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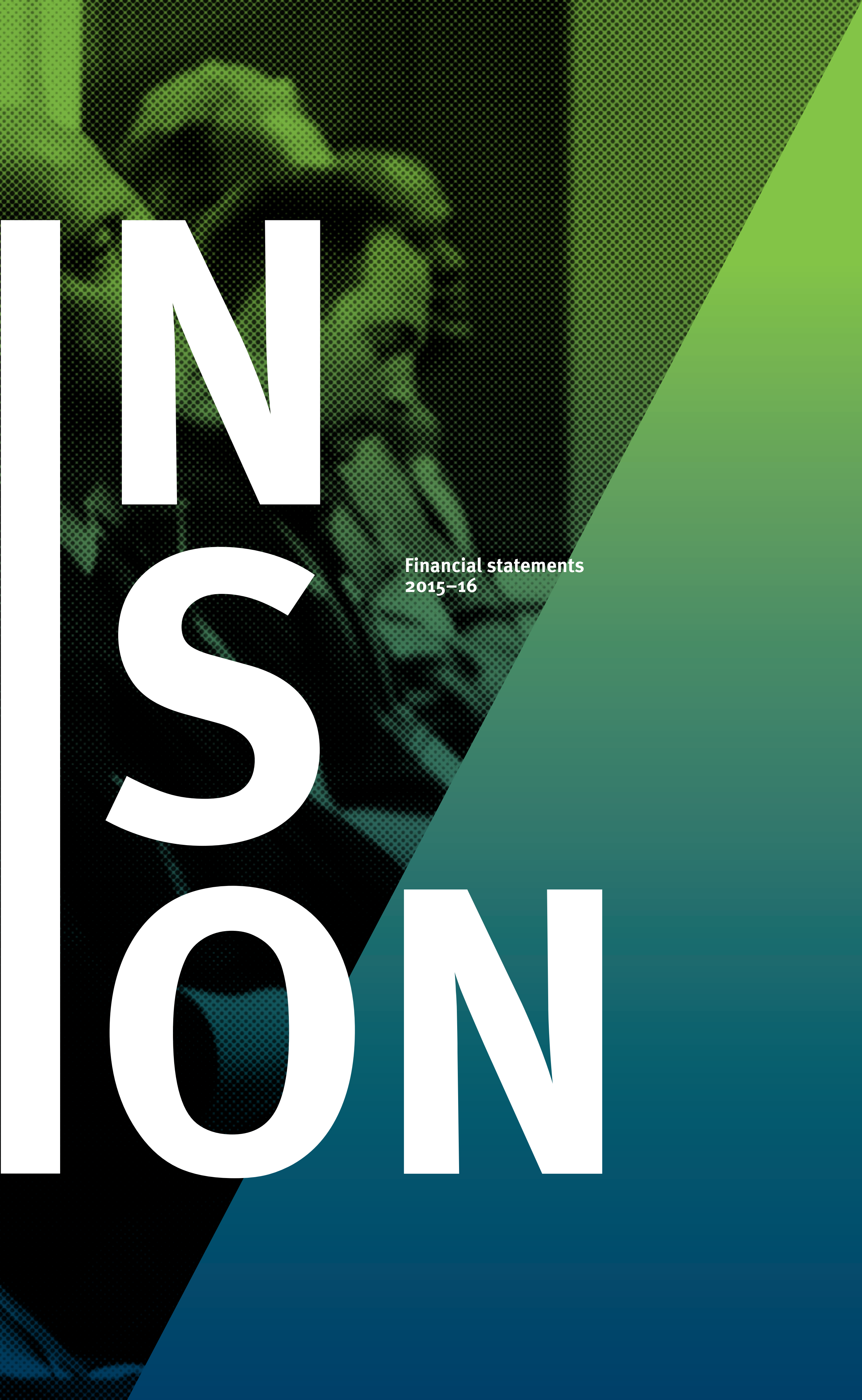

Financial statements 2015–16

Department of Transport and Main Roads Financial Statements as at 30 June 2016

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Department of Transport and Main Roads
Financial statements for the reporting period 1 July 2015 to 30 June 2016

Foreword

The Department of Transport and Main Roads is a Queensland Government department established under the *Public Service Act 2008.* The department is controlled by the State of Queensland which is the ultimate parent. The principal address of the department is:

Capital Hill Building
85 George Street
Brisbane Qld 4000

The Department of Transport and Main Roads' financial statements cover the department and its controlled entities, and contain the following:

- Statement of comprehensive income
- Statement of financial position
- Statement of comprehensive income by major departmental services
- Statement of assets and liabilities by major departmental services
- Statement of changes in equity
- Statement of cash flows
- Notes to and forming part of the financial statements
- Management certificate.

