

Department of Infrastructure and Planning
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(b) Capital expenditure commitments				
Land acquisitions and improvements, and other capital commitments, inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:				
Not later than one year	1,163,194	897,134	139,776	51,211
Later than one year and not later than five years	-	553,048	-	1,100
Total	1,163,194	1,450,182	139,776	52,311

(c) Grants and subsidies commitments

As at 30 June 2008, approval has been given to various guarantees in accordance with formal agreements to pay the following grants and subsidies inclusive of anticipated GST provided certain criteria are met:

Not later than one year	31,521	16,238	2,818	519
Later than one year and not later than five years	55,639	35,026	7,128	20,350
Total	87,160	51,264	9,946	20,869

The above commitments for grants and subsidies expenditure are allocated to the following categories:

Charities and community groups	54	-	54	-
Grants to private enterprise	21	18,150	21	18,150
Grants to local authorities	1,590	3,680	110	2,200
Grants to Queensland Government recipients	85,495	29,434	9,761	519
Total	87,160	51,264	9,946	20,869

33. Contingencies

(a) Litigation in progress

At 30 June 2008, litigation has been filed in the courts against the Department of Infrastructure and Planning, including the Coordinator General. The Department's legal advisors and management believe it would be misleading to estimate the final amounts payable, if any, in respect of such litigation and no provision has been made to settle any claims as at 30 June 2008.

(b) Native title claims

As at 30 June 2008, native title claims have been made on extensive areas of Queensland, including Property Services Group's land and Queensland Water Infrastructure's land, but, as yet, no claims have been determined by the National Native Title Tribunal. Queensland Water Infrastructure have entered into Indigenous Land Use Agreements with various persons claiming to hold native title and have paid compensation for affect on native title rights and interests.

(c) Guarantees and undertakings

The State of Queensland through the Department of Infrastructure and Planning has guaranteed to the alliance contractors constructing the water projects managed by the Department's controlled entities, the necessary funding to enable the development of the water projects and all obligations agreed to under the Project Alliance Agreements. The Department does not expect that the guarantees will be called upon and as such the guarantees are not recognised on the Balance Sheet.

34. Events occurring after balance date

Department of Infrastructure and Planning

On 1 September 2008 the Department transferred half its share interest in South East Queensland (Gold Coast) Desalination Company Pty Ltd and its full share interest in Western Corridor Recycled Water Pty Ltd to the Queensland Manufactured Water Authority. The transfer will be recognised in the 2008-09 financial statements as an adjustment through equity at transfer date (\$198 million).

City North Infrastructure Pty Ltd

On 30 July 2008 financial close was achieved with BrisConnections enabling the consortium to enter the pre-construction phase of the Airport Link and Northern Busway (Windsor to Kedron) projects due for completion mid 2012.

A change in the company's Alternative Director was executed on 29 July 2008, Mr Damian Gould was appointed as Alternative Director.

South East Queensland (Gold Coast) Desalination Company Pty Ltd

On 18 August 2008 the Department of Infrastructure and Planning (DIP) wrote to Sure Smart Water requesting that the company increase its debt facility with Queensland Treasury Corporation (QTC) in order to undertake a buyback of the shares DIP acquired from the Gold Coast City Council (GCCC). The buyback was at the QTC advised market value of the loan the State initiated to purchase the shares from GCCC (including capitalised interest). The share buyback occurred on the 1 October 2008 for \$228 million on shares worth \$198 million, resulting in a gain on disposal of \$30 million.

The shareholders have approved a change in the company's directors due to the South East Queensland Water Reform. These changes were effective from 1 August 2008.

Southern Regional Water Pipeline Company Pty Ltd

Under amendments made to the *Water Regulation 2002* on 11 July 2008, the regulated completion date of Northern Pipeline Interconnector (Stage 2) has been extended to December 2011. On 7 July 2008, the Cabinet Budget Review Committee endorsed the construction of the Toowoomba Pipeline project by LinkWater Projects with total funding being \$187 million.

The Queensland Government communicated the intention that the Pipeline Construction Agreement pertaining to the Network Integration Pipeline be novated to LinkWater Projects. The Northern Network Alliance Project Alliance Agreement is in the process of being signed by all parties.

