	**561 500**

Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Refer to the change in accounting policy note on changes to the treatment of long term leases.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

2. Summary of significant accounting policies continued

(b) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by QTH as at 30 June 2012 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. Inter-entity transactions, balances and unrealised gains on transactions between group entities are eliminated.

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.

Associates and jointly controlled entities

Associates and jointly controlled entities are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies.

(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.

(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 for which fair value is more representative of the nature of the assets. 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 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.

Investments accounted for using the equity method – joint venture entity

QTH had a 50% investment in DBCT Holdings Pty Ltd (DBCTH). The remaining shares in DBCTH were transferred to QTH on 1 July 2011 resulting in QTH obtaining control of the entity. In the prior financial year, DBCTH was a jointly controlled entity and accounted for using the equity method. Under the equity method, the share of the profits or losses from the joint venture was recognised in the Consolidated Statement of Comprehensive Income, and the share of movements in equity was recognised in the Balance Sheet.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

2. Summary of significant accounting policies continued

(d) Investments and other financial assets continued

Measurement
At 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) Property, plant and equipment

Property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Land	$1
Buildings	$10,000
Infrastructure	$10,000
Plant and equipment	$ 5,000

Cost is used for the initial recording of all non-current asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition. Property, plant and equipment is depreciated on a straight line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, over its estimated useful life.

Following initial recognition, property, plant and equipment is measured at fair value in accordance with AASB 116: *Property, Plant and Equipment.* Property, plant and equipment is derecognised where no future economic benefits are expected to flow to the entity from its use or disposal.

All property, plant and equipment has been derecognised due to it being subject to finance leases.

(f) Investment property

Investment property consists of assets held to earn rental income or for capital appreciation. Where investment property is subject to a finance lease, all land, buildings and infrastructure associated with the lease are derecognised.

(g) 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

2. Summary of significant accounting policies continued

(h) 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 income statement.

(i) 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.

(j) Deferred revenue

Revenue received in advance on operating leases is deferred and amortised over the life of the lease.

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the 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 income

Interest income 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 income

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 at year-end 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.

Dividends

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

(l) 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.

2. Summary of significant accounting policies continued

(m) Income tax

QTH is a State and Territory Body which was exempt from income tax under the provisions of Section 24AO of the *Income Tax Assessment Act 1936*. QTH was not included within the National Tax Equivalents Regime (NTER) which is intended to promote competitive neutrality through a uniform application of Commonwealth income tax laws. Accordingly, no income tax expense or liability has been recognised up to and including the financial year ended 30 June 2010. From 1 July 2010, following the asset sales under the Renewing Queensland Plan, QTH has expanded its activities resulting in QTH being registered under the 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) which were introduced for financial years beginning 1 July 2010. TOFA legislation applies to certain financial arrangements of an entity within the scope of TOFA. QTH applies the default realisation and accrual methods allowed under TOFA which defers tax payable on gains and losses to income years when those gains and losses are realised.

(n) 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 2012

2. Summary of significant accounting policies continued

(o) New accounting standards and interpretations

A number of new and amended accounting standards are mandatory for the year ended 30 June 2012. 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 2012 reporting period. The consolidated entity's assessment on the impact of these new standards is set out below:

Effective for annual periods beginning on or after 1 January 2013:

- AASB 9 *Financial Instruments* is expected to replace AASB 139 *Financial Instruments*. The new standard specifies new recognition and measurement requirements for financial assets within the scope of AASB 139. The amendments require financial assets to be measured at fair value through profit or loss unless they meet the criteria for amortised cost measurement. For financial liabilities, AASB 9 has largely adopted the recognition and measurement criteria currently contained in AASB 139. The impact of this standard is yet to be assessed although it is not expected to have a material impact on the financial statements.

- 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 11 *Joint Arrangements* clarifies all joint arrangements as either joint operations or joint ventures based on the rights and obligations of the arrangement. It requires joint ventures where each party has rights to the net assets of the arrangement to be accounted for using the equity method. This is consistent with QTH's current accounting policy for joint venture entities.

- AASB 12 *Disclosure of Involvement with Other Entities* requires qualitative and quantitative disclosures on an entity's interest in, and judgements applied to subsidiaries, joint arrangements, associates and other structured entities.

- AASB 13 *Fair Value Measurement* replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. 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.