A description of the nature of the department's operations and its principal activities is disclosed in Note 1.

For information about the Department of Transport and Main Roads' financial statements:

- visit the Department of Transport and Main Roads website at www.tmr.qld.gov.au
- contact financialstatements@tmr.qld.gov.au

Department of Transport and Main Roads
Statement of comprehensive income
for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Income from continuing operations			
Appropriation revenue	2	4,905,845	4,605,226
User charges and fees	3	768,792	808,362
Grants and other contributions	4	159,173	473,473
Other revenue		20,629	28,669
Total revenue		**5,854,439**	**5,915,730**
Gains on disposal and remeasurement of assets	5	1,711,555	19,159
Total income from continuing operations		**7,565,994**	**5,934,889**
Expenses from continuing operations			
Employee expenses	6	504,590	466,368
Supplies and services	8	3,263,758	3,346,389
Grants and subsidies	9	456,701	1,057,443
Depreciation and amortisation	15, 16	904,964	1,203,367
Decommissioned and disposed assets expense	10	161,929	342,696
Revaluation decrements	16	-	1,707,073
Impairment losses	13	984	-
Finance and borrowing costs	11	85,888	90,311
Other expenses	12	12,682	12,911
Total expenses from continuing operations		**5,391,496**	**8,226,558**
Operating result from continuing operations before income tax equivalent expense		**2,174,498**	**(2,291,669)**
Income tax equivalent expense	23	9,781	6,785
Operating result for the year		**2,164,717**	**(2,298,454)**
Items not reclassified to operating result			
Increase/(decrease) in asset revaluation surplus		13,934,015	(1,989,584)
Total other comprehensive income		**13,934,015**	**(1,989,584)**
Total comprehensive income		**16,098,732**	**(4,288,038)**

The accompanying notes form part of these statements.

Department of Transport and Main Roads
Statement of financial position
as at 30 June 2016

	Notes	2016 $'000	2015 $'000
Assets			
Current assets			
Cash		191,807	224,109
Receivables	13	323,209	200,802
Inventories		10,243	10,277
Prepayments	14	16,266	23,855
Non-current assets classified as held for sale		1,694	9,042
Total current assets		**543,219**	**468,085**
Non-current assets			
Prepayments	14	1,783	1,808
Other financial assets	28	601	601
Intangible assets	15	92,312	84,763
Property, plant and equipment	16	72,485,098	55,936,022
Deferred tax assets	23	6,980	7,165
Total non-current assets		**72,586,774**	**56,030,359**
Total assets		**73,129,993**	**56,498,444**
Liabilities			
Current liabilities			
Payables	17	433,823	468,518
Interest bearing liabilities	18	97,832	89,916
Provisions	19	238,604	200,172
Accrued employee benefits	20	32,778	29,190
Unearned revenue	21	42,509	43,412
Current tax liabilities	23	798	-
Other	22	34,023	28,039
Total current liabilities		**880,367**	**859,247**
Non-current liabilities			
Interest bearing liabilities	18	1,215,170	1,136,059
Provisions	19	34,872	80,939
Accrued employee benefits	20	5,255	4,983
Other	22	85	106
Total non-current liabilities		**1,255,382**	**1,222,087**
Total liabilities		**2,135,749**	**2,081,334**
Net assets		**70,994,244**	**54,417,110**
Equity			
Contributed equity		54,278,923	53,800,521
Accumulated surplus/(deficit)		1,813,825	(350,892)
Asset revaluation surplus		14,901,496	967,481
Total equity		**70,994,244**	**54,417,110**

The accompanying notes form part of these statements.

