Financial statements

Department of State Development

Financial Statements for the year ended 30 June 2017

Contents

General information

The Department of State Development (the department) is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is Level 16, 1 William Street, Brisbane QLD 4000.

A description of the nature of the department's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the department's financial statements please call +61 7 3452 6930, email finance.dsd@dsd.qld.qov.au or visit the department's website www.statedevelopment.qld.qov.au.

Department of State Development
Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Income from continuing operations			
Appropriation revenue	5	185,294	151,100
User charges and fees	6	175,379	172,288
Grants and other contributions		2,060	355
Other revenue		1,081	814
Total revenue		363,815	324,557
Gains on disposal and remeasurement of assets	7	11,687	17,207
Total income from continuing operations		**375,502**	**341,764**
Expenses from continuing operations			
Supplies and services	8	211,128	196,447
Employee expenses	9	74,262	71,064
Grants and contributions	11	65,075	39,764
Finance/borrowing costs		2,141	2,267
Depreciation and amortisation		1,859	2,480
Revaluation decrement		637	900
Impairment losses		290	-
Other expenses	12	8,192	15,640
Total expenses from continuing operations		**363,583**	**328,564**
Operating result from continuing operations		**11,919**	**13,200**
Total comprehensive income		**11,919**	**13,200**

The accompanying notes form part of these financial statements.

	Notes	2017 $'000	2016 Restated * $'000	1 July 2015 Restated * $'000
Current assets				
Cash and cash equivalents	24	9,568	52,719	18,875
Receivables	13	16,265	8,515	23,743
Prepayments		211	238	248
		26,044	61,472	42,866
Non-current assets classified as held for sale	14	8,231	13,005	11,370
Total current assets		34,274	74,477	54,236
Non-current assets				
Receivables	13	505	3,352	4,200
Property, plant and equipment	15	124,124	127,137	150,050
Intangible assets	16	11,374	11,890	10,951
Total non-current assets		136,002	142,379	165,201
Total assets		**170,277**	**216,855**	**219,437**
Current liabilities				
Payables	17	24,452	43,024	28,817
Accrued employee benefits		3,232	2,811	1,851
Interest-bearing liabilities	24	7,721	7,512	7,205
Provisions	18	3,914	10,972	9,796
Other liabilities	19	17,045	35,806	27,452
Total current liabilities		56,364	100,125	75,121
Non-current liabilities				
Interest-bearing liabilities	24	57,856	65,499	73,020
Provisions	18	6,114	3,352	7,190
Other liabilities	19	1,443	461	658
Total non-current liabilities		65,414	69,312	80,868
Total liabilities		**121,777**	**169,437**	**155,988**
Net assets		**48,500**	**47,418**	**63,448**
Equity				
Contributed equity		465,481	476,319	505,548
Accumulated deficit		(416,981)	(428,900)	(442,100)
Total equity		**48,500**	**47,418**	**63,448**

* The department has restated Property, plant and equipment, Prepayments and Equity amounts due to the events outlined in Note 27. As a result, a third Statement of Financial Position has been presented in accordance with AASB 101 *Presentation of Financial Statements* .

The accompanying notes form part of these financial statements.

	Notes	Contributed equity $'000	Accumulated deficit $'000	Total $'000
Balance as at 1 July 2015		**505,548**	**(442,100)**	**63,448**
Operating result from continuing operations		-	13,200	13,200
Total comprehensive income for the year		-	13,200	13,200
Transactions with owners as owners:				
Appropriated equity withdrawals	5	(29,231)	-	(29,231)
Net transfers in from other Queensland Government entities		2	-	2
Net transactions with owners as owners		(29,229)	-	(29,229)
Balance as at 30 June 2016		**476,319**	**(428,900)**	**47,418**
Operating result from continuing operations		-	11,919	11,919
Total comprehensive income for the year		-	11,919	11,919
Transactions with owners as owners:				
Appropriated equity withdrawals	5	(17,850)	-	(17,850)
Net transfers in from other Queensland Government entities		12	-	12
Non-appropriated equity injections		7,000	-	7,000
Net transactions with owners as owners		(10,838)	-	(10,838)
Balance as at 30 June 2017		**465,481**	**(416,981)**	**48,500**

The accompanying notes form part of these financial statements.

Department of State Development
Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Inflows:			
Appropriation receipts		176,057	140,630
User charges and fees		153,046	183,645
Grants and other contributions		1,829	597
GST input tax credits received from Australian Taxation Office		20,799	19,269
GST collected from customers		2,461	3,692
Other inflows		1,086	8,752
Outflows:			
Supplies and services		(227,202)	(184,398)
Employee expenses		(73,757)	(70,017)
Grants and contributions		(65,075)	(39,717)
GST paid to suppliers		(20,665)	(19,367)
GST remitted to Australian Taxation Office		(2,428)	(4,345)
Finance/borrowing costs		(2,141)	(2,267)
Other outflows		(6,068)	(12,215)
Net cash provided by operating activities	20	**(42,059)**	**24,259**
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment		21,876	47,783
Sales of intangible assets		340	38
Outflows:			
Payments for property, plant and equipment		(4,827)	(4,424)
Payments for intangible assets		(771)	(1,025)
Net cash provided by investing activities		**16,618**	**42,372**
Cash flows from financing activities			
Inflows:			
Equity injections		19,042	21,216
Outflows:			
Equity withdrawals		(29,318)	(46,789)
Borrowing redemptions		(7,434)	(7,214)
Net cash provided by financing activities		**(17,710)**	**(32,787)**
Net increase/(decrease) in cash and cash equivalents		(43,151)	33,844
Cash and cash equivalents at beginning of financial year		52,719	18,875
Cash and cash equivalents at end of financial year		**9,568**	**52,719**

The accompanying notes form part of these financial statements.

Department of State Development
Statement of Comprehensive Income by Major Departmental Services for the year ended 30 June 2017

	Driving Enterprise Development, Economic Growth and Job Creation *		Assessing, Approving, Facilitating and Delivering Major Projects *		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Income from continuing operations						
Appropriation revenue	102,801	101,237	82,493	49,863	185,294	151,100
User charges and fees	2,963	5,995	172,416	166,293	175,379	172,288
Grants and other contributions	1,958	261	103	94	2,060	355
Other revenue	291	615	790	199	1,081	814
Total revenue	**108,013**	**108,108**	**255,802**	**216,449**	**363,815**	**324,557**
Gains on disposal and remeasurement of assets	1	16,544	11,687	663	11,687	17,207
Total income from continuing operations	**108,014**	**124,652**	**267,489**	**217,112**	**375,502**	**341,764**
Expenses from continuing operations						
Supplies and services	24,018	19,377	187,110	177,070	211,128	196,447
Employee expenses	40,046	44,687	34,215	26,377	74,262	71,064
Grants and contributions	60,802	39,764	4,273	-	65,075	39,764
Finance/borrowing costs	-	2,267	2,141	-	2,141	2,267
Depreciation and amortisation	655	1,495	1,204	984	1,859	2,480
Revaluation decrement	-	550	637	350	637	900
Impairment losses	-	-	290	-	290	-
Other expenses	4,295	11,225	3,897	4,415	8,192	15,640
Total expenses from continuing operations	**129,817**	**119,365**	**233,766**	**209,196**	**363,583**	**328,564**
Operating result from continuing operations	**(21,803)**	**5,287**	**33,723**	**7,916**	**11,919**	**13,200**
Total comprehensive income	**(21,803)**	**5,287**	**33,723**	**7,916**	**11,919**	**13,200**

* Refer to Note 3 of the financial statements for a description of major departmental services.

