

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

**37. Leases - as lessor**

The Department of Natural Resources and Water acts as an agent on behalf of Property Services Group in administering the finance and operating leases of Property Services Group in accordance with the *Land Act 1994*. These leases are recognised in the financial statements in accordance with note 1(r).

**(a) Finance leases**

Freeholding leases of land are issued to persons who elect to pay the purchase price for the land by annual instalments over the term of the lease. Freehold title transfers to the lessee when the purchase price is fully paid. The leases can be paid out at any time during their term without penalty. However, penalty interest is charged for any late payment.

Freeholding leases are set over a 10 year term, except for several 20 year leases and one 30 year lease. At balance date, more than 50% of the leases are due to expire within the next five years.

Future minimum lease payments receivable under the freeholding leases together with their present value, are as follows:

	<b>Consolidated</b>			
	<b>Minimum future lease payments receivable</b>		<b>Present value of minimum future lease payments receivable</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not later than 1 year	5,929	5,595	5,600	5,282
Later than 1 year and not later than 5 years	20,536	19,439	16,908	15,722
Later than 5 years	14,791	13,468	9,525	9,261
Total minimum future lease receivables	41,256	38,502	32,033	30,265
Less unearned finance interest income	9,223	8,237	-	-
Present value of total minimum future lease receivables	<b>32,033</b>	<b>30,265</b>	<b>32,033</b>	<b>30,265</b>
Included in note 17 of these financial statements as:				
Current finance lease debtors			5,600	5,282
Non-current finance lease debtors			26,433	24,983
<b>Carrying amount at 30 June</b>			<b>32,033</b>	<b>30,265</b>

**(b) Operating leases**

Fixed term leases and ongoing perpetual leases are issued for commercial and industrial use of land by a lessee. An annual rent is payable on 1 September each year, and is based on the unimproved value of the land, multiplied by the rental category percentage rate - 5%. Unimproved value is assessed annually by the Department of Natural Resources and Water, therefore rent is variable unless otherwise fixed in the conditions of the lease. Penalty interest is charged for any late payment.

Upon expiry of the lease, the lessee loses the right to possession of the land and any improvements located thereon unless otherwise stated in the conditions of the lease. The lease may be cancelled after giving reasonable notice to the lessee if the lessee is in breach of the conditions of the lease including failure to comply with statutory requirements or failure to pay rent by a due date. The lessee may voluntarily surrender the lease, provided rents have been paid in full.

In calculating minimum future lease receivables, it is assumed that property values will increase at 10% annually and that perpetual leases will continue for a further 15 years.

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(b) Operating leases (continued)

Future minimum lease payments receivable under the operating leases are as follows:

	Consolidated	
	Minimum future lease payments receivable	
	2008	2007
	\$'000	\$'000
Not later than 1 year	12,341	9,609
Later than 1 year and not later than 5 years	56,022	43,511
Later than 5 Years	203,598	157,944
<b>Total minimum future lease receivables</b>	<b>271,961</b>	<b>211,064</b>

**38. Restatement of comparative year**

		Consolidated entity		
	Notes	As reported	Adjustment	Restated
		\$'000	\$'000	\$'000
<b>Current Assets</b>				
Cash and cash equivalents	i	732,849	(12,161)	720,688
Receivables	vi	142,274	1,735	144,009
Inventories	viii	191,078	17,023	208,101
Other assets		26,107	-	26,107
<b>Total Current Assets</b>		<b>1,092,308</b>	<b>6,597</b>	<b>1,098,905</b>
<b>Non-Current Assets</b>				
Receivables	vi	40,067	(1,736)	38,331
Intangible assets	v	1,172	113	1,285
Property, plant and equipment	iv, v, vii, viii	1,508,146	(16,615)	1,491,531
Deferred tax equivalent asset	iii, xi	1,836	17,487	19,323
<b>Total Non-Current Assets</b>		<b>1,551,221</b>	<b>(751)</b>	<b>1,550,470</b>
<b>Total Assets</b>		<b>2,643,529</b>	<b>5,846</b>	<b>2,649,375</b>
<b>Current Liabilities</b>				
Payables	ix	284,099	(45)	284,054
Accrued employee benefits	ix	2,222	46	2,268
Income tax equivalent payable	iii, xi	5,869	10,344	16,213
Other liabilities	i	27,042	(13,013)	14,029
<b>Total Current Liabilities</b>		<b>319,232</b>	<b>(2,668)</b>	<b>316,564</b>
<b>Non-Current Liabilities</b>				
Accrued employee benefits		765	-	765
Other financial liabilities		584,022	-	584,022
Deferred tax equivalent liability	ii, xi	83,447	(843)	82,604
Other liabilities	v	408,000	(408,000)	-
<b>Total Non-Current Liabilities</b>		<b>1,076,234</b>	<b>(408,843)</b>	<b>667,391</b>
<b>Total Liabilities</b>		<b>1,395,466</b>	<b>(411,511)</b>	<b>983,955</b>
<b>Net Assets</b>		<b>1,248,063</b>	<b>417,357</b>	<b>1,665,420</b>