Department of Transport and Main Roads
Statement of comprehensive income by major departmental services
for the year ended 30 June 2016

	Transport system investment planning and programming		Transport infrastructure management and delivery		Transport safety and regulation	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income from continuing operations						
Appropriation revenue	95,450	149,698	2,224,045	1,991,983	41,345	36,456
User charges and fees	47,241	45,473	93,757	111,328	213,974	202,647
Grants and other contributions	1,049	122	108,805	414,243	6,191	9,793
Other revenue	288	107	33,758	58,891	1,380	3,674
Total revenue	**144,028**	**195,400**	**2,460,365**	**2,576,445**	**262,890**	**252,570**
Gains on disposal and remeasurement of assets	3,390	14,097	1,707,106	2,103	35	113
Total income from continuing operations	**147,418**	**209,497**	**4,167,471**	**2,578,548**	**262,925**	**252,683**
Expenses from continuing operations						
Employee expenses	59,006	56,562	133,816	139,185	62,515	58,396
Supplies and services	73,776	146,293	643,501	710,147	145,540	131,706
Grants and subsidies	8,546	808	177,502	785,081	42,131	42,433
Depreciation and amortisation	4,462	4,637	837,423	1,125,750	6,745	7,624
Decommissioned and disposed assets expense	102	2,670	158,780	332,388	2,080	3,090
Revaluation decrements	-	8	-	1,706,948	-	9
Impairment losses	1,470	(1,715)	2,021	(1,215)	(2,637)	2,915
Finance and borrowing costs	-	-	50,960	56,027	5,540	5,622
Other expenses	56	234	8,777	7,898	1,011	888
Total expenses from continuing operations	**147,418**	**209,497**	**2,012,780**	**4,862,209**	**262,925**	**252,683**
Operating result from continuing operations before income tax equivalent expense	**-**	**-**	**2,154,691**	**(2,283,661)**	**-**	**-**
Income tax equivalent expense	-	-	-	-	-	-
Operating result for the year	**-**	**-**	**2,154,691**	**(2,283,661)**	**-**	**-**
Items not reclassified to operating result						
Increase/(decrease) in asset revaluation surplus	-	-	13,934,015	(1,989,584)	-	-
Total other comprehensive income	**-**	**-**	**13,934,015**	**(1,989,584)**	**-**	**-**
Total comprehensive income	**-**	**-**	**16,088,706**	**(4,273,245)**	**-**	**-**

Customer experience		Passenger transport services		Transport infrastructure construction and maintenance		Inter-departmental services eliminations		Total	
2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
352,233	331,825	2,192,772	2,095,264	-	-	-	-	**4,905,845**	**4,605,226**
3,438	4,117	388,558	408,483	456,914	537,285	(435,090)	(500,971)	**768,792**	**808,362**
12	1,419	43,112	47,858	4	38	-	-	**159,173**	**473,473**
862	468	385	289	2,904	3,418	(18,948)	(38,178)	**20,629**	**28,669**
356,545	**337,829**	**2,624,827**	**2,551,894**	**459,822**	**540,741**	**(454,038)**	**(539,149)**	**5,854,439**	**5,915,730**
-	139	-	1,058	1,024	1,649	-	-	**1,711,555**	**19,159**
356,545	**337,968**	**2,624,827**	**2,552,952**	**460,846**	**542,390**	**(454,038)**	**(539,149)**	**7,565,994**	**5,934,889**
156,964	147,765	69,434	47,491	107,686	108,848	(84,831)	(91,879)	**504,590**	**466,368**
154,755	145,712	2,296,379	2,240,424	300,159	381,415	(350,352)	(409,308)	**3,263,758**	**3,346,389**
9	602	228,510	228,519	3	-	-	-	**456,701**	**1,057,443**
12,458	12,482	28,851	32,793	15,025	20,081	-	-	**904,964**	**1,203,367**
42	99	305	2,620	620	1,829	-	-	**161,929**	**342,696**
-	13	-	95	-	-	-	-	**-**	**1,707,073**
56	(9)	29	(70)	45	(97)	-	191	**984**	**-**
31,810	30,758	-	-	1,526	1,591	(3,948)	(3,687)	**85,888**	**90,311**
451	546	1,319	1,080	15,975	36,731	(14,907)	(34,466)	**12,682**	**12,911**
356,545	**337,968**	**2,624,827**	**2,552,952**	**441,039**	**550,398**	**(454,038)**	**(539,149)**	**5,391,496**	**8,226,558**
-	**-**	**-**	**-**	**19,807**	**(8,008)**	**-**	**-**	**2,174,498**	**(2,291,669)**
-	-	-	-	9,781	6,785	-	-	**9,781**	**6,785**
-	**-**	**-**	**-**	**10,026**	**(14,793)**	**-**	**-**	**2,164,717**	**(2,298,454)**
-	-	-	-	-	-	-	-	**13,934,015**	**(1,989,584)**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,934,015**	**(1,989,584)**
-	**-**	**-**	**-**	**10,026**	**(14,793)**	**-**	**-**	**16,098,732**	**(4,288,038)**