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 2012

3. Interest revenue

	2012 $000	2011 $000
Interest – Bank	592	162
Interest – QTC Cash Fund and Working Capital Facility	1 488	1 393
Interest – QIC Growth Fund	794	-
Net fair value (loss) – QIC Growth Fund	(790)	-
Interest - lease receivables [1]	9 606	-
Interest - loans and receivables [2]	14 789	7 803
	26 479	**9 358**

[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) on sale of the Port of Brisbane (refer note 19).

4. Fair value (loss)/gain on shares

Bonus shares provided	(27 226)	-
Fair value gain on shares – unrealised	16 430	688 537
	(10 796)	**688 537**

Relates to the market movement of shares held in QR National Limited recorded at fair value (recognised at the closing listed market price of $3.40 per share (2011: $3.38 per share). During the year, 8,054,986 Loyalty Bonus Shares were provided to Retail Investors in accordance with the requirements of the State under the Retail Offer document.

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5. Dividends received

Dividends received	61 090	-
	61 090	**-**

Relates to unfranked dividends received on QR National Limited shares.

6. Gain on acquisition of subsidiary

Gain on acquisition of subsidiary	3 009	-
	3 009	**-**

On 1 July 2011, QTH obtained the remaining 50% of shares in DBCTH. The gain relates to the fair value of assets acquired at no consideration.

7. Amortisation of unearned revenue

Amortisation of unearned revenue	299	-
	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 over the life of the lease.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

8. Interest expense

	2012 $000	2011 $000
Interest on borrowings - QTC	136 608	69 900
	136 608	**69 900**

Relates to interest paid on loans from QTC for the purchase of QRN Shares ($115.8 million), BPH receivables ($11.2 million), DBCTH leases ($9.6 million).

9. Finance costs

Management fee - QTC	2 011	1 157
Management fee – QIC Growth Fund No.2	16	-
	2 027	**1 157**

The consolidated entity incurs finance costs relating to investments in the QTC Cash Fund and QIC Growth Fund No. 2.

10. Operating leases

Rentals	335	-
	335	**-**

Rentals are recognised as an expense in the financial year in which they are incurred.

11. Share of profit of equity accounted joint venture

DBCTH – 50% of current year profits	-	594
	-	**594**

QTH obtained control of DBCTH on 1 July 2011 when all remaining shares were transferred to QTH. From that date DBCTH is fully consolidated into these results.

12. Income tax expense

Income tax expense recognised in profit or loss:		
Current tax expense/(benefit)	189	(20 916)
Deferred tax	(41 381)	208 893
Income tax (benefit)/expense	**(41 192)**	**187 977**

Deferred tax comprises:

(Increase)/decrease in deferred tax asset	(41 019)	(9)
(Decrease)/increase in deferred tax liability	(363)	208 902
	(41 381)	**208 893**

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

12. Income tax expense continued

	2012 $000	2011 $000
Numerical reconciliation of income tax expense to prima facie tax payable:		
(Loss)/profit before income tax expense	(59 553)	627 184
Less: (profit)/loss of non-taxable entities	(294)	(594)
(Loss)/profit before income tax expense from taxable entities	(59 847)	626 590
Tax at the Australian tax rate of 30%	(17 954)	187 977
Prior year under provision - BPH	162	-
Non-assessable dividend – BPH	(23 400)	-
Income tax (benefit) /expense	**(41 192)**	**187 977**

13. Cash and cash equivalents

	2012	2011
Cash at bank	15	109 895
QTC Cash Fund	44 365	26 744
QTC Working Capital Facility	2	2
	44 382	**136 641**

14. Lease receivables

	2012	2011
Current		
Lease receivable	1 022	-
Novation receivable	18 416	-
	19 438	**-**
Non-Current		
Lease receivable	113 018	-
Novation receivable	54 456	-
	167 474	**-**
Total		
Lease receivable	114 040	-
Novation receivable	72 872	-
	186 912	**-**

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

14. Lease receivables continued

Lease receivable	2012 $000	2011 $000
Finance leases		
Minimum lease payments		
- Not later than one year	6 471	-
- Later than one year and not later than five years	25 882	-
- Later than five years	221 344	-
Minimum lease commitments receivable at balance date [(a)]	253 697	-
Less: future finance charges	(139 657)	-
Total lease receivable	**114 040**	**-**
Present value of minimum lease payments		
- Not later than one year	1 022	-
- Later than one year and not later than five years	4 578	-
- Later than five years	108 440	-
	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.