	Driving Enterprise Development, Economic Growth and Job Creation *		Assessing, Approving, Facilitating and Delivering Major Projects *		Total	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets						
Cash and cash equivalents	5,309	35,323	4,259	17,396	9,568	52,719
Receivables	8,535	3,414	7,730	5,101	16,265	8,515
Prepayments	137	123	74	115	211	238
	13,980	38,860	12,064	22,612	26,044	61,472
Non-current assets classified as held for sale	-	13,005	8,231	-	8,231	13,005
Total current assets	**13,980**	**51,865**	**20,295**	**22,612**	**34,274**	**74,477**
Non-current assets						
Receivables	-	1,005	505	2,346	505	3,352
Property, plant and equipment	693	21,965	123,430	105,172	124,124	127,137
Intangible assets	995	5,152	10,379	6,738	11,374	11,890
Total non-current assets	**1,687**	**28,121**	**134,313**	**114,255**	**136,002**	**142,379**
Total assets	**15,667**	**79,986**	**154,608**	**136,867**	**170,277**	**216,855**
Current liabilities						
Payables	10,719	19,559	13,733	23,465	24,452	43,024
Accrued employee benefits	1,765	1,781	1,467	1,030	3,232	2,811
Interest-bearing liabilities	-	7,512	7,721	-	7,721	7,512
Provisions	-	3,292	3,914	7,681	3,914	10,972
Other liabilities	14	5,023	17,030	30,783	17,045	35,806
Total current liabilities	**12,498**	**37,167**	**43,866**	**62,959**	**56,364**	**100,125**
Non-current liabilities						
Interest-bearing liabilities	-	65,499	57,856	-	57,856	65,499
Provisions	-	1,005	6,114	2,346	6,114	3,352
Other liabilities	801	183	642	278	1,443	461
Total non-current liabilities	**801**	**66,687**	**64,613**	**2,624**	**65,414**	**69,312**
Total liabilities	**13,299**	**103,854**	**108,479**	**65,583**	**121,777**	**169,437**

* Refer to Note 3 of the financial statements for a description of major departmental services.

1. Basis of financial statement preparation

Compliance with prescribed requirements

The Department of State Development (the department) has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's *Minimum Reporting Requirements* for reporting periods beginning on or after 1 July 2016.

The department is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards applied for the first time in these financial statements are outlined in Note 28.

The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of the department. The department has no controlled entities.

Basis of measurement

The historical cost convention is used unless fair value is stated as the measurement basis.

Presentation

Currency and rounding—Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or where the amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Comparatives—Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. The department has restated Property, plant and equipment, Prepayments and Equity amounts due to events outlined in Note 27.

Current/Non-current classification—Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes. Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

Authorisation of financial statements for issue

The financial statements are authorised for issue by the Director-General and Chief Finance Officer at the date of signing the Management Certificate.

2. Department objectives

The department brings together the functions of the Coordinator-General; economic, industry and regional development; major project delivery; and government property management to lead the delivery of economic development outcomes for Queensland. The department contributes to the Queensland Government's objectives for the community of creating jobs and a diverse economy; building safe, caring and connected communities; and protecting the environment. This is achieved through the department's objectives by:

- Influencing policy and the investment environment.
- Facilitating a major projects pipeline.
- Strengthening the regions.
- Growth of priority, new and emerging industries.
- Supporting enterprise and job creation.

3. Major departmental services

The department's two service areas, Driving Enterprise Development, Economic Growth and Job Creation; and Assessing, Approving, Facilitating and Delivering Major Projects, directly reflect the department's strategic objectives.

Driving Enterprise Development, Economic Growth and Job Creation

This service area is delivering policies, projects and programs that drive enterprise development, economic growth and job creation consistent with the government's economic development and job creation agenda. This service area drives the expansion of Queensland's economic growth as benchmarked against the global economy and comparable jurisdictions.

Assessing, Approving, Facilitating and Delivering Major Projects

This service area facilitates the timely planning and delivery of major projects that drive economic growth and provide job creation opportunities. It provides tailored regulation, advisory, facilitation and delivery services, to support increased economic activity. It is contributing to the government's objectives for the community of creating jobs and a diverse economy, and protecting the environment.

	Variance notes	Budget 2017 $'000	Actual 2017 $'000	Variance $'000
4. Budget to actual comparison				
Statement of Comprehensive Income				
Income from continuing operations				
Appropriation revenue	(a)	310,513	185,294	(125,219)
User charges and fees		167,650	175,379	7,729
Grants and other contributions		-	2,060	2,060
Other revenue		-	1,081	1,081
Total revenue		478,163	363,815	(114,349)
Gains on disposal and remeasurement of assets		-	11,687	11,687
Total income from continuing operations		**478,163**	**375,502**	**(102,662)**
Expenses from continuing operations				
Supplies and services	(b)	242,804	211,128	(31,676)
Employee expenses	(c)	69,871	74,262	4,391
Grants and contributions	(d)	152,117	65,075	(87,042)
Finance/borrowing costs		2,062	2,141	79
Depreciation and amortisation		7,915	1,859	(6,056)
Revaluation decrement		-	637	637
Impairment losses		-	290	290
Other expenses		344	8,192	7,848
Total expenses from continuing operations		**475,113**	**363,583**	**(111,529)**
Operating result from continuing operations		**3,050**	**11,919**	**8,867**
Total comprehensive income		**3,050**	**11,919**	**8,867**

The accompanying notes form part of these financial statements.

Explanations of major variances

(a) Actual Appropriation revenue at 30 June 2017 is $125.219 million lower than budgeted primarily due to:
- A deferral of $47.735 million for the Building our Regions program to future years. These deferrals match the timing of milestone payments of 109 critical infrastructure projects and a deferral of $41.202 million in appropriation funding to future years for the Royalties for the Regions program. The majority of funds are paid to councils in arrears and as project milestones are met, in accordance with funding arrangements. This may be different to when payments were budgeted.
- A total of $6.240 million reduction to depreciation funding due to the de-recognition of the common user infrastructure assets. This is a result of a review in the accounting treatment for infrastructure and major plant and equipment assets.
- A deferral of $5 million for the Biofutures Industry Development Fund due to delays resulting from the time involved in the implementation of this new program including the assessment of the applicants.
- The transfer of $4.831 million for the Safe Anchorage Mission Beach Boating Infrastructure project to the Department of Transport and Main Roads to align with departmental responsibilities.
- A deferral of $2.822 million for funding committed to Mining Equipment, Technology and Services (METS) Ignited and $2.450 million for the Advance Queensland Industry Attraction Fund, due to delays in meeting the grant agreement milestones.
- The conversion of $2.730 million from a budgeted expense to capital for the construction of the North Queensland Stadium due to the project moving to construction phase earlier than forecasted.

(b) Supplies and services expenses are $31.676 million lower than the budget as at 30 June 2017. The variance primarily relates to:
- The deferral of $7.8 million of departmental savings for Advanced Manufacturing Projects which are part of the 10-year Roadmap and Action Plan.
- The transfer of $4.831 million for the Safe Anchorage Mission Beach Boating Infrastructure project to the Department of Transport and Main Roads.
- The deferral of $3.224 million for the Ports Master Planning project due to delays in the release of the Priority Ports Planning Guidelines. Development of master plans for the priority ports are statutory requirements under the *Sustainable Ports Development Act 2015*.
- The conversion of $2.730 million from a budgeted expense to capital for the construction of the North Queensland Stadium due to the project moving to construction phase earlier than forecasted.
- Other deferrals for various projects totalling $13.091 million due to delays in project commencement and project milestones.