Department of Transport and Main Roads
Statement of assets and liabilities by major departmental services
as at 30 June 2016

	Transport system investment planning and programming		Transport infrastructure management and delivery		Transport safety and regulation	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets						
Current assets						
Cash	3,288	6,828	19,456	28,818	5,175	6,421
Receivables	17,221	7,455	83,773	95,336	78,536	35,252
Inventories	-	15	771	400	257	687
Prepayments	1,292	279	4,584	15,031	4,529	3,399
Non-current assets classified as held for sale	1,694	9,042	-	-	-	-
Total current assets	**23,495**	**23,619**	**108,584**	**139,585**	**88,497**	**45,759**
Non-current assets						
Prepayments	24	35	696	1,238	60	43
Other financial assets	-	-	601	601	-	-
Intangible assets	19,395	29,066	18,501	19,293	14,227	13,788
Property, plant and equipment	62,573	87,444	72,199,863	55,616,715	110,504	83,972
Deferred tax assets	-	-	-	-	-	-
Total non-current assets	**81,992**	**116,545**	**72,219,661**	**55,637,847**	**124,791**	**97,803**
Total assets	**105,487**	**140,164**	**72,328,245**	**55,777,432**	**213,288**	**143,562**
Liabilities						
Current liabilities						
Payables	10,142	20,495	89,598	100,433	20,131	18,546
Interest bearing liabilities	1,875	1,030	83,047	78,661	-	-
Provisions	-	-	238,604	200,172	-	-
Accrued employee benefits	3,591	3,047	8,464	7,946	3,804	3,146
Unearned revenue	265	268	1,490	6,780	173	2
Current tax liabilities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total current liabilities	**15,873**	**24,840**	**421,203**	**393,992**	**24,108**	**21,694**
Non-current liabilities						
Interest bearing liabilities	91,423	93,318	621,066	704,377	-	-
Provisions	-	-	34,872	80,939	-	-
Accrued employee benefits	-	-	5,255	4,983	-	-
Other	-	-	-	-	-	-
Total non-current liabilities	**91,423**	**93,318**	**661,193**	**790,299**	**-**	**-**
Total liabilities	**107,296**	**118,158**	**1,082,396**	**1,184,291**	**24,108**	**21,694**

Customer experience		Passenger transport services		Transport infrastructure construction and maintenance		Inter-departmental services eliminations		Total	
2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**
7,727	9,885	58,590	76,953	97,571	95,204	-	-	**191,807**	**224,109**
1,529	979	153,160	74,485	55,415	48,769	(66,425)	(61,474)	**323,209**	**200,802**
133	178	1,816	3,434	23,454	14,242	(16,188)	(8,679)	**10,243**	**10,277**
552	413	4,768	3,975	541	758	-	-	**16,266**	**23,855**
-	-	-	-	-	-	-	-	**1,694**	**9,042**
9,941	**11,455**	**218,334**	**158,847**	**176,981**	**158,973**	**(82,613)**	**(70,153)**	**543,219**	**468,085**
59	57	944	435	-	-	-	-	**1,783**	**1,808**
-	-	-	-	-	-	-	-	**601**	**601**
28,441	6,250	11,748	16,366	-	-	-	-	**92,312**	**84,763**
5,184	5,938	61,391	82,277	45,583	59,676	-	-	**72,485,098**	**55,936,022**
-	-	-	-	6,980	7,165	-	-	**6,980**	**7,165**
33,684	**12,245**	**74,083**	**99,078**	**52,563**	**66,841**	**-**	**-**	**72,586,774**	**56,030,359**
43,625	**23,700**	**292,417**	**257,925**	**229,544**	**225,814**	**(82,613)**	**(70,153)**	**73,129,993**	**56,498,444**
21,319	20,457	315,616	313,518	40,630	46,222	(63,613)	(51,153)	**433,823**	**468,518**
-	-	12,910	10,225	19,000	19,000	(19,000)	(19,000)	**97,832**	**89,916**
-	-	-	-	-	-	-	-	**238,604**	**200,172**
9,554	7,963	4,225	2,559	3,140	4,529	-	-	**32,778**	**29,190**
13	14	40,568	36,236	-	112	-	-	**42,509**	**43,412**
-	-	-	-	798	-	-	-	**798**	**-**
-	-	34,023	28,039	-	-	-	-	**34,023**	**28,039**
30,886	**28,434**	**407,342**	**390,577**	**63,568**	**69,863**	**(82,613)**	**(70,153)**	**880,367**	**859,247**
-	-	502,681	338,364	-	-	-	-	**1,215,170**	**1,136,059**
-	-	-	-	-	-	-	-	**34,872**	**80,939**
-	-	-	-	-	-	-	-	**5,255**	**4,983**
-	-	85	106	-	-	-	-	**85**	**106**
-	**-**	**502,766**	**338,470**	**-**	**-**	**-**	**-**	**1,255,382**	**1,222,087**
30,886	**28,434**	**910,108**	**729,047**	**63,568**	**69,863**	**(82,613)**	**(70,153)**	**2,135,749**	**2,081,334**