Novation receivable	2012 $000	2011 $000
Minimum lease payments		
- Not later than one year	21 578	-
- Later than one year and not later than five years	39 946	-
- Later than five years	23 644	-
Minimum novation payments receivable at balance date [(b)]	**85 168**	**-**
Less: future finance charges	(12 295)	-
Total novation receivable	**72 873**	**-**
Present value of minimum lease payments		
- Not later than one year	18 416	-
- Later than one year and not later than five years	32 511	-
- Later than five years	21 946	-
	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 2012

15. Prepayments

	2012 $000	2011 $000
Insurance	564	372
Operating lease rentals	81	-
Other	9	-
	654	**372**

16. Prepaid tax

	2012 $000	2011 $000
Tax prepaid - BPH	**-**	**1 613**

17. Investments at fair value through profit or loss

	2012 $000	2011 $000
Shares– QRN [(a)]	2 793 127	2 803 922
QIC Growth Fund No.2 [(b)]	9 852	-
	2 802 979	**2 803 922**

(a) QTH holds 821,507,863 (2011: 829,562,849) shares in QR National Limited (QRN), purchased at the institutional price of $2.55 per share. The shares are market valued based on the closing share price of $3.40 (2011: $3.38). The investment is subject to an escrow agreement which expires in 2012 following the release of QRN's 2012 financial result to the Australian Stock Exchange. During the year, 8,054,986 Loyalty Bonus Shares were provided to Retail Investors based on the requirements of the State under the Retail Offer document.

QTH holds approximately 34% of shares in QRN, however QTH does not have board representation or exert significant influence over QRN and therefore have not equity accounted its investment in QRN.

(b) The consolidated entity, through its subsidiary DBCTH, holds an investment in the QIC Growth Fund No.2. This is a unitised trust that is unit priced daily by QIC Limited. The consolidated entity holds 12,989,691.53 units at a closing price at 30 June 2012 of $0.7584.

18. Investment accounted for using the equity method

	2012 $000	2011 $000
Opening balance	3 009	2 415
Proportional share of current year's undistributed profit	-	594
Transfer of unrealised gain of equity accounted investment on establishment of control	(3 009)	-
Closing Balance	**-**	**3 009**

For further disclosure concerning jointly controlled entities, refer Note 31.

19. Loans and receivables

	2012 $000	2011 $000
Loans and receivables	**191 853**	**179 564**

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 the Port Manager. Under these arrangements, the risks and benefits including the credit risk have been transferred to QTH.

QTC provided loans to QTH in 2011 to fund the purchase of the receivables to the value of $171 million. The State of Queensland has provided a guarantee to QTH for any shortfall of moneys payable under the loan arrangements (refer note 24).

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

20. Deferred tax asset

	2012 $000	2011 $000
The balance comprises temporary differences attributable to:		
Carried forward tax loss	20 955	-
Prior year adjustment	(556)	-
Current year tax benefit	18 178	20 955
Reduction in subsidiary carrying value	23 400	-
Accruals	6	9
	61 983	**20 964**

21. Investment property

Investment property consists of freehold land leased to third parties under long term 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 has 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 and as such a retrospective adjustment has been applied in the 2011-12 financial statements (refer note 2(a)).

22. Property, plant and equipment

Balance at 1 July	**-**	**-**
Additions - through equity	-	262,615
Disposal - through equity	-	(262,615)
Balance at 30 June	**-**	**-**
Accumulated depreciation		
Balance 1 July	-	-
Additions - through equity	-	(51,168)
Disposal - through equity	-	51,168
Balance at 30 June	**-**	**-**

Infrastructure assets were transferred to QTH on 30 June 2010 and leased back to QR Network Pty Ltd (QR Network). Additional infrastructure assets were transferred under a further Transfer Notice dated 26 August 2010. This Transfer Notice also returned to QR Network, infrastructure assets valued at $1.307 million, representing QTH's rights, title and interest in, and obligations and liabilities pursuant to infrastructure incorrectly identified in the initial transfer.

23. Payables

Professional fees – QTC	75	114
Other creditors	241	17 475
	316	17 589

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

24. Interest-bearing liabilities

	2012 $000	2011 $000
Current loans with QTC		
Lease loan[(a)]	1 022	-
Novation loan[(b)]	18 416	-
	19 438	**-**
Non-Current loans with QTC		
Lease loan[(a)]	113 018	-
Novation loan[(b)]	54 456	-
Loan funding purchase of shares in QRN [(c)]	2 236 722	2 180 210
Loan funding purchase of BPH receivables [(d)]	186 834	177 960
	2 591 030	**2 358 170**

(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 821 507 863 (2011: 829 562 849) shares in QR National Limited, purchased at the institutional price of $2.55 per share which was funded by a loan from QTC (refer note 17).