(c) The increase is due to the employment of temporary staff to deliver priority projects, including the creation of priority industry sector teams; accelerating the Building our Regions grant program; delivering the Back to Work Regional Employment Package; progressing Priority Ports Master Planning; managing the construction of the North Queensland Stadium; and implementing the government's contractual obligations to deliver the $3 billion Queens Wharf Brisbane project.

(d) Grants and subsidies payments are $87.042 million lower than budgeted primarily due to deferrals for the Building our Regions and the Royalties for the Regions programs, as outlined in variance note (a).

4. Budget to actual comparison (continued)

Statement of Financial Position

	Variance notes	Budget 2017 $'000	Actual 2017 $'000	Variance $'000
Current assets				
Cash and cash equivalents		6,487	9,568	3,081
Receivables		13,203	16,265	3,062
Prepayments		673	211	(462)
		20,363	26,044	5,681
Non-current assets classified as held for sale		14,165	8,231	(5,934)
Total current assets		34,528	34,274	(253)
Non-current assets				
Receivables		-	505	505
Property, plant and equipment	(a)	318,822	124,124	(194,698)
Intangible assets		4,219	11,374	7,155
Prepayments		9,627	-	(9,627)
Total non-current assets		332,667	136,002	(196,666)
Total assets		**367,196**	**170,277**	**(196,919)**
Current liabilities				
Payables	(b)	18,342	24,452	6,110
Interest-bearing liabilities		9,556	7,721	(1,835)
Provisions	(c)	13,478	3,914	(9,564)
Accrued employee benefits		1,855	3,232	1,377
Other liabilities	(d)	5,961	17,045	11,084
Total current liabilities		49,192	56,364	7,172
Non-current liabilities				
Interest-bearing liabilities		57,962	57,856	(106)
Provisions		5,457	6,114	657
Payables		298	-	(298)
Other liabilities		312	1,443	1,131
Total non-current liabilities		64,029	65,414	1,384
Total liabilities		**113,221**	**121,777**	**8,556**
Net assets / Total equity		**253,975**	**48,500**	**(205,475)**

The accompanying notes form part of these financial statements.

Explanations of major variances

(a) The reduction in Property, plant and equipment is due to the unbudgeted de-recognition of infrastructure and major plant and equipment assets totalling $183.527 million, effective 1 July 2016. Refer to Note 27 Restated balances for further information.

(b) The reduction in Payables is due to reduced appropriation deferred at year end.

(c) The $9.564 million lower than budgeted variance is due to a reassessment of compensation provisions for land acquisitions during the year.

(d) The $11.084 million higher than budgeted Other liabilities variance is a result of an unbudgeted deposit of $12.547 million for the Townsville Eastern Access Corridor. The finalisation of the project is pending the transfer of land to the Department of Transport and Main Roads. The total variance is offset by less funding received in advance for Commonwealth Games projects due to the completion of project milestones.

4. Budget to actual comparison (continued)

Statement of Cash Flows

	Variance notes	Budget 2017 $'000	Actual 2017 $'000	Variance $'000
Cash flows from operating activities				
Inflows:				
Appropriation receipts	(a)	310,513	176,057	(134,456)
User charges and fees	(b)	176,095	153,046	(23,049)
Grants and other contributions		-	1,829	1,829
GST input tax credits received from Australian Taxation Office		-	20,799	20,799
GST collected from customers		-	2,461	2,461
Other inflows		23,205	1,086	(22,119)
Outflows:				
Supplies and services	(c)	(264,759)	(227,202)	37,557
Employee expenses		(69,871)	(73,757)	(3,886)
Grants and contributions	(d)	(152,117)	(65,075)	87,042
GST paid to suppliers		-	(20,665)	(20,665)
GST remitted to Australian Taxation Office		-	(2,428)	(2,428)
Finance/borrowing costs		(2,062)	(2,141)	(79)
Other outflows		(9,283)	(6,068)	3,215
Net cash provided by operating activities		**11,721**	**(42,059)**	**(53,779)**
Cash flows from investing activities				
Inflows:				
Sales of property, plant and equipment		17,764	21,876	4,112
Sales of intangible assets		-	340	340
Outflows:				
Payments for property, plant and equipment	(e)	(33,443)	(4,827)	28,616
Payments for intangible assets		-	(771)	(771)
Net cash provided by investing activities		**(15,679)**	**16,618**	**32,297**
Cash flows from financing activities				
Inflows:				
Equity injections	(f)	47,812	19,042	(28,770)
Outflows:				
Equity withdrawals		(34,457)	(29,318)	5,139
Borrowing redemptions		(7,419)	(7,434)	(15)
Net cash provided by financing activities		**5,936**	**(17,710)**	**(23,646)**
Net increase/(decrease) in cash and cash equivalents		1,978	(43,151)	(45,129)
Cash and cash equivalents at beginning of financial year		4,509	52,719	48,210
Cash and cash equivalents at end of financial year		**6,487**	**9,568**	**3,081**

The accompanying notes form part of these financial statements.

Explanations of major variances

(a) Actual Appropriation receipts is $134.456 million lower than budgeted. The overall variance is broken up as follows:
- A deferral of $47.735 million for the Building our Regions program and a deferral of $41.202 million for the Royalties for the Regions program. Refer to Statement of Comprehensive Income variance note (a).
- Other deferrals totalling $24.073 million. Refer to Statement of Comprehensive Income variance note (a).

(b) Actual User charges revenue is $23.049 million lower than budgeted primarily due to less than anticipated User charges revenue for contract milestones for the Commonwealth Games village construction. Refer to Statement of Comprehensive Income variance note (b). Further, there were delays in the anticipated receipt of revenue that resulted in receivables being higher than budgeted.

(c) Supplies and services expenses are $37.557 million lower than the budget. Deferrals of $31.648 million have been made, primarily due to project delays. Refer to Statement of Comprehensive Income variance note (c).

(d) Grants and subsidies payments is $87.042 million lower than budgeted due to deferrals of $47.735 million for Building our Regions program and $41.202 million for the Royalties for the Regions program. Refer to Statement of Comprehensive Income variance note (a).

(e) The $28.616 million lower than expected Property plant and equipment cash outflow is primarily due to:
- Repurposing of $12.329 million of the former Material Transport and Services Corridor project which has been reallocated for land purchases in Townsville. This funding was deferred until such purchases can be made.
- Deferral of $5.470 million for the Gladstone State Development Area, Targinnie, due to delay in finalising the compensations to be paid.
- Capital works in progress of $5.017 million being expensed rather than capitalised following a funding agreement review.

(f) The $28.770 million lower than expected Equity injection is predominantly due to:
- A deferral for planned purchases of assets relating to Materials Transport and Services Corridor, due to the reallocation of funding, and delays in finalising compensations to be paid for Targinnie, refer to variance note (e).
- North Queensland Stadium project deferral due to the project moving to construction phase earlier than forecasted, refer to Statement of Compressive Income variance note (a).