Financial statements 2015–16

Department of Transport and Main Roads
Statement of changes in equity
for the year ended 30 June 2016

	2016 $'000	2015 $'000
Contributed equity		
Opening balance	53,800,521	52,861,482
Transactions with owners as owners:		
Appropriated equity injections. Refer to Note 2.	547,298	1,029,042
Net asset transfer from/(to) other Queensland Government entities	(65,895)	(55,093)
Net assets received/(transferred) via Machinery-of-Government changes *	(3,001)	(34,910)
Closing balance	**54,278,923**	**53,800,521**
Accumulated surplus/(deficit) **		
Opening balance	(350,892)	1,947,562
Operating result	2,164,717	(2,298,454)
Closing balance	**1,813,825**	**(350,892)**
Asset revaluation surplus		
Opening balance	967,481	2,957,065
Increase/(decrease) in asset revaluation surplus. Refer to Note 16.		
Land	432,781	52,086
Buildings	23,963	14,485
Heritage and cultural	995	676
Leased assets	3,329	-
Infrastructure	13,472,947	(2,056,831)
Closing balance	**14,901,496**	**967,481**
Total equity	**70,994,244**	**54,417,110**

* As a result of a Machinery-of-Government change in December 2012, cash of $3.001m was transferred from the department to the Gold Coast Waterways Authority in 2016.

** Comparatives have changed due to the events disclosed in Note 32.

The accompanying notes form part of these statements.

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of Machinery-of-Government changes are adjusted to contributed equity. These adjustments are made in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* . Appropriations for equity adjustments are similarly designated.

Department of Transport and Main Roads
Statement of cash flows
for the year ended 30 June 2016

	2016 $'000	2015 $'000
Cash flows from operating activities		
Inflows:		
Service appropriation receipts	4,802,329	4,527,872
User charges and fees	770,423	858,340
Grants and other contributions	153,886	401,997
GST input tax credits from ATO	567,436	664,303
GST collected from customers	85,303	105,064
Other	21,591	28,888
Outflows:		
Employee expenses	(499,734)	(468,267)
Supplies and services	(3,265,025)	(3,439,617)
Grants and subsidies	(439,653)	(456,980)
Finance and borrowing costs	(86,015)	(90,422)
GST paid to suppliers	(579,529)	(640,294)
GST remitted to ATO	(98,148)	(162,521)
Income tax equivalent paid	(8,226)	(11,478)
Other	(12,683)	(12,910)
Net cash provided by/(used in) operating activities	**1,411,955**	**1,303,975**
Cash flows from investing activities		
Inflows:		
Sales of property, plant and equipment	27,450	79,001
Outflows:		
Payments for property, plant and equipment	(1,837,924)	(2,500,846)
Payments for intangibles	(26,065)	(11,697)
Net cash provided by/(used in) investing activities	**(1,836,539)**	**(2,433,542)**
Cash flows from financing activities		
Inflows:		
Equity injections	1,365,464	1,849,329
Outflows:		
Equity withdrawals	(820,287)	(818,166)
Borrowing redemptions	(79,848)	(74,391)
Finance lease payments	(70,046)	(7,866)
Machinery-of-Government transfers	(3,001)	(3,091)
Net cash provided by/(used in) financing activities	**392,282**	**945,815**
Net increase/(decrease) in cash	(32,302)	(183,752)
Cash at beginning of financial year	224,109	407,861
Cash at end of financial year	**191,807**	**224,109**

The accompanying notes form part of these statements.