(d) QTH has purchased the rights to future cashflows from BPH which was funded by loans from QTC (refer note 19).

The QTC loans are recorded at amortised cost being the carrying value of the balance outstanding at balance date. QTC prices the loans with reference to notional financial instruments and manages interest rate risk arising in connection with the facility. For floating rate instruments, interest is calculated daily based on the market value of the loan at a rate determined by QTC as being the cost of funds with relation to the relevant portfolio of notional financial instruments. Interest and fees on the facility are charged quarterly and capitalised. Under Deeds of Guarantee, dated 7 December 2010, all repayments under the loan facilities with QTC are guaranteed by the State of Queensland. In the event QTH is unable to pay any amount pursuant to the loans when due, the State can be called upon to meet any shortfall.

25. Deferred income

	2012 $000	2011 $000
Current		
Sub-lease on land	365	-
	365	**-**
Non-Current		
Sub-lease on land	3 938	-
	3 938	**-**

The consolidated entity, through DBCTH, has deferred income 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 2012

26. Deferred tax liabilities

	2012 $000	2011 $000
Attributable to temporary differences		
- Receivables	5 217	2 341
- Financial assets at fair value	203 322	206 561
	208 539	**208 902**

27. Contributed equity

i) Issued and paid up capital

	2012 $	2011 $
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**

ii) Movements in shares on issue

	Number of shares 2012	Number of shares 2011
Beginning of the financial year	10	10
Issued during the year	-	-
End of the financial year	**10**	**10**

iii) Movements in contributed equity

	2012 $	2011 $
Beginning of the financial year	94 412 968	10
Contributions by owners – transfer of BPH	-	94 412 958
End of the financial year	**94 412 968**	**94 412 968**

28. Remuneration of auditor

Amount received, or due and receivable, by the Auditor-General of Queensland for:

Audit of accounts	**53 300**	53 500

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

29. 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% beneficial interest and 76% of the voting rights as Trustee for the Treasurer of Queensland and a further 40% beneficial interest and 24% of the voting rights through QTC which is a Corporation Sole represented 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

No income was paid to or made available to any director of the consolidated entity during the financial year, apart from DBCTH, where the former Board members were paid prior to their resignation in August 2011.

(d) Compensation - other officers

QTH does not employ any other officers. All administration is out-sourced to Queensland Treasury Corporation (QTC), a related party. QTC charges a fee for these services (refer note 29(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 2012 totalled $44.4 million (2011: $26.7 million) and interest income net of management fees received during the year totalled $1.5 million (2011: $1.4 million).
- No additional funds were borrowed from QTC during the year (2011: $2 287.1 million). The balance of loans outstanding to QTC as at 30 June 2012 was $2 610.5 million (2011: $2 358.2 million) with interest expense and fees totalling $138.6 million (2011: $71.1 million) capitalised against these loans.
- QTC provides administrative services to the consolidated entity. A fee of $384 189 (2011: $123 080) was charged for these services.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

30. Investments in controlled entities

Name of Entity	Country of Incorporation	Shares held No.	Carrying value $	Equity Holding 2012	2011
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	1	100%	100%
Queensland Airport Holdings (Mackay) Pty Ltd (QAHM)	Australia	2	1	100%	100%
Network Infrastructure Company Pty Ltd [1]	Australia	2	2	100%	100%
Brisbane Port Holdings Pty Ltd (BPH)[2]	Australia	2 314 152	16 414 358	100%	100%
DBCT Holdings Pty Ltd (DBCTH)[3]	Australia	2	6 017 190	100%	50%

(1) Network Infrastructure Company Pty Ltd was registered on 15 June 2010 and has not traded.
(2) All shares in Brisbane Port Holdings Pty Ltd were transferred to QTH on 5 April 2011.
(3) The balance of shares in DBCT Holdings Pty Ltd were transferred to QTH on 1 July 2011.