	Notes	2017 $'000	2016 $'000
5. Reconciliation of payments from consolidated fund to appropriation revenue recognised in Statement of Comprehensive Income			
Budgeted appropriation receipts		310,513	394,882
Treasurer's transfers		-	(19,668)
Lapsed appropriation receipts		(134,456)	(234,584)
Total appropriation receipts (cash)		**176,057**	**140,630**
Plus: Opening balance of deferred appropriation payable to Consolidated Fund		12,870	10,470
Less: Closing balance of deferred appropriation payable to Consolidated Fund	17	(10,449)	(12,870)
Net appropriation receipts		**178,478**	**138,230**
Plus: Deferred appropriation payable to Consolidated Fund (expense)	12	6,816	12,870
Appropriation revenue recognised in Statement of Comprehensive Income		**185,294**	**151,100**
Reconciliation of payments from consolidated fund to equity adjustment recognised in Contributed Equity			
Budgeted equity adjustment appropriation		6,355	(47,009)
Treasurer's transfers		-	19,668
Lapsed equity adjustment appropriation		(23,631)	-
Total equity adjustment payments		**(17,276)**	**(27,341)**
Less: Opening balance of equity adjustment receivable	13	(481)	(2,371)
Plus: Closing balance of equity adjustment receivable/(payable)	13, 17	(93)	481
Equity adjustment recognised in Contributed equity		**(17,850)**	**(29,231)**

Accounting policy
Appropriation revenue
Appropriations provided under the *Appropriation Act 2016* are recognised as revenue when received or when departmental service receivables are recognised after approval by Queensland Treasury.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' items in Note 26.

	2017 $'000	2016 $'000
6. User charges and fees		
Fee for service *	174,350	170,861
Property income	784	1,322
Other fees	245	105
Total user charges and fees	**175,379**	**172,288**

* Includes recovery of construction costs for Commonwealth Games venues and village of $157.251 million (2016: $158.563 million).

Accounting policy
User charges and fees are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty.

	2017 $'000	2016 $'000
7. Gains on disposal and remeasurement of assets		
Revaluation increment of property, plant and equipment reversing previous revaluation decrement in profit or loss	7,808	15,159
Gain on sale of property, plant and equipment	3,879	2,047
Total gains	**11,687**	**17,207**
8. Supplies and services		
Consultants and contractors *	161,253	166,134
Other project costs *	27,556	9,623
Property and building expenses	10,168	8,704
Information technology and computer equipment	4,297	4,046
Shared service provider fee	2,089	1,767
Travel and hospitality	1,432	1,202
Transport	896	1,042
Telecommunications	875	704
Marketing and public relations	794	740
Agents' commissions	365	235
Other	1,400	2,250
Total supplies and services	**211,128**	**196,447**

* Includes expenditure for the construction and other costs of Commonwealth Games venues and village of $155.229 million (2016: $156.241 million).

	2017 $'000	2016 $'000
9. Employee expenses		
Employee benefits		
Salaries and wages	57,522	54,701
Employer superannuation contributions	7,632	7,142
Annual leave levy	6,116	5,598
Long service leave levy	1,239	1,257
Other employee benefits	430	784
	72,939	**69,482**
Employee related expenses		
Workers' compensation premium	130	129
Other employee related expenses	1,192	1,454
Total employee expenses	**74,262**	**71,064**
Full time equivalent employees:	593	593

Accounting policy

Salaries and wages

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Sick leave

Prior history indicates that on average, sick leave taken in the reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual leave and long service leave

Under the Queensland Government's Annual Leave Central and Long Service Leave schemes, the department is required to pay a levy to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for leave are claimed from the schemes, quarterly in arrears.

No provision for annual leave or long service leave is recognised in the department's financial statements as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* .

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements prepared pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* .

Workers’ compensation premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

Key management personnel and remuneration

Key management personnel and remuneration disclosures are detailed in Note 10.

10. Key management personnel (KMP) disclosures

Details of key management personnel

As from 2016–17, the department’s responsible minister is identified as part of the department’s KMP, consistent with additional guidance included in AASB 124 *Related Party Disclosures* . The responsible minister is the Minister for State Development and Natural Resources and Mines.

The following details for non-ministerial KMP reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2016–17 and 2015–16. Further information on these positions can be found in the annual report under the section relating to Governance.

Position	Position responsibility
Director-General	The accountable officer is responsible for directing the overall efficient, effective and economical administration of the department and is financially responsible for the performance of the department.
Coordinator-General	Responsible for planning, delivering and coordinating large-scale infrastructure projects, while ensuring environmental impacts are properly managed.
Assistant Coordinator-General	Assists the Coordinator-General in planning, delivering and coordinating large-scale infrastructure projects while ensuring environmental impacts are properly managed.
Deputy Director-General, Economic and Industry Development	Responsible for leading industry attraction and facilitation; developing priority, new and emerging industries; and providing expert commercial and economic analysis of projects and programs to measure and promote productivity.
Deputy Director-General, Industry Partnerships	Responsible for working across government to facilitate private sector projects and major defence industry projects.
Deputy Director-General, Major Projects and Property	Responsible for facilitating, developing and delivering projects and property solutions to achieve economic development and social outcomes across Queensland.
Deputy Director-General, Regional Economic Development	Responsible for providing integrated suite of business, industry and regional development services throughout the state, focusing on regional economic growth to support regional employment.
Deputy Director-General, Business Solutions and Partnerships	Responsible for providing business and corporate services support to the department.
Project Chief Executive	Responsible for the delivery of integrated resort developments in Queensland.

10. Key management personnel (KMP) disclosures (continued)

KMP remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of ministers. The majority of ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of the Premier and Cabinet. As all ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016–17, which are published as part of Queensland Treasury's Report on State Finances.

The remuneration policy for the department's KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008* . Individual remuneration and other terms of employment (including motor vehicle entitlements) are specified in employment contracts.

Remuneration expenses for KMP comprise the following components:
- Short-term employee expenses include salaries, allowances, and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position.
- Long-term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual leave and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

KMP remuneration expense

The following disclosures focus on the expenses incurred by the department attributable to non-ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

2016–17

Position	Short-term employee expenses $'000	Long-term employee expenses $'000	Post-employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	312	6	38	-	356
Coordinator-General	569	11	64	-	644
Assistant Coordinator-General (from 15/02/2017)	90	2	9	-	101
Deputy Director-General, Economic and Industry Development	242	5	26	-	272
Deputy Director-General, Industry Partnerships (from 08/05/2017)	36	1	2	-	39
Deputy Director-General, Major Projects and Property (Acting, from 13/04/2017)	42	1	3	-	46
Deputy Director-General, Major Projects and Property (to 12/04/2017)*	193	3	20	-	216
Deputy Director-General, Regional Economic Development (to 16/06/2017)	224	4	26	-	255
Deputy Director-General, Business Solutions and Partnerships**	244	5	26	-	274
Project Chief Executive	350	7	41	-	397
Total	**2,301**	**44**	**254**	**-**	**2,599**

2015–16

Position	Short-term employee expenses $'000	Long-term employee expenses $'000	Post-employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General (from 01/09/2015)	247	5	31	-	284
Director-General (to 31/08/2015)	88	2	10	-	99
Coordinator-General	556	11	62	-	629
Deputy Director-General, Economic and Industry Development (from 09/11/2015)	153	3	17	-	173
Deputy Director-General, Economic and Industry Development (Acting, to 08/11/2015)	79	2	7	-	88
Deputy Director-General, Major Projects and Property (from 23/11/2015)*	137	-	12	-	149
Deputy Director-General, Major Projects and Property (to 02/12/2015)	128	2	13	134	278
Deputy Director-General, Regional Economic Development	236	4	26	-	266
Deputy Director-General, Business Solutions and Partnerships (from 09/11/2015)**	154	3	14	-	172
Deputy Director-General, Business Solutions and Partnerships (to 08/11/2015)	83	2	9	-	94
Project Chief Executive	282	6	33	-	321
Total	**2,143**	**38**	**236**	**134**	**2,551**

* Acting from 23 November 2015 to 21 August 2016
** Acting from 9 November 2015 to 21 August 2016

Performance payments

The remuneration packages for all KMP do not provide for any performance or bonus payments.