Cash represents all cash on hand, cash at bank and cheques receipted but not banked at 30 June.

The departmental bank accounts are grouped within the whole of government banking set-off arrangement with Queensland Treasury Corporation and do not earn interest.

Department of Transport and Main Roads
Reconciliation of cash flows from operating activities
for the year ended 30 June 2016

	2016 $'000	2015 $'000
Operating result	2,164,717	(2,298,454)
Goods, services and assets received at below fair value	(5,287)	(71,476)
Gains on disposal and remeasurement of assets	(1,711,555)	(19,159)
Goods, services and assets provided at below fair value	16,920	595,971
Depreciation and amortisation	904,964	1,203,367
Decommissioned and disposed assets expense	161,929	342,696
Revaluation decrements	-	1,707,073
Change in assets and liabilities:		
(Increase)/decrease in receivables	(122,407)	(72,167)
(Increase)/decrease in inventories	34	7,021
(Increase)/decrease in prepayments	7,614	(11,640)
Increase/(decrease) in deferred income tax equivalents	185	(2,405)
Increase/(decrease) in payables	(16,988)	(106,345)
Increase/(decrease) in accrued employee benefits	3,860	1,460
Increase/(decrease) in unearned revenue	(903)	8,203
Increase/(decrease) in current tax liabilities	798	(2,288)
Increase/(decrease) in other current liabilities	8,074	22,118
Net cash from operating activities	**1,411,955**	**1,303,975**

1 Accounting policies and basis for financial statements preparation

Refer to individual notes for specific accounting policies.

(a) Statement of compliance

The department has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009.*

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations and requirements applicable to not-for-profit entities. Except where stated, the historical cost convention is used.

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

(b) The reporting entity

The financial statements include the value of all income, expenses, assets, liabilities and equity of the Department of Transport and Main Roads.

The department's controlled entity, Transmax Pty Ltd, is not considered material and therefore not consolidated in these financial statements. Refer to Note 28.

The objectives of the department are:

- an integrated transport system that supports the efficient and reliable movement of people and goods
- a sustainable, cost-effective transport network accessible to all
- customer, safety and regulatory services that improve community safety and satisfaction
- an integrated passenger transport system, safe and accessible to all.

Departmental services and principal activities

The identity and purpose of the services and principal activities undertaken by the Department of Transport and Main Roads during the reporting period are as follows:

Transport system investment planning and programming

The objective of this service area is to develop long term transport policies and plans for the future development of the integrated transport system and to plan and prioritise strategic investment in effective, efficient and sustainable transport infrastructure, systems and services.

Transport infrastructure management and delivery

The objective of this service area is to construct, maintain and operate an integrated transport network accessible to all.

Transport safety and regulation

The objective of this service area is to regulate the transport system safely, economically and sustainably without imposing unnecessary red tape.

Customer experience

The objective of this service area is to deliver and improve the experience for customers who access the department's products, services and infrastructure including licensing and registration, public transport and roads.

Passenger transport services

The objective of this service area is to lead and shape Queensland's overall passenger transport system, by providing an integrated transport network, safe and accessible to all.

Transport infrastructure construction and maintenance (RoadTek)

RoadTek provides transport infrastructure solutions, including construction and maintenance services to enable the Department of Transport and Main Roads to deliver on government priorities and outcomes for the community.

(c) Trust transactions and balances

The department performs certain agency and trust transactions and acts only in a custodial role for these transactions and balances.

These transactions and balances are not material and are not disclosed in the financial statements.

1 Accounting policies and basis for financial statements preparation (continued)

(d) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Note 15 Intangible assets
- Note 16 Property, plant and equipment
- Note 19 Provisions.

(e) Currency, rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1000, or where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information is restated where necessary to be consistent with disclosures in the current reporting period.

(f) New and revised accounting standards

Early adopted in 2015–16

Two Australian Accounting Standards have been early adopted in 2015–16 as required by Queensland Treasury.

AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]* provides flexibility in the presentation of the financial statements and emphasises only including material disclosures.

