

Financial summary

Understanding the Financial Statements

Financial reports, incorporating a full set of financial statements and notes, for both the Department of Infrastructure and its Commercialised Business Unit, the Property Services Group are included in this Annual Report.

The Department of Infrastructure Financial Report starts on page 70. It contains financial data labelled:

- Parent Entity
- Parent Entity – Administered on a whole-of Government basis
- Consolidated

Parent Entity refers to the funds within the control of the government agency - Department of Infrastructure - referred to as Controlled funding.

Parent Entity – Administered on a whole-of-Government basis refers to those funds administered by the Department of Infrastructure on behalf of Government over which the Department may exercise no control.

Consolidated relates to the combined operations of the Parent Entity (Department of Infrastructure – controlled funding) and its controlled entities:

- Property Services Group
- City North Infrastructure Pty Ltd
- Queensland Water Infrastructure Pty Ltd
- South East Queensland (Gold Coast) Desalination Company Pty Ltd
- Southern Regional Water Pipeline Company Pty Ltd
- Western Corridor Recycled Water Pty Ltd

The full financial report for the Property Services Group commences on page 122.

Overview of consolidated entity operations

- **Department of Infrastructure** – the department's role is to steer major resource and infrastructure projects to fruition and to ensure the timely delivery of both social and economic infrastructure in a way that is not only sustainable but which also delivers benefits to all Queenslanders.
- **Property Services Group** – is a Commercialised Business Unit of the Department of Infrastructure and delivers a range of services under the *Industrial Development Act 1963*. Through the Estates Construction Fund, it provides funding for both property-related and other industry developments functions aimed at encouraging the location and expansion of business and industry in Queensland.

- **City North Infrastructure Pty Ltd** – is jointly owned by Department of Infrastructure (25%), Queensland Treasury Holdings Pty Ltd (25%), Department of Transport (25%) and Department of Main Roads (25%) with the share holdings representing the major project and transport nature of its business. Commencing operations on 22 December 2006, its principal activities for the period were to oversee the procurement of the Airport Link and Northern Busway (Windsor-Kedron) projects on behalf of the State of Queensland.
- **Queensland Water Infrastructure Pty Ltd** – is charged with carrying out and completing the design, construction, commissioning and operation of several major water infrastructure projects including the Traveston Crossing and Wyaralong dams.
- **South East Queensland (Gold Coast) Desalination Company Pty Ltd** – is jointly owned by the Department of Infrastructure (50%) and the Gold Coast City Council (50%). The principal activity of the company is to facilitate the delivery of a desalination facility to create a bulk water source for South East Queensland.
- **Southern Regional Water Pipeline Company Pty Ltd** – the government acquired shares in the company on 28 June 2007. The company was formed as a strategic alliance to improve the regional water supply distribution network to communities between Brisbane and the Gold Coast.

- **Western Corridor Recycled Water Pty Ltd** – was established on 2 March 2007. The principal activity of the company during the financial period was the design, construction and operation of the Western Corridor Recycled Water Project.

Consolidated financial overview

Operating result

The department's consolidated entity reported a 2006–07 operating surplus of \$7.187 million after the elimination of related party transactions.

Consolidated entity income statement summary:

	2007 \$'000	2006 \$'000
Total Revenue	122,020	69,724
Total Expenses	114,833	93,012
Operating Result	7,187	(23,288)

Balance Sheet – Assets, Liabilities and Equity

Consolidated entity's balance sheet summary:

	2007 \$'000	2006 \$'000
Total Assets	2,643,529	769,276
Total Liabilities	1,395,466	151,113
Total Equity	1,248,063	618,163



The **assets** held by the consolidated entity at 30 June 2007 largely comprised cash, trade debtors, land held for resale and property, plant and equipment. The significant increase in total assets between 2005–06 and 2006–07 was a result of the increased scale of infrastructure delivery operations. Increases in assets included:

- Capital Works in Progress:
 - \$418.855 million for the construction of the western corridor recycled water pipeline by Western Corridor Recycled Water Pty Ltd
 - \$216.819 million for the creation of the Gold Coast desalination facility by South East Queensland (Gold Coast) Desalination Company Pty Ltd
 - \$208.127 million for the construction of a water pipeline network and associated infrastructure in South East Queensland by Southern Regional Water Pipeline Company Pty Ltd
 - \$32.424 million for the design, construction, commissioning and operation of major water infrastructure projects including Traveston Crossing and Wyaralong dams by Queensland Water Infrastructure Pty Ltd
- Cash and cash equivalents of \$732.849 million mainly held in the following entities:
 - \$451.339 million - Western Corridor Recycled Water Pty Ltd
 - \$146.594 million - Southern Regional Water Pipeline Company Pty Ltd
 - \$121.944 million - Property Services Group
- Land:
 - \$300.219 million for Property Services Group land acquisitions
 - \$260.678 million for land acquired by Queensland Water Infrastructure Pty Ltd

The **liabilities** of the consolidated entity at 30 June 2007 mainly relate to financial liabilities and payables.