Western Corridor Recycled Water Pty Ltd

A practical completion certificate was issued on 11 July 2008 for Bundamba 1A. The issuing of the practical completion certificate has resulted in the initial recognition of the infrastructure assets at this date. The estimated fair value of this asset is \$233 million. The financial effect of this transaction has not been brought into account in the 2008 financial report. The cost of this asset will be recognised at fair value in the financial report for the year ending 30 June 2009.

Practical completion certificates were issued on 25 September 2008 for the Bundamba to Caboonbah section of the Western Pipeline and on the 28 October 2008 for Bundamba 1B. The estimated fair value of these assets is yet to be determined.

The shareholders have approved a change in the company's directors due to the South East Queensland Water Reform. These changes were effective from 1 August 2008.

Queensland Water Infrastructure Pty Ltd

The Coordinator General has approved the development of the Wyarlong Dam and the project has been progressed for federal government approval under the Environment Protection and Biodiversity Conservation Act.

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35. Controlled entities

Parent entity

Department of Infrastructure and Planning	2008	2007
	%	%

Controlled entities

Property Services Group (Commercialised Business Unit of the Department)	100	100
Queensland Water Infrastructure Pty Ltd	100	100
Southern Regional Water Pipeline Company Pty Ltd	100	100
Western Corridor Recycled Water Pty Ltd	100	100
City North Infrastructure Pty Ltd	25	25
South East Queensland (Gold Coast) Desalination Company Pty Ltd	100	50

In the financial statements of the Department, investments in controlled entities are measured at cost. The Department has no investments in associates or jointly controlled entities.

36. Financial instruments

(a) Categorisation of financial instruments

The Department has the following categories of financial assets and financial liabilities:

Category	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets					
Cash and cash equivalents	16	365,554	720,688	33,083	(52,807)
Receivables	17	124,183	182,340	74,752	473,307
Financial assets not available for sale:					
Shares	21	-	-	417,549	120,923
Total		489,737	903,028	525,384	541,423
Financial liabilities					
Financial liabilities measured at amortised cost:					
Payables	24	324,639	284,054	22,092	24,547
Other financial liabilities - interest bearing liabilities	26	3,137,904	584,022	-	-
Deposits held	28	11,237	5,682	-	-
Total		3,473,780	873,758	22,092	24,547

(b) Credit risk exposure

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

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36. Financial instruments (continued)

The following table represents the Department's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk

Category	Notes	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets					
Cash	16	365,554	720,688	33,083	(52,807)
Receivables	17	124,183	182,340	74,752	473,307
Shares	21	-	-	417,549	120,923
Total		489,737	903,028	525,384	541,423

No collateral is held as security and no credit enhancements relate to financial assets held by the Department.

The Department manages credit risk through the use of a Credit Management Strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Balance Sheet.

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the Department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

No impairment loss has been recognised by the Department for the current year. The impairment loss of \$27,000 recognised by the consolidated entity for the current year is due to one external Property Services Group client's cashflow issues pending renegotiation of trade contracts.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated. Aging of past due or impaired financial instruments are disclosed in the following tables:

2008 Financial assets past due but not impaired - Consolidated

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue			Total overdue \$'000		
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000			
Financial assets							
Receivables	117,046	1,446	106	746	4,839	7,137	124,183
Total	117,046	1,446	106	746	4,839	7,137	124,183

36. Financial instruments (continued)

2008 Financial assets past due but not impaired - Parent Entity

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue			Total overdue \$'000		
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000			
Financial assets							
Receivables	42,029	18,944	6,241	2,760	4,378	32,323	74,352
Total	42,029	18,944	6,241	2,760	4,378	32,323	74,352

2007 Financial assets past due but not impaired - Consolidated

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue			Total overdue \$'000		
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000			
Financial assets							
Receivables	179,706	894	9	430	913	2,246	181,952
Total	179,706	894	9	430	913	2,246	181,952

2007 Financial assets past due but not impaired - Parent Entity

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue			Total overdue \$'000		
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000			
Financial assets							
Receivables	472,320	75	11	425	476	987	473,307
Total	472,320	75	11	425	476	987	473,307