	Notes	2017 $'000	2016 $'000
11. Grants and contributions			
Grants:			
Queensland and local government		57,411	25,508
Industry		7,553	13,972
Universities		-	54
Donated non-current physical assets		-	48
Contributions		112	183
Total grants and contributions		**65,075**	**39,764**

Accounting policy

Grants and contributions are in accordance with the funding agreement between the department and the recipient and are non-reciprocal. Grants are treated as an expense when the recipient can control the use of the resources or when the department's obligation for a transfer arises at that time.

	Notes	2017 $'000	2016 $'000
12. Other expenses			
Deferred appropriation payable to Consolidated Fund	5	6,816	12,870
Net losses from disposal of property, plant and equipment		606	1,986
External audit fees *		207	126
Net losses from disposal of intangible assets		136	8
Insurance premiums—QGIF		95	159
Sponsorships		53	22
Donations and gifts		2	2
Insurance premiums—Other		-	7
Special payments:			
Ex-gratia payments—payments to former Core Agreement employees		-	15
Ex-gratia payments—other		-	18
Other		278	429
Total other expenses		**8,192**	**15,640**

* Total audit fees quoted by the Queensland Audit Office relating to the 2016–17 financial statements are $207,000 (2016: $161,000). There are no non-audit services included in this amount.

Accounting policy

Special payments

Special payments include ex-gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2009* , the department maintains a register setting out details of all special payments greater than $5,000.

	Notes	2017 $'000	2016 $'000
13. Receivables			
Current			
Trade debtors		10,221	1,586
Reimbursements		3,384	3,556
GST receivable		1,400	1,566
Annual leave reimbursements		999	969
Long service leave reimbursements		232	346
Equity injection receivable	5	-	481
Other		29	10
Total current receivables		**16,265**	**8,515**
Non-current			
Reimbursements		505	3,352
Total non-current receivables		**505**	**3,352**

Accounting policy

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Trade debtors are recognised at the amounts due at the time of sale or service delivery being the agreed purchase/contract price. Standard settlement terms require these amounts to be paid within 30 days from the invoice date.

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Terms are set based on the operations of the particular entities. No interest is charged and no security is obtained.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the department, according to the due date (normally terms of 30 days). Economic changes impacting the department's debtors and relevant industry data are also considered in assessing impairment.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If the department determines that an amount owing by such a debtor does become uncollectible (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised as a bad debt expense and written-off directly against Receivables.

13. Receivables (continued)

Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any allowance for impairment.

No collateral is held as security and no credit enhancements relate to receivables held by the department.

The collectability of receivables is assessed periodically with an allowance being made for impairment. The department has no impaired receivables as at 30 June 2017 and 2016. All known bad debts were written-off as at 30 June 2017.

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history. Credit risk management strategies are detailed in Note 24.

	2017 $'000	2016 $'000
14. Non-current assets classified as held for sale		
Land	6,394	11,232
Buildings	1,353	1,773
Other intangibles	484	-
Total non-current assets classified as held for sale	**8,231**	**13,005**

Land and buildings classified as held for sale are Mary Valley, Coomera and Narangba properties. Upon determination of the asset transfer to the held for sale class, market valuation is undertaken by a professional valuer. Determination of fair value is based on comparing selling prices to similar type assets in an active market. These valuations are categorised as Level 2 in the fair value hierarchy. Other intangibles classified as held for sale are Mary Valley water allocations. These assets are valued and transferred to the held for sale class at cost. Non-current assets classified as held for sale are contracted to be sold within the next twelve months.

Accounting policy

Non-current assets held for sale consist of those assets that management has determined are available for immediate sale in their present condition, for which their sale is highly probable within the next twelve months.

Under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* , when an asset is classified as held for sale, its value is measured at the lower of the asset's carrying amount and fair value less costs to sell. Any restatement of the asset's value to fair value less costs to sell is a non-recurring valuation. Such assets are no longer depreciated upon being classified as held for sale.

15. Property, plant and equipment

Closing balances and reconciliation of carrying amount

	Land		Buildings		Plant and Equipment		Capital Work in Progress		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross	115,906	118,988	2,652	9,220	3,299	10,331	4,195	347	126,052	138,886
Less: Accumulated depreciation	-	-	(220)	(3,925)	(1,709)	(7,824)	-	-	(1,929)	(11,749)
Carrying amount at 30 June	**115,906**	**118,988**	**2,432**	**5,295**	**1,590**	**2,507**	**4,195**	**347**	**124,124**	**127,137**
Represented by movements in carrying amount:										
Carrying amount at 1 July	118,988	136,371	5,295	9,682	2,507	3,861	347	135	127,137	150,049
Acquisitions	548	3,079	407	18	325	99	4,158	212	5,438	3,408
Cost adjustment of accrued asset acquisition	(553)	970	-	-	-	-	-	-	(553)	970
Disposals	(1)	(353)	(39)	(59)	(525)	(3)	-	-	(565)	(415)
Assets reclassified as held for sale	(10,884)	(36,239)	(1,908)	(2,456)	-	-	-	-	(12,792)	(38,695)
Transfers between asset classes	-	-	-	-	310	-	(310)	-	-	-
Revaluation increments/(decrements) recognised in operating deficit	7,808	15,159	(637)	(900)	-	-	-	-	7,172	14,259
Depreciation	-	-	(687)	(989)	(1,026)	(1,450)	-	-	(1,713)	(2,439)
Carrying amount at 30 June	**115,906**	**118,988**	**2,432**	**5,295**	**1,590**	**2,507**	**4,195**	**347**	**124,124**	**127,137**

15. Property, plant and equipment (continued)

Land

The department holds land throughout Queensland. These properties are held for various purposes including future economic development opportunities, a specific community or economic need, or for rezoning purposes.

State Valuation Services performed specific appraisals for land in 2013–14. Fair value was determined through direct comparison with the sales history of similar properties based on location, area, access and typography. For some land asset values, consideration was given to current zoning regulations that resulted in adverse adjustments to the land fair values.

In 2016–17, State Valuation Services performed specific appraisal on a land asset located in the Brisbane CBD due to materiality and volatility of fair value in the area. All other land values were adjusted using an individual factor change per property derived from the review of market transactions (observable market data) provided by the State Valuation Services. These market movements are determined having regard to the review of land values undertaken for each Local Government area as issued by the Valuer-General, Department of Natural Resources and Mines.

Buildings

Buildings were revalued using either the income approach or market approach valuation methods depending on their use.

For 2016–17, buildings under the market approach valuation were assessed by State Valuation Service who recommended the use of the Cordell Housing Price Index. This index is specific to Queensland house price movements (observable market data) and was considered the most appropriate index to use for residential housing specific to Queensland properties.

The department is a lessor to rental agreements on various properties. Due to the department's current strategy for these buildings and zoning regulations, the fair value is determined using the income approach, calculated using the present value of future cash flows. The Queensland Treasury Corporation's zero coupon rates are used to calculate the present value.

Categorisation of assets measured at fair value

	Level 2 $'000		Level 3 $'000		Total $'000	
Recurring fair value measurements	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Land	115,906	118,988	-	-	115,906	118,988
Buildings	1,712	3,517	720	1,778	2,432	5,295
Total recurring	**117,618**	**122,505**	**720**	**1,778**	**118,338**	**124,283**

None of the department's valuations of assets or liabilities are eligible for categorisation into Level 1 of the fair value hierarchy.

Accounting policy

Recognition thresholds for property, plant and equipment

Items of property, plant and equipment with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as Property, plant and equipment in the following classes:

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

Items with a lesser value are expensed in the year of acquisition.

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Acquisitions of assets

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the transferor immediately prior to the transfer.

Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

Measurement of property, plant and equipment

Land and buildings are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation. The cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Plant and equipment is measured at historical cost in accordance with the Non-Current Asset Policies. The carrying amounts for such plant and equipment are not materially different from their fair value.

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment constructed in house are recorded as work in progress until completion of the project using all direct and indirect costs, where the latter are reliably attributable. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Revaluation of property plant and equipment measured at fair value

Property, plant and equipment classes measured at fair value are assessed on an annual basis either by appraisals undertaken by an independent professional valuer or by use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is overseen by the Chief Finance Officer, who determines the specific revaluation practices and procedures in conjunction with the asset managers.

15. Property, plant and equipment (continued)

Revaluations using an independent professional valuer are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. An independent professional valuer supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to the valuer. The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by performing a benchmarking exercise with publicly available relevant indices. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by the valuer based on the department's own particular circumstances.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class.

For assets revalued using a cost valuation approach (e.g. depreciated replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount. This is generally referred to as the 'gross method'. For assets revalued using a market or income-based valuation approach, accumulated depreciation is eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

Impairment of non-current assets

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost. Where the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recorded.

Depreciation of property, plant and equipment

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 any estimated residual value, progressively over its estimated useful life to the department. Land is not depreciated as it has an unlimited useful life to the department.

Key judgement

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the department.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

Assets under construction (work in progress) are not depreciated until construction is complete and the asset is first put to use or is ready for its intended use, whichever is earlier. These assets are then reclassified to the relevant class within property, plant and equipment.

For the department's depreciable assets, the estimated amount to be received on disposal at the end of their useful life (residual value) is determined to be zero.

Key estimate

Depreciation rates for each class of depreciable asset (including significant identifiable components):

Asset class and category	**2017 Rate %**	**2016 Rate %**
Buildings	1.67% - 16.67%	1.33 -16.67%
Plant and equipment	9.09% - 33.33%	9.09% - 33.33%

16. Intangible assets

Closing balances and reconciliation of carrying amount

2017	**Software internally generated $'000**	**Work in progress $'000**	**Other intangibles $'000**	**Total $'000**
Gross	1,130	278	10,379	11,787
Less: Accumulated depreciation	(413)	-	-	(413)
Carrying amount at 30 June	**717**	**278**	**10,379**	**11,374**
Represented by movements in carrying amount:				
Carrying amount at 1 July	863	-	11,027	11,890
Acquisitions	-	278	587	865
Disposals	-	-	(476)	(476)
Impairment losses recognised in Statement of Comprehensive Income	-	-	(276)	(276)
Transfer to held for sale asset class	-	-	(484)	(484)
Amortisation	(146)	-	-	(146)
Carrying amount at 30 June	**717**	**278**	**10,379**	**11,374**

16. Intangible assets (continued)

2016	Software internally generated $'000	Work in progress $'000	Other intangibles $'000	Total $'000
Gross	6,540	-	11,027	17,567
Less: Accumulated depreciation	(2,624)	-	-	(2,624)
Less: Accumulated impairment losses	(3,053)	-	-	(3,053)
Carrying amount at 30 June	**863**	**-**	**11,027**	**11,890**
Represented by movements in carrying amount:				
Carrying amount at 1 July	29	-	10,922	10,951
Acquisitions	-	875	150	1,025
Disposals	-	-	(45)	(45)
Transfers between asset classes	875	(875)	-	-
Amortisation	(41)	-	-	(41)
Carrying amount at 30 June	**863**	**-**	**11,027**	**11,890**

All intangible assets have been tested for impairment.

Accounting policy

Recognition and measurement of intangibles

Intangible assets of the department comprise software internally generated, easements, and water allocations. Intangible assets with a cost or value of less than $100,000 (except for network assets) are treated as an expense in the year of acquisition. All other intangible assets are capitalised and included in the relevant asset class.

Network assets including items with an individual value of less than $100,000 are capitalised if collectively they exceed the recognition threshold. A network asset is a chain of interconnected but dissimilar assets connected for the provision of the one simultaneous service, such as easements.

There is no active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the internal development of computer software are capitalised and amortised under the amortisation policy below.

Amortisation expense

Software internally generated has finite useful life and is amortised on a straight-line basis over the period of the expected benefit to the department, which is six years. Other intangible assets (easements and water allocations) are not amortised as they have indefinite useful lives.

	Notes	2017 $'000	2016 $'000
17. Payables			
Current			
Trade creditors		13,836	30,078
Deferred appropriation payable to Consolidated Fund	5	10,449	12,870
Equity withdrawal payable		93	-
Fringe benefits tax		57	61
Other		18	15
Total current payables		**24,452**	**43,024**

Accounting policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount (i.e. agreed purchase/contract price), gross of applicable trade and other discounts. Amounts owing are unsecured.

	2017 $'000	2016 $'000
18. Provisions		
Current		
Land acquisition claims	3,914	10,972
Total current provisions	**3,914**	**10,972**
Non-current		
Land acquisition claims	6,114	3,352
Total non-current provisions	**6,114**	**3,352**
Movements in provisions		
Land acquisition claims		
Current		
Balance at 1 July	10,972	9,796
Additional provision recognised	1,159	2,708
Restatement of provision	(7,187)	(2,065)
Reduction in provision as a result of payments	(4,016)	(3,897)
Reclassification from non-current provision	2,987	4,431
Balance as at 30 June	**3,914**	**10,972**
Non-current		
Balance at 1 July	3,352	7,190
Additional provision recognised	150	700
Restatement of provision	5,600	(107)
Reclassification to current provision	(2,987)	(4,431)
Balance as at 30 June	**6,114**	**3,352**

18. Provisions (continued)

Accounting policy

Provisions are recorded when the department has a present obligation, either legal or constructive, as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using the appropriate discount rate.

Key estimates

The department acquires land through compulsory acquisition in accordance with the *Acquisition of Land Act 1967* using the Coordinator-General's powers as contained in the *State Development and Public Works Organisation Act 1971*. The department pays compensation for land acquired in accordance with this legislation when an agreement is reached between the land owner and the Coordinator-General through the execution of a section 15 Compensation Agreement. Prior to the execution of a section 15 Compensation Agreement, the department recognises a provision to account for the compensation it expects to pay for all land resumptions.

	2017 $'000	2016 $'000
19. Other liabilities		
Current		
Deposits held	12,551	14,103
Unearned revenue	3,617	20,329
Tendering deposits	850	1,350
Other	26	24
Total current other liabilities	**17,045**	**35,806**
Non-current		
Unearned revenue	-	188
Other	1,443	274
Total non-current other liabilities	**1,443**	**461**

Accounting policy

Other liabilities are recognised in accordance with contract terms. Unearned revenue is recognised by identifying the portion of up-front payment unearned as at 30 June.

	2017 $'000	2016 $'000
20. Reconciliation of operating result to net cash from operating activities		
Operating surplus	11,919	13,200
Non-cash items:		
Depreciation and amortisation expense	1,859	2,480
Net gain on disposal of property, plant and equipment and intangible assets	(3,137)	(54)
Impairment losses	290	-
Revaluation decrement	637	900
Revaluation increment	(7,808)	(15,159)
Non-current assets transferred out	-	48
Other non-cash items	(141)	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	(5,385)	2,773
(Increase)/decrease in prepayments	27	10
Increase/(decrease) in payables	(18,664)	13,605
Increase/(decrease) in accrued employee benefits	421	960
Increase/(decrease) in other liabilities	(17,780)	8,157
Increase/(decrease) in provisions	(4,295)	(2,662)
Net cash from operating activities	**(42,059)**	**24,259**

21. Commitments for expenditure

Non-cancellable operating lease

Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2017 $'000	2016 $'000
- Not later than 1 year	9,193	4,709
- Later than 1 year and not later than 5 years	45,381	5,103
- Later than 5 years	91,872	7,103
Total non-cancellable operating lease commitments	**146,446**	**16,915**

The department has non-cancellable operating leases relating to office accommodation, storage facilities and car park spaces. Lease payments are fixed but have inflation escalation clauses on which contingent rentals are determined. Where it is reasonably certain that the renewal options will be exercised, the lease commitment includes the extended option period.