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:

	2012 $000	2011 $000
Income Statement		
Revenues	147 373	697 606
Expenses	207 312	71 149
(Loss) / profit before income tax	(59 939)	626 457
Income tax (benefit)/expense	(41 381)	187 937
(Loss) / profit after income tax	**(18 558)**	**438 520**

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

31. Investments in controlled entities continued

	2012 $000	2011 $000
Balance Sheet		
Current assets	25 102	24 170
Non current assets	3 069 394	3 101 872
Total assets	**3 094 496**	3 126 042
Current liabilities	66	78
Non current liabilities	2 632 094	2 567 072
Total liabilities	**2 632 160**	**2 567 150**
Net assets	**462 336**	**558 892**
Contributed equity	94 413	94 413
Retained earnings	367 923	464 479
Total Shareholders equity	**462 336**	**558 892**

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:

- **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. As such, the assets have been derecognised. All funds were received upfront and repatriated to the Queensland Treasury Consolidated Fund in 2009. QTH obtained 100% of the shares in QAHM & QAHC on 12 May 2009.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

30. 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.

	2012 $000	2011 $000
Income Statement		
Revenues	135	135
Expenses	(41)	(38)
Profit before income tax	94	97
Income tax expense	(28)	(29)
Profit after tax	**66**	**68**
Balance Sheet		
Current assets	2 658	2 593
Total assets	**2 658**	**2 593**
Current liabilities	10	10
Total liabilities	**10**	**10**
Net assets	**2 648**	**2 583**

- **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. Shares in BPH were transferred to QTH on 5 April 2011.

Profits for BPH are as follows:

Income Statement		
Revenues	655	162
Expenses	(229)	(127)
Profit before income tax expense	426	35
Income tax expense	(161)	(10)
Profit after tax	**265**	**25**

Profits are shown and consolidated from the date of obtaining control in April 2011.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

30. Investments in controlled entities continued

Brisbane Port Holdings Pty Ltd continued

	2012 $000	2011 $000
Balance Sheet		
Current assets	16 756	111 944
Total assets	**16 756**	**111 944**
Current liabilities	52	17 507
Total liabilities	**52**	**17 507**
Net assets	**16 704**	**94 437**

The net assets of BPH were transferred to QTH in April 2011 under a Ministerial Transfer Notice at no consideration.

At the date of acquisition, the fair value of all assets and liabilities transferred is as follows:

	Fair value $000
Cash	109 778
Prepayments and receivables	442
Prepaid tax	1 615
Total Assets	**111 835**
Payables	17 422
Total Liabilities	**17 422**
Net assets	**94 413**
Contributed equity	2 250
Asset revaluation reserve	27 916
Retained profits	64 247
Total equity	**94 413**

In 2011-12 an amount of $77 998 600 was paid as a dividend to QTH from the above assets. This dividend was repatriated to the State of Queensland as a dividend from QTH. Following the dividend payment, the carrying value of QTH's investment in BPH was reduced to $16.414 million.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

30. 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.

The 50% of shares in DBCTH were accounted for using the equity method to 30 June 2011. On 1 July 2011, the remaining 50% of shares in DBCT Holdings Pty Ltd 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. For the 2011-12 financial year, DBCTH is fully consolidated into the results of QTH.

	2012 $000	2011 $000
Income Statement		
Revenues	9 965	-
Expenses	10 099	-
Loss before income tax	(134)	-
Income tax expense	-	-
Loss after tax	**(134)**	**-**
Balance Sheet		
Current assets	19 966	-
Non current assets	177 326	-
Total assets	**197 292**	**-**
Current liabilities	19 997	-
Non current liabilities	171 412	-
Total liabilities	**191 409**	**-**
Net assets	**5 883**	**-**

31. Investment in jointly controlled entity

Name of Company	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Dividend Received/ Receivable	
Unlisted		**2012 %**	**2011 %**	**2012 $000**	**2011 $000**	**2012 $000**	**2011 $000**
DBCT Holdings Pty Ltd	Coal Terminal	100%	50%	-	3,009	-	-

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

31. Investment in jointly controlled entity continued

(a) Results of jointly controlled entity

Summarised financial information of jointly controlled entity:

	2012 $000	2011 $000
Income Statement		
Revenues	-	12,447
Expenses	-	11,260
Profit before income tax expense	-	1,187
Income tax expense	-	-
Profit after tax	**-**	**1,187**
Balance Sheet		
Current assets	-	21,025
Non-current assets	-	197,363
Total assets	**-**	**218,388**
Current liabilities	-	21,179
Non-current liabilities	-	191,192
Total liabilities	**-**	**212,371**
Net assets	**-**	**6,017**

QTH's share of the jointly controlled entity's result and retained profits for the year ended 30 June, including movements in the carrying amount of the investment consists of:

Share of post-acquisition retained profits		
Share of retained profits at beginning of year	3 009	2 415
Share of net result	-	594
Derecognition of unrealised gains on equity accounted investment on transfer to a subsidiary	(3 009)	-
Share of retained profits at end of year	**-**	**3 009**

From 1 July 2011, all shares have been transferred to QTH. Accordingly, from this date DBCTH has been fully consolidated into these accounts.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

32. Investments in other entities

The following disclosures relate to the consolidated entity.