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

**38. Restatement of comparative year (continued)**

Equity				
Asset revaluation reserve	ii	194,709	(27,262)	167,447
Contributed equity	i	926,063	878	926,941
Retained surpluses	i, ii, iii, iv, v, vii, xi	27,187	443,741	470,928
Total equity attributable to equity holders of the department		1,147,959	417,357	1,565,316
Minority interest		100,104	-	100,104
<b>Total Equity</b>		<b>1,248,063</b>	<b>417,357</b>	<b>1,665,420</b>

**Notes explaining restatement of prior period amounts**

**Correction of errors**

**(i) Parent entity correction of unearned revenue**

The Department recognised a transaction which resulted from an agreement with the Aluminium Corporation of China whereby a cash payment was made to the Department for the transfer of ownership and access to information about drilling and assay rights. The Department did not have discretion to deploy the returns of the transaction; the returns were payable to the Consolidated Fund. As a result, this transaction should have been recorded as an administered transaction.

In addition, the Department recognised an item of unearned revenue for equity funding for capital purchases of properties in the Targinie region resulting in an overstatement of unearned revenue. The following amounts have been restated to account for these errors:

	Parent Entity		
	As reported \$'000	Adjustment \$'000	Restated \$'000
<b>Controlled entity</b>			
Cash at bank and on hand	(40,647)	(12,161)	(52,808)
Unearned revenue	21,376	(13,013)	8,363
Contributed equity - Impact of prior year adjustment	(4,929)	879	(4,050)
Interest revenue	32	(29)	3
<b>Administered entity</b>			
Cash at bank and on hand	11,867	12,162	24,029
Unearned revenue	-	12,162	12,162

**(ii) Property Services Group correction of revaluation reserve errors**

Property Services Group restated comparatives to correct prior period errors made in accounting for asset revaluation reserves. Prior period balances have been updated to correctly reflect the transfer of asset revaluation reserve to retained surpluses on sale of land and to correctly reflect the 2006-07 gain on reversal of decrement expense on building assets.

	Consolidated Adjustment \$'000
Land revaluation reserve	(26,330)
Building revaluation reserve	(932)
Deferred tax equivalent liability	(11,697)
Gain on reversal of revaluation decrement expense	800

**38. Restatement of comparative year (continued)**

**(iii) Property Services Group correction of income tax equivalent error**

Prior period errors were made accounting for income tax equivalent including income tax expense, income tax payable and deferred tax assets. The errors are largely attributable to temporary differences on property, plant and equipment, capital gains not recognised and differences between accounting for income tax and the actual income tax return submitted to the Australian Taxation Office. Adjustments have been made to the comparatives figures and the following amounts have been restated:

**Income tax expense adjustment comprises:**

Actual income tax return for 2006-07	654
Capital gains on land sold	3,668
Recognition of temporary differences attributable to land	(89)
Recognition of temporary differences attributable to buildings	(1,611)
	<u>2,622</u>

**Income tax equivalent payable adjustment comprises:**

Actual income tax return for 2006-07	2,037
Capital gains on land sold adjustment against retained earnings	3,380
Capital gains on land sold adjustment against income tax expense	3,668
	<u>9,085</u>

**Deferred tax equivalent asset adjustment comprises:**

Actual income tax return for 2006-07	1,459
Recognition of temporary differences attributable to buildings	1,611
	<u>3,070</u>

**(iv) Property Services Group correction of land asset accrual**

A prior period error was made in accounting for a \$0.25 million land accrual in 2006-07. As a result, supplies and services - minor works expense has reduced by \$0.25 million and property, plant and equipment - land has increased by \$0.25 million.

**(v) Correction of errors made on consolidation**

Western Corridor Recycled Water Pty Ltd received a \$408 million grant from the Commonwealth Government via the National Water Commission on the 27 June 2007. The grant was recognised as unearned revenue by Western Corridor Recycled Water Pty Ltd and as unearned revenue on consolidation. Given the Department is a "not for profit" entity, recognition of the grant as unearned revenue is inconsistent with the accounting policy of the Department. Comparatives have been restated to recognise the \$408 million grant as revenue on consolidation at 30 June 2007. Non current liabilities have been correspondingly adjusted.

Southern Regional Water Pipeline Pty Ltd held \$3.856 million of land assets as at 30 June 2007. On consolidation with the parent entity, these land assets were erroneously recognised as capital work in progress. Comparatives have been restated to correctly classify the nature of the asset.