For 2016–17 $6.141 million (2016: $5.892 million) was recognised by the department as an expense in the Statement of Comprehensive Income in respect of operating leases.

Accounting policy

Operating lease rentals

Operating leases are recognised on a straight line basis over the period of the lease term.

	Notes	2017 $'000	2016 $'000
21. Commitments for expenditure (continued)			
Capital expenditure commitments			
Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:			
Capital works in progress			
- Not later than 1 year		50,536	-
- Later than 1 year and not later than 5 years		152,176	-
Total capital expenditure commitments		**202,712**	**-**

The capital expenditure commitments balance is for the construction of North Queensland Stadium, which the department is responsible to deliver.

Grants and contributions expenditure commitments
Grants and contributions commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

		2017 $'000	2016 $'000
- Not later than 1 year		11,504	4,231
- Later than 1 year and not later than 5 years		6,231	4,308
- Later than 5 years		300	-
Total grants and contributions expenditure commitments		**18,035**	**8,538**

Other expenditure commitments
Other expenditure commitments at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

		2017 $'000	2016 $'000
- Not later than 1 year		79,322	74,344
- Later than 1 year and not later than 5 years		1,673	45,645
- Later than 5 years		-	127
Total other expenditure commitments		**80,994**	**120,117**

The department is responsible for project managing the development of the Commonwealth Games venues. Payments of approximately $21.833 million (2016: $85.999 million) relevant to the Commonwealth Games venues will be refunded by other Queensland Government departments and are included in the above Other expenditure commitment balance.

22. Contingencies
Guarantees and undertakings
The department holds bank guarantees in relation to Queensland Investment Incentive Scheme (QIIS) grants, Regional Queensland Investment Incentive Scheme (RQIIS) grants and other financial support provided to private sector proponents.

All QIIS funds are underwritten by performance undertakings, and in the case of cash grants, secured by bank guarantees or equivalent securities from the grantee for the full term of the agreement.

The total value of bank guarantees held for one QIIS and two RQIIS projects as at 30 June 2017 is $1.705 million (2016: $1.705 million for three projects).

Other bank guarantees and bonds are held for financial support provided on projects across the department. The total value of bank guarantees and bonds held for these projects as at 30 June 2017 is $31.204 million (2016: $33.017 million).

Litigation in progress
The department has one case before the Supreme Court as at 30 June 2017 and 2016. It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time. However, if the department is unsuccessful, any costs incurred will be subject to recovery from external proponents.

There are two claims for costs through the Queensland Government Insurance Fund (QGIF). Under QGIF, the department would be able to claim back the amounts paid for claims, less a $10,000 deduction.

Other matters relate to land resumptions before the Land Court. However, it is not possible to determine the probable outcome of claims against the department, or any financial effect.

Native title claims over departmental land
At 30 June 2017, native title continues to exist over certain land parcels owned by the Department of State Development. Native title determination applications have been registered in the Federal Court of Australia but not all applications have been determined by the Court. At reporting date, it is not possible to make an estimate of any probable outcome of these claims or any financial effect.

23. Events occurring after balance date
On 1 August 2017, the State Government ended the Integrated Resort Development process for the Gold Coast Spit.

24. Financial instruments
Financial instrument categories
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument. The department has the following categories of financial assets and financial liabilities:

	Notes	2017 $'000	2016 $'000
Financial assets			
Loans and receivables at amortised cost—comprising:			
Cash and cash equivalents		9,568	52,719
Receivables	13	16,770	11,867
Total financial assets		**26,338**	**64,587**

Cash and cash equivalents consist of cash at bank $9.568 million (2016: $52.716 million cash at bank and $6,000 imprest accounts).

24. Financial instruments (continued)

Accounting policy

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions.

Departmental bank accounts grouped within the whole-of-government set-off arrangement with Queensland Treasury do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

	Notes	2017 $'000	2016 $'000
Financial liabilities			
Financial liabilities measured at amortised cost—comprising:			
Payables	17	24,452	43,024
Interest-bearing liabilities		65,577	73,011
Total financial liabilities		**90,029**	**116,035**

Interest-bearing liabilities pertain to borrowing with the Queensland Treasury Corporation. The borrowing is for a period of 20 years until 15 March 2025 with a fixed interest rate of 2.84% per annum.

Accounting policy

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise.

Financial risk management

(a) Risk exposure

Financial risk management is implemented pursuant to Queensland Government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under policies approved by the department which relate to financial arrangements as required by Queensland Treasury. The department's activities expose it to a variety of financial risks as set out in the following table:

Risk exposure	Definition	Exposure
Credit risk	Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The department is exposed to credit risk in respect of its receivables in Note 13.
Liquidity risk	Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in respect of its payables in Note 17 and borrowing from Queensland Treasury Corporation.
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.	The department is not materially exposed to changes in commodity prices, foreign currency or other market prices. The department is not exposed to interest rate risk as the borrowing from Queensland Treasury Corporation is at fixed interest rate.

(b) Risk measurement and management strategies

The department measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method	Risk management strategies
Credit risk	Ageing analysis, earnings at risk	The department manages credit risk through the use of a credit management policy articulated in the department's Financial Management Practice Manual. This policy aims to reduce the exposure to credit default by assessing whether the customer has the ability and willingness to pay amounts owing to the department in an approved timeframe. The department monitors all funds owed on a monthly basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity risk	Sensitivity analysis	The department manages liquidity risk through the use of an Under Treasurer approved overdraft limit on the department's controlled bank account. This overdraft limit reduces 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 in the department's bank account to match the expected duration of the various employee and supplier liabilities.
Market risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest rate risk and manages its risk as per the department's derivative management policy articulated in the departments' Financial Management Practice Manual. The department's borrowing from Queensland Treasury Corporation is at fixed rate which minimises the exposure to interest rate movements.

Liquidity risk—Contractual maturity of financial liabilities

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at the reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that is based on discounted cash flows.

24. Financial instruments (continued)

Financial liabilities

2017	**2017 payable in**			
	< 1 year	**1 – 5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Payables	24,452	-	-	24,452
Interest-bearing liabilities	9,482	37,927	26,075	73,484
Total	**33,934**	**37,927**	**26,075**	**97,936**

2016	**2016 payable in**			
	< 1 year	**1 – 5 years**	**> 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Payables	43,024	-	-	43,024
Interest-bearing liabilities	9,482	37,927	35,556	82,965
Total	**52,506**	**37,927**	**35,556**	**125,988**

Fair value disclosures for financial liabilities measured at amortised cost

With the exception of Queensland Treasury Corporation borrowings, the carrying amount of financial liabilities measured at amortised cost approximates their fair value at reporting date.

The fair value of borrowings is notified by the Queensland Treasury Corporation and is calculated using discounted cash flow analysis and the effective interest rate. They are categorised as level three fair values with the fair value hierarchy.