Name of Entity:	Principal Activities	Percentage Ownership		Carrying Amount	
		2012 %	2011 %	2012 $000	2011 $000
City North Infrastructure Pty Ltd (CNI) [(a)]	Manages the procurement of the Airport Link and part of the Northern Busway	50%	50%	-	-
Queensland Motorways Limited (QML) [(b)]	Owns and operates toll roads and bridge infrastructure in south-east Queensland	-	-	-	-

[(a)] On 30 June 2011, a share restructure and issue of new shares resulted in QTH obtaining a 50% shareholding in CNI with the remaining 50% being held by the Department of Transport and Main Roads. QTH does not have control over CNI, having neither Board representation, nor power or significant influence over the operations and as such CNI has not been consolidated.

[(b)] On 6 December 2010, all shares in QML were transferred to QTH which were held in Trust on behalf of the State. No beneficial interest was transferred to QTH and as such QML has not been consolidated into QTH's results. These shares were transferred back to the State of Queensland on 27 May 2011 (2010: 2 of 187 523 ordinary shares).

33. Lease commitments

As at 30 June 2011, the consolidated entity's share of the jointly controlled entity's operating lease expenditure commitments was $8.161 million. QTH obtained the remaining 50% shares in DBCTH on 1 July 2011 and control of the entity. As such, DBCTH is fully consolidated into the current year's results.

Lease expenditure commitments

	2012 $000	2011 $000
Operating leases:		
Minimum lease payments		
- Not later than one year	363	180
- Later than one year and not later than five years	1 454	717
- Later than five years	14 353	7 264
Aggregate lease expenditure contracted for at balance date	**16 170**	**8 161**

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 2012

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

	2012	2011
	$000	$000
(Loss)/profit after income tax	(18 361)	439 207
Adjustments for:		
Share of profit of equity accounted joint venture	-	(594)
Decrease/(increase) in fair value of investments	10 669	(688 537)
Interest and fees capitalised on loans	(127 002)	(69 901)
Fair value of investment in subsidiary	(3 009)	-
Decrease in amortisation of unearned income	(312)	-
Net fair value movement on investment – QIC Growth Fund	790	-
Distribution received on investment – QIC Growth Fund	(794)	-
Items not classified as operating activities:		
Changes in assets and liabilities		
- (Increase)/decrease in prepayments	(32)	57
- (Increase)/decrease in receivables	(12 221)	(7 873)
- (Decrease)/increase in tax payable	(1)	1
- (Decrease)/increase in payables	(17 452)	151
- Decrease in prepaid tax	1 613	-
- (Decrease)/increase in deferred tax liability	(41 019)	208 902
- Increase/(decrease) in deferred tax asset	(363)	(20 964)
- Increase/(decrease) in other liabilities	65 386	71 034
Net cash provided by operating activities	**(142 108)**	**(68 517)**

35. Equity transfers of network infrastructure assets

On 30 June 2010, the Queensland Government transferred certain assets from QR Network to QTH which were subsequently leased back to QR Network under a 99 year lease arrangement. Additional infrastructure assets were transferred under a transfer notice dated 26 August 2010. This transfer notice also returned infrastructure assets incorrectly identified in the initial transfer back to QR Network.

The transfers consisted of QR 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 QR 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 are required to be surrendered to the lessor with the exclusion of Infrastructure located on the Rail Corridor Land at the commencement of the lease. The lessee has the right to possess and use the infrastructure during the lease term and the right on expiry to either remove the infrastructure or to have paid to it the fair market value.

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.

36. Financial risk management

The consolidated entity's activities expose it to a variety of financial risks; market risk (including price and interest rate 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 foreign exchange, interest rates and equity prices 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. There is no exposure to foreign exchange.

i) Price risk

Equity price risk arises from movements in the share price of the QR National Limited shares. The Board monitors the investment exposure based on market data.

ii) Interest rate risk

Interest rate exposure relating to QTC borrowings is minimised by managing 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.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

36. Financial risk management continued

ii) Interest rate risk continued

The consolidated entity is also exposed to interest rate risk on its financial assets through its investments in the QTC Cash Fund, the QTC Working Capital Facility and cash held with the Commonwealth Bank. The balances held in these accounts are used to meet the short to medium term cash requirements of the consolidated entity.