- Financial liabilities total \$584.022 million and mainly relate to a construction debt facility with Queensland Treasury Corporation for the sole purpose of design, construction, commissioning and operation of major water infrastructure projects including:
 - \$300.149 million in Queensland Water Infrastructure Pty Ltd
 - \$283.873 million in Western Corridor Recycled Water Pty Ltd

- Other liabilities relate to an unearned national water initiative grant of \$408.000 million to Western Corridor Recycled Water Pty Ltd
- Payables include the following goods and services incurred by the entity in 2006–07 which are unpaid at 30 June 2007:
 - \$191.341 million in Western Corridor Recycled Water Pty Ltd
 - \$67.269 million in South East Queensland (Gold Coast) Desalination Company Pty Ltd
 - \$16.908 million in Queensland Water Infrastructure Pty Ltd

Equity is the entity's net worth that is total assets less total liabilities. Equity as at 30 June 2007 was \$1,248.063 million, an increase of \$629.900 million (102%) over the previous year.

Parent Entity financial overview

Operating result

The Department of Infrastructure's operating result for 2006–07 was a deficit of \$7.222 million. The deficit is mainly due to technical accounting treatments and does not represent a decrease in the cash reserves of the department. Included in the deficit is:

- \$6.840 million payment to City North Infrastructure Pty Ltd for procurement services related to the Airport Link project
- \$1.191 million associated with the impairment loss resulting from the write-off of assets purchased in the development of the Targinie State Development Area and depreciation expense of the remaining assets in the Targinie precinct

After accounting for the above issues, the department ran a small operating surplus.

Parent entity income statement summary:

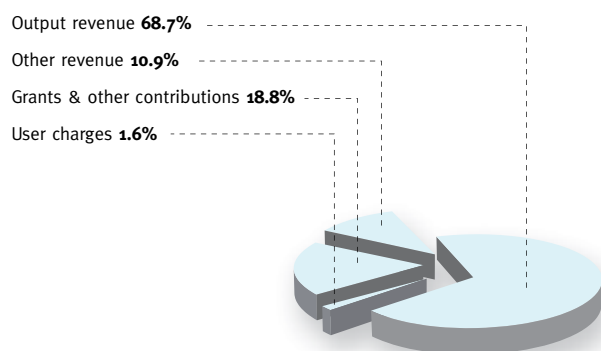
	2007 \$'000	2006 \$'000
Total Revenue	54,687	46,705
Total Expenses	61,909	51,725
Operating Result	(7,222)	(5,020)

Revenues

The Department's main revenue source is the State Government. In 2006–07, \$37.592 million was appropriated from State Government, a decrease of 4% on 2005–06, mainly due to the transfer of committed project funding from 2006–07 into future years.

The department receives the bulk of its remaining funding from the Estates Construction Fund, administered by the Property Services Group, which was \$10.247 million in 2006–07. This increase was due largely to additional project funding received for various land and precinct planning projects.

The Department of Infrastructure (Parent Entity) revenue by category for year ended 30 June 2007

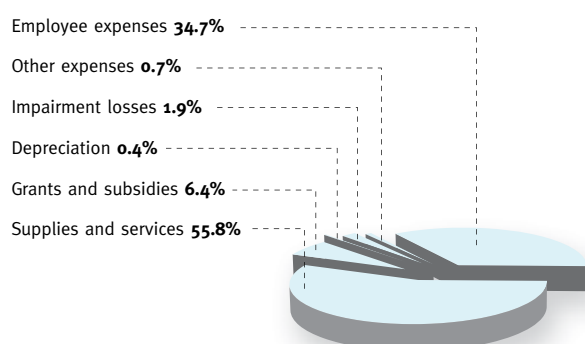


Expenses

The department's main categories of expenses are employee expenses and supplies and services.

In 2006–07, employee expenses grew by 62% to \$21.501 million, mainly attributed to an increase in staffing costs as a result of the establishment of the Department of Infrastructure including the South East Queensland Water Grid team and the creation of the Community Futures Taskforce.

The Department of Infrastructure (Parent Entity) expenses by category for year ended 30 June 2007



Balance Sheet – Assets, Liabilities and Equity

Parent entity balance sheet summary:

	2007 \$'000	2006 \$'000
Total Assets	609,774	81,216
Total Liabilities	48,720	37,733
Total Equity	561,054	43,483

The **assets** held by the Department are mainly shares in, and loans to, its controlled entities, as well as appropriations due from and not yet paid by Government. Other assets include strategic land holdings and general office equipment.

Liabilities mainly relate to trade creditors and unearned revenue. The difference between 2005–06 and 2006–07 is mainly due to an increase in unearned grant revenue relating to the Estates Construction Fund.

Equity represents what the department is worth. The strong financial position of the department is evident through the low ratio of liabilities to assets of 8%.

Parent Entity – Administered financial overview

Administered operations of the department mainly relate to the Department passing on Government funding to the Queensland Water Commission. The Administered balance sheet reflects the financing transactions related to the Brisbane Cruise Terminal development at Hamilton.

2007–08 Outlook

A machinery-of-government change resulted in the Sustainable Planning Division and associated corporate and executive services of the previous Department of Local Government, Planning, Sport and Recreation to be amalgamated with the Department of Infrastructure to form the Department of Infrastructure and Planning, effective 1 October 2007.

The consolidated entity operations are planned to continue in 2007–08.