	2017		**2016**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial liabilities at amortised cost:	**$'000**	**$'000**	**$'000**	**$'000**
QTC Borrowings	65,577	66,197	73,011	74,986
Total	**65,577**	**66,197**	**73,011**	**74,986**

25. Related party transactions

Transactions with other Queensland Government—controlled entities

The department's primary ongoing sources of funding from the government for services is appropriation revenue and equity injections, refer Note 5. These funds are provided in cash via Queensland Treasury.

The department is responsible for project managing the construction of Commonwealth Games venues and village on behalf of Department of Tourism, Major Events, Small Business and the Commonwealth Games and Economic Development Queensland (EDQ), respectively. Construction costs incurred by the department are recovered via fee for service and disclosed in Note 6.

The department provides certain corporate services to the Department of Infrastructure, Local Government and Planning under a service level agreement.

The department has borrowing from Queensland Treasury Corporation, and Note 24 outlines the key terms and conditions of those borrowings.

The department has leases with the Department of Housing and Public Works for commercial office accommodation, storage facilities and car park spaces, refer Note 8.

The department engages Queensland Shared Services, under the Department of Science, Information Technology and Innovation, for the provision of a range of services under a service level agreement, refer Note 8.

Transactions with people and entities related to KMP

The department has no transactions with people and entities related to its key management personnel during the financial year.

	2017	**2016**
	$'000	**$'000**
26. Schedule of administered items		
Administered revenue		
Appropriation revenue	2,500	2,500
Total administered revenue	**2,500**	**2,500**
Administered expenses		
Grants and contributions	2,500	2,500
Total administered expenses	**2,500**	**2,500**
Reconciliation of payments from Consolidated Fund to administered revenue		
Budgeted appropriation	2,500	2,500
Administered revenue recognised in Statement of Comprehensive Income	**2,500**	**2,500**
This is represented by grants and contributions to:		
Statutory authorities	2,500	2,500
Total grants and contributions	**2,500**	**2,500**

26. Schedule of administered items (continued)

Budget to actual comparison

	Budget 2017 $'000	Actual 2017 $'000	Variance $'000
Administered revenue			
Appropriation revenue	2,500	2,500	-
Total administered revenue	**2,500**	**2,500**	**-**
Administered expenses			
Grants and contributions	2,500	2,500	-
Total administered expenses	**2,500**	**2,500**	**-**

All administered revenue and expenditures are for the Gasfields Commission. The department has no administered assets and liabilities as at 30 June 2017 and 2016.

Accounting policy

The department administers, but does not control, certain activities on behalf of the Queensland Government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

These transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

27. Restated balances

Restatement of infrastructure and major plant and equipment

The department owns infrastructure and equipment assets which were received via machinery-of-Government changes in 2009. These assets are leased to a private entity for a long term period with minimal return. A recent review of the contract agreements revealed that the assets fail to meet the recognition criteria per AASB 116 *Property, plant and equipment* as the department does not control the future economic benefits arising from the assets. As a result, the infrastructure and major plant and equipment asset classes and equity totalling $183.527 million reported as at 30 June 2016 and $196.483 million as at 30 June 2015 in the financial statements have been corrected.

Restatement of capital work in progress

A recent review of the items comprising the department's capital work in progress identified $12.817 million of capital work in progress expenditure incurred in 2016 that does not qualify for capitalisation.

Restatement of prepayments

A recent review of the contract agreements for prepaid access facility charges revealed that the department does not gain any future economic benefits from the arrangement. As a result, prepayments and equity totalling $10.832 million reported as at 30 June 2016 and $11.433 million as at 30 June 2015 in the financial statements have been corrected.

Adjustments to the errors outlined above have been made retrospectively in accordance with requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. In accordance with AASB 101 *Presentation of Financial Statements*, a third Statement of financial position has been presented to incorporate the restatements. A summary of all comparative changes is detailed below.

	Notes	2016 Published $'000	Increase/ (decrease) $'000	2016 Restated $'000
Statement of Financial Position (extract) as at 30 June 2016				
Prepayments		11,070	(10,832)	238
Property, plant and equipment	15	323,491	(196,354)	127,137
Contributed equity		648,764	(172,445)	476,319
Accumulated deficit		(422,977)	(5,924)	(428,900)
Asset revaluation surplus		28,726	(28,726)	-
Statement of Comprehensive Income (extract) for the year ended 30 June 2016				
Grants and contributions	11	26,948	12,816	39,764
Depreciation and amortisation	15	9,536	(7,056)	2,480
Other expenses	12	20,800	(5,160)	15,640

	Notes	2015 Published $'000	Increase/ (decrease) $'000	2015 Restated $'000
Statement of Financial Position (extract) as at 1 July 2015				
Prepayments		11,681	(11,433)	248
Property, plant and equipment	15	346,533	(196,483)	150,050
Contributed equity		672,833	(167,286)	505,548
Accumulated deficit		(436,187)	(5,913)	(442,100)
Asset revaluation surplus		34,627	(34,627)	-

28. Summary of other significant accounting policies

Insurance
The department's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund (QGIF), premiums being paid on a risk assessment basis. In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Taxation
The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth Government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). As such, input tax credits receivable from, and GST payable to, the Australian Taxation Office are recognised.

Accounting standards applied for the first time
The only Australian Accounting Standard that became effective for the first time in 2016–17 is AASB 124 *Related Party Disclosures*. This standard requires note disclosures about relationships between a parent entity and its controlled entities, key management personnel (KMP) remuneration expenses and other related party transactions, and does not impact on financial statement line items. As Queensland Treasury already required disclosure of KMP remuneration expenses, AASB 124 had minimal impact on the department's KMP disclosures compared to 2015–16, refer to Note 10. However, the standard has resulted in the department's responsible Minister being identified as part of the department's KMP as from 2016–17. Material related party transactions for 2016–17 are disclosed in Note 25. No comparative information about related party transactions is required in respect of 2015–16.

Future impact of accounting standards not yet effective
At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued, but with future commencement dates, are set out below.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
From 2017–18, this standard will require additional disclosures in the department's financial statements to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and will be disclosed by way of a reconciliation in the notes to the Statement of Cash Flows.

AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers*
These standards will first apply to the department from its financial statements for 2019–20.

The department has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

- Grants received to construct non-financial assets controlled by the department will be recognised as a liability, and subsequently recognised progressively as revenue as the department satisfies its performance obligations under the grant.
- Under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral and continue to be recognised as revenue as soon as they are controlled. The department receives several grants for which there are no sufficiently specific performance obligations—these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the department's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). The department is yet to complete its analysis of existing arrangements for the sale of its goods and services and the impact, if any, on revenue recognition has not yet been determined.
- A range of new disclosures will also be required by the new standards in respect of the department's revenue.

AASB 9 *Financial Instruments* and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
These standards will first apply to the department's financial statements for 2018–19. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, all of the department's financial assets are expected to be required to be measured at fair value. In the case of the department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the department's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the department's receivables. Assuming no substantial change in the nature of the department's receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the department will need to determine the expected credit losses on its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

The department will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018–19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018–19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the department enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment.

AASB 16 *Leases*
This standard will first apply to the department's financial statements for 2019–20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases—Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AABS 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months unless the underlying assets are of low value.

28. Summary of other significant accounting policies (continued)

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the Statement of financial position under AASB 16. There will be a significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that is not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of comprehensive income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application. The department will await further guidance from Queensland Treasury on the transitional accounting method to be applied.

The department has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the department's activities, or have no material impact on the department.

Certificate of the Department of State Development

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

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

(b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the department for the financial year ended 30 June 2017 and of the financial position of the department at the end of that year; and

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

Alison Mohr

Alison Mohr CPA

Chief Finance Officer

Date: 28 August 2017

Michael Schaumburg

Director-General

Date: 28 August 2017