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

	2012 $000	2011 $000
Fixed rate or non interest bearing instruments		
Financial assets - cash	-	95 216
Financial assets – loans and receivables	191 853	179 564
Financial liabilities - QTC loans	(2 457 426)	(2 232 587)
	(2 265 573)	**(1 957 807)**
Floating rate instruments		
Financial assets - cash	44 382	41 425
Financial liabilities - QTC loan	(133 603)	(125 583)
	(89 221)	**(84 158)**

iii) Sensitivity Analysis

Interest rates

Financial assets and financial liabilities of a floating rate nature are exposed to interest rate sensitivity. The entity has estimated that based on a reasonable possible change in interest rates of + / - 1% the effect on the consolidated entity would be as follows:

	Profit or loss		Equity	
Floating rate instruments	**1% increase $000**	**1% decrease $000**	**1% increase $000**	**1% decrease $000**
30 June 2012				
Financial assets	444	(444)	444	(444)
Financial liabilities	(60)	60	(60)	60
	384	**(384)**	**384**	**(384)**
30 June 2011				
Financial assets	414	(414)	414	(414)
Financial liabilities	(79)	79	(79)	79
	335	**(335)**	**335**	**(335)**

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 six 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 QRN share loan, the loan is 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, it has not been included in the sensitivity analysis.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

36. Financial risk management continued

Equities

Sensitivity analysis for equity instruments is based on a reasonable possible change in the ASX 200 share price which is estimated at +/- 15%.

	Profit or loss		Equity	
	15% increase $000	15% decrease $000	15% increase $000	15% decrease $000
30 June 2012				
Shares -				
Financial assets at fair value	418 969	(418 969)	418 969	(418 969)
30 June 2011				
Shares -				
Financial assets at fair value	420 588	(420 588)	420 588	(420 588)

(b) Liquidity risk

The consolidated entity is exposed to liquidity risk in the normal course of business and through its borrowings from QTC however this is mitigated by back to back arrangements whereby the entity's debt obligations relating to the Port loans are matched by the receipt of cash flows from receivables purchased from Brisbane Port Holdings Pty Ltd (BPH). Interest on the QRN share loan is capitalised. In addition, there are guarantees from the State Government in the event a shortfall on either loan facility occurs (refer notes 8 & 24).

The following table analyses the financial liabilities held by the consolidated entity into relevant maturity periods based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows, except for payables which are shown at their carrying value.

As at 30 June 2012

Contractual payments	0 to 12 months $000	1 to 5 years $000	Over 5 years $000	Total $000
Financial Liabilities				
Payables	322	-	-	322
Interest-bearing liabilities	31 048	82 828	3 262 637	3 376 513
	31 370	**82 828**	**3 262 637**	**3 376 835**

As at 30 June 2011

Contractual payments	0 to 12 months $000	1 to 5 years $000	Over 5 years $000	Total $000
Financial Liabilities				
Payables	17 596	-	-	17 596
Interest-bearing liabilities	2 500	2 350 382	241 642	2 594 524
	20 096	**2 350 382**	**241 642**	**2 612 120**

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

36. Financial risk management continued

(c) Credit risk

The maximum credit risk exposure of the consolidated entity is represented by the carrying amounts of assets recognised in the Consolidated Balance Sheet.

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). In 2010-11, two payments were made which transferred the rights and benefits of cashflows from BPH to QTH. An upfront payment of $50,511,095 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 $121,249,852 was paid in return for BPH's rights to future licence fees from PBPL. In the current financial year an amount of $2 500 000 was received against the loan arrangement, with $10 000 received against the licence fee arrangement.

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 these arrangements.

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 rating counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital facility deposits have duration of one day and all investments are required to have a minimum credit rating of “A-”, therefore the likelihood of a credit failure is remote. 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:

	2012 Carrying Value $000	2012 Fair Value $000	2011 Carrying Value $000	2011 Fair Value $000
Financial Assets				
Cash and cash equivalents	44 382	44 382	136 641	136 641
Investment at fair value - QIC Growth Fund	9 852	9 852	-	-
Investments at fair value - shares	2 793 127	2 793 127	2 803 922	2 803 922
Loans and receivables	191 853	191 853	179 564	179 564
Lease receivables	186 912	186 912	-	-
Investment accounted for using the equity method	-	-	3 009	3 009
	3 226 126	**3 226 126**	**3 123 136**	**3 123 136**

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

36. Financial risk management continued

(d) Fair values of assets and liabilities continued

	2012 Carrying Value $000	2012 Fair Value $000	2011 Carrying Value $000	2011 Fair Value $000
Financial Liabilities				
Payables	322	322	17 596	17 596
Interest bearing liabilities	2 610 468	2 657 710	2 358 170	2 368 603
	2 610 790	**2 658 032**	**2 375 766**	**2 386 199**
Net Financial Assets	**615 336**	**568 094**	**747 370**	**736 937**

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.