In response to this amendment, the department has co-located significant accounting policies in individual notes.

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13].* This amendment provides relief to not-for-profit public sector entities from certain disclosures about property, plant and equipment which are measured at fair value and categorised within level 3 of the fair value hierarchy.

In response to this amendment disclosures on the following have been removed in the 2015–16 financial statements:

- Quantitative information about the significant unobservable inputs used in the fair value measurement
- A description of the sensitivity of the fair value measurement to changes in the unobservable inputs.

Effective for the first time in 2015–16

No new standards and interpretations effective for the first time had any material impact on the department's financial statements.

New Australian Accounting Standards issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the department for the financial reporting period ending 30 June 2016 in accordance with Queensland Treasury mandated policy. The department is continuing its assessment of the impact of these pronouncements on future financial statements.

2 Appropriations

	2016 $'000	2015 $'000
Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in Statement of comprehensive income		
Budgeted appropriation revenue	4,601,502	4,619,043
Lapsed appropriation revenue	-	(91,171)
Unforeseen expenditure	200,827	-
Total appropriation receipts	4,802,329	4,527,872
Less: Opening balance of appropriation revenue receivable	(107,144)	(29,790)
Plus: Closing balance of appropriation revenue receivable	210,660	107,144
Appropriation revenue recognised in Statement of comprehensive income	**4,905,845**	**4,605,226**
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	1,202,977	1,683,438
Lapsed equity adjustment	(657,800)	(652,275)
Equity adjustment receipts	545,177	1,031,163
Plus: Opening balance of equity adjustment payable	2,121	-
Less: Closing balance of equity adjustment payable	-	(2,121)
Equity adjustment recognised in contributed equity	**547,298**	**1,029,042**

Appropriations provided under the *Appropriation Act* are recognised as revenue when received.

3 User charges and fees

	2016 $'000	2015 $'000
Compulsory third party administration fees	30,071	30,463
Fare revenue	377,494	379,313
Merchant fees collected	3,977	3,864
Personalised plates sales	40,765	37,131
Pilotage	84,935	77,938
Property rental	31,369	34,440
Recoverable works	78,435	94,546
Registration fee surcharge	18,570	17,809
Services rendered *	71,018	103,870
Other	32,158	28,988
Total	**768,792**	**808,362**

* Services rendered includes construction contract revenue of $3.093m (2015: $25.296m).

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

4 Grants and other contributions

	2016 $'000	2015 $'000
Goods, services and assets received at below fair value	5,287	71,476
Grants from Queensland Reconstruction Authority *	84,922	352,709
Grant from QIC Limited **	12,480	-
Grant from City of Gold Coast ***	10,000	-
Subsidies from Department of Education and Training for students with disabilities	35,957	38,647
Other	10,527	10,641
Total	**159,173**	**473,473**

* Non-reciprocal grants received from the Queensland Reconstruction Authority (QRA) are for the rebuilding of transport infrastructure following natural disasters under the Natural Disaster Relief and Recovery Arrangements (NDRRA).

** Grant received from QIC Limited related to the Gateway Upgrade North project.

*** Grant received from the City of Gold Coast related to stage two of the Gold Coast Light Rail system.

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the period in which the department obtains control over them. Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding arrangements.

Contributed assets and services are recognised at their fair value.

5 Gains on disposal and remeasurement of assets

	2016 $'000	2015 $'000
Gains on disposal - property, plant and equipment	4,482	16,167
Revaluation decrement reversals - property, plant and equipment *	1,707,073	2,992
Total	**1,711,555**	**19,159**

* Refer to Note 16.

6 Employee expenses

	2016 $'000	2015 $'000
Employee benefits		
Annual leave levy	36,494	31,899
Employer superannuation contributions	47,693	44,232
Long service leave levy	8,584	8,035
Termination benefits	793	2,218
Wages and salaries	394,333	365,518
Other employee benefits	2,032	1,762
Employee related expenses		
Payroll tax	1,022	754
Workers' compensation premium	2,802	2,257
Other employee related expenses	10,837	9,693
Total	**504,590**	**466,368**

The department's total employee expenditure was $699.485m (2015: $665.295m). Of this $194.895m was capitalised to construction work in progress (2015: $198.927m).

	2016	2015
Number of full-time equivalent employees	**7,032**	**6,891**

Refer to Note 