City North Infrastructure Pty Ltd held \$0.113 million of intangible assets as at 30 June 2007. On consolidation with the parent entity, these assets were erroneously recognised as plant and equipment. Comparatives have been restated to correctly classify the nature of the asset.

38. Restatement of comparative year (continued)

Entries taken up to eliminate intercompany transactions between the parent entity and Property Services Group were overstated by \$3.196 million. Grant income has been reclassified to separately identify grant revenue received from the Estates Construction Fund through Property Services Group. The following amounts have been restated to account for these corrections.

	As reported	Consolidated Adjustment	Restated
	\$'000	\$'000	\$'000
<b>Controlled entity</b>			
Grants income - other	(1,763)	1,763	-
Grant income - Estates Construction Fund		1,433	1,433
Grants and subsidies - Queensland Government recipients	4,677	3,196	7,873

**Restatement of prior period amounts**

**(vi) Property Services Group finance lease debtors**

Property Services Group have reclassified the split between current and non-current finance lease debtors. As a result, current finance lease debtors has increased by \$1.736 million and non-current finance lease debtors has decreased by \$1.736 million.

**(vii) Queensland Water Infrastructure Pty Ltd rental income**

Rental income for 2006-07 was included in construction work in progress. This has been restated in the comparative year and has resulted in an increase in rental income of \$0.27 million and an increase in capital work in progress of \$0.27 million.

**(viii) South East Queensland (Gold Coast) Desalination Company Pty Ltd construction contracts in progress**

South East Queensland (Gold Coast) Desalination Company Pty Ltd construction contract costs in relation to the Network Integration for 2006-07 were included in property plant and equipment - construction work in progress. Construction contract costs have been separately reported in 2007-08. As a result of this reclassification, inventories - construction contracts in progress has increased by \$17.023 million and capital work in progress has decreased by \$17.023 million.

**(ix) Superannuation payable**

In 2006-07 superannuation payable was classified as other payables. In 2007-08 this has been reclassified to accrued employee benefits. The comparative year has been restated as follows:

	Consolidated	Adjustment
	\$'000	Parent \$'000
Payables - other payables	(46)	(43)
Accrued employee benefits - other employee entitlements payable	46	43

**(x) City North Infrastructure Pty Ltd procurement service revenue**

Procurement service revenue has been reclassified from grant income to user charges. This has resulted in an increase of \$8.93 million to user charges - procurement services and a decrease in grant income - Queensland Government departments of \$8.93 million.

38. Restatement of comparative year (continued)

Change in accounting policy

(xi) Western Corridor Recycled Water Pty Ltd income tax equivalents

In 2007-08 Western Corridor Recycled Water Pty Ltd retrospectively registered for income tax equivalents under the National Tax Equivalents Regime from the date of incorporation (2 March 2007). An adjustment has been made to the comparative year for taxation following the application of *AASB112 Income Taxes*. The following adjustments have been taken up to represent this retrospective change in accounting policy:

**Consolidated  
Adjustment  
\$'000**

Deferred tax equivalent asset	14,417
Current income tax equivalent payable	1,259
Deferred tax equivalent liability	10,854
Income tax equivalent expense	(2,305)

39. Queensland water restructuring arrangements

In 2006-07 the Queensland Water Commission released its final report to the Queensland Government on the Urban Water Supply arrangement in South East Queensland. The report outlines a range of structural and regulatory reforms proposed for urban water supply arrangements in South East Queensland including enhanced economic regulation and pricing.

The *South East Queensland Water (Restructuring) Act 2007* establishes four new statutory bodies which transfer the control of bulk water infrastructure from existing water businesses. The new entities comprise:

- two new bulk water supply authorities to be owned by the State of Queensland and include water storage and manufactured water facilities;
- a State-owned bulk water transport authority to owner-operate the major potable water grid assets in South East Queensland; and
- a Water Grid Manager to manage the potable water grid.

There is no final decision by the State of Queensland on the level of compensation to be made to the controlled entities upon windup. The Treasurer has however provided assurance to the controlled entities stating that on completion of the assets it is the State's intention to transfer the assets at full carrying value of the assets, consistent with the approved Funding Deeds. In this respect the controlled entities will not face the risk that any subsequent revenues from operations of the assets may not be sufficient to meet the assets total cost.

**MANAGEMENT CERTIFICATE**

These general purpose financial statements have been prepared pursuant to section 40(1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with Section 40(3) of the Act we certify that in our opinion:

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

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Infrastructure and Planning and its controlled entities for the financial year ended 30 June 2008 and of the financial position of the Department of Infrastructure and Planning and its controlled entities at the end of that year.



Adam Black CPA  
Executive Director,  
Financial and Asset Management  
Chief Financial Officer

Date 14.11.08



Colin Jensen  
Coordinator-General  
Director-General

Date 14.11.08