Investments at fair value through profit or loss include shares valued using the quoted bid price at reporting date.

The fair value of receivables when short term in nature, is based on the carrying value. 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.

The fair value of QTC Loans is based on the QTC market value of the debt outstanding at balance date.

(e) Fair value hierarchy

All financial instruments measured at fair value have been classified in accordance with the hierarchy described in AASB 7: *Financial Instruments: Disclosures*. The fair value hierarchy reflects the significance of the inputs used to determine the valuation of these instruments.

Level 1 fair value measurements are those derived directly from quoted market prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are those using inputs other than quoted prices included within level 1 that are observable directly or indirectly from the market data.

Level 3 fair value measurements are those derived from unobservable inputs or observable inputs to which significant adjustments have been applied.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

36. Financial risk management continued

(e) Fair value hierarchy continued

30 June 2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial Instruments - Assets				
Cash at bank	15	-	-	15
QTC Cash Fund & Working Capital Facility	-	44 367	-	44 367
Loans and receivables	-	53 214	138 639	191 853
Shares	2 793 127	-	-	2 793 127
Units in QIC Growth Fund No.2	-	9 852	-	9 852
Total Financial Assets	**2 793 142**	**107 433**	**138 639**	**3 039 214**

30 June 2011	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial Instruments - Assets				
Cash at bank	109 895	-	-	109 895
QTC Cash Fund & Working Capital Facility	-	26 746	-	26 746
Loans and receivables	-	52 365	127 199	179 564
Shares	2 803 922	-	-	2 803 922
Units in QIC Growth Fund No.2	-	-	-	-
Total Financial Assets	**2 913 817**	**79 111**	**127 199**	**3 120 127**

The following tables shows a reconciliation of items in level 3

	Level 3 $000	Effect on profit $000
30 June 2012		
Balance at 1 July	127 199	-
Purchases	-	-
Interest recognised through profit or loss	11 440	11 440
Balance 30 June	**138 639**	**11 440**
30 June 2011		
Balance at 1 July	-	-
Purchases	121 250	-
Interest recognised through profit or loss	5 949	5 949
Balance 30 June	**127 199**	**5 949**

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

36. Financial risk management continued

(e) Fair value hierarchy continued

The present value of receivables classified as Level 3 under the fair value hierarchy is established by discounting the future cashflows taking into account the entity specific risks involved. An amount of $121.2 million was paid for licence fees receivable from the Port of Brisbane Pty Ltd (PBPL). The licence fee is based on a revenue sharing arrangement whereby BPH will receive a percentage of revenue above a hurdle amount from PBPL for a period of 35 years. QTH paid an upfront payment to BPH for the rights to these cashflows. The upfront payment was based on assumed volume growths 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%.

No transfers between classification levels occurred during the financial year.

37. 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 Sales 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.

(c) Other persons

BPH has been notified of a potential public liability settlement. However, it is expected that any exposure would be limited to the excess under the existing insurance policy.

38. Events subsequent to balance date

On 10 August 2012, QTH appointed G Bradley and L Gordon as Directors of the Company with G Bradley appointed as Chairman.

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 7 to 41 are in accordance with the *Corporations Act 2001,* including:

a. complying with the Accounting Standards in Australia and the *Corporations Regulations 2001*, and

b. giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2012 and of their performance as represented by their results and their cashflows for the year then 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 pay their debts 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 P Bradley
Chairman

16 August 2012

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 statement of financial position as at 30 June 2012, 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 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 entity'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 entity'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 company's financial position as at 30 June 2012 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

This auditor's report relates to the financial report of Queensland Treasury Holdings Pty Ltd for the year ended 30 June 2012. Where the financial report is included on Queensland Treasury and Trade's website the accountable officer is responsible for the integrity of Queensland Treasury and Trade's website and I have not been engaged to report on the integrity of Queensland Treasury and Trade's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Karen Johnson

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

QUEENSLAND
20 AUG 2012
AUDIT OFFICE

Queensland Audit Office
Brisbane