2008 Impaired financial assets - Consolidated

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue			Total overdue \$'000		
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000			
Financial assets							
Receivables	4	4	-	4	388	396	400
Total	4	4	-	4	388	396	400

36. Financial instruments (continued)

2008 Impaired financial assets - Parent Entity

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue				Total overdue \$'000	
		Less than 30 days		30-60 days \$'000	61-90 days \$'000		
		30-60 days \$'000	61-90 days \$'000				
Financial assets							
Receivables	-	-	-	-	-	-	
Total	-	-	-	-	-	-	

2007 Impaired financial assets - Consolidated

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue				Total overdue \$'000	
		Less than 30 days		30-60 days \$'000	61-90 days \$'000		
		30-60 days \$'000	61-90 days \$'000				
Financial assets							
Receivables	4	-	-	-	384	384	
Total	4	-	-	-	384	388	

2007 Impaired financial assets - Parent Entity

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue				Total overdue \$'000	
		Less than 30 days		30-60 days \$'000	61-90 days \$'000		
		30-60 days \$'000	61-90 days \$'000				
Financial assets							
Receivables	-	-	-	-	-	-	
Total	-	-	-	-	-	-	

(c) Liquidity risk

The Department is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation for capital works. The borrowings are based on the Queensland Government gazetted floating rate.

The Department manages liquidity risk through use of a Liquidity Management Strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

36. Financial instruments (continued)

The following table sets out the liquidity risk of financial liabilities held by the Department and its controlled entities. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

		2008 Consolidated payable in			
Category	Notes	<1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Payables	24	324,639	-	-	324,639
Other financial liabilities - interest bearing liability	26	1,004,289	2,133,615	-	3,137,904
Deposits held	28	11,237	-	-	11,237
Total		1,340,165	2,133,615	-	3,473,780

		2008 Parent Entity payable in			
Category	Notes	<1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Payables	24	22,092	-	-	22,092
Total		22,092	-	-	22,092

		2007 Consolidated payable in			
Category	Notes	<1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Payables	24	284,054	-	-	284,054
Other financial liabilities - interest bearing liability	26	-	584,022	-	584,022
Deposits held	28	5,682	-	-	5,682
Total		289,736	584,022	-	873,758

		2007 Parent Entity payable in			
Category	Notes	<1 year \$'000	1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Payables	24	24,547	-	-	24,547
Total		24,547	-	-	24,547

(d) Market risk

The Department and its controlled entities do not trade in foreign currency and are not materially exposed to commodity price changes. The controlled entities are exposed to interest rate risk through their finance leases, borrowings from Queensland Treasury Corporation and cash deposited in interest bearing accounts. The controlled entities do not undertake any hedging in relation to interest risk and manages their risk as per the Liquidity Risk Management Strategy.

36. Financial instruments (continued)

Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/- 1% from the year-end rates applicable to the financial assets and liabilities of the Department's controlled entities. The Parent and some controlled entities are not subject to interest rate sensitivity. The impact on the surplus and equity is detailed below:

Financial instruments	Carrying amount	2008 Consolidated Interest rate risk			
		- 1%		+ 1%	
		Profit	Equity	Profit	Equity
Cash	311,402	(5,990)	(5,900)	8,349	8,349
Overall effect on profit and equity	311,402	(5,990)	(5,900)	8,349	8,349

Financial instruments	Carrying amount	2007 Consolidated Interest rate risk			
		- 1%		+ 1%	
		Profit	Equity	Profit	Equity
Cash	745,832	(7,435)	(7,435)	8,135	8,135
Overall effect on profit and equity	745,832	(7,435)	(7,435)	8,135	8,135

Fair value

The fair value of cash, cash equivalents, receivables and payables approximate their carrying amounts and are not disclosed separately below.

The carrying amounts of all financial assets and financial liabilities, except the borrowings from Queensland Treasury Corporation are representative of their fair value. The fair value of borrowings is calculated using discounted cash flow analysis and the effective interest rate (refer note 26) and is disclosed below:

Financial liabilities	Consolidated			
	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial liabilities measured at amortised cost:				
QTC borrowings	3,137,904	3,108,260	584,022	578,160
Total	3,137,904	3,108,260	584,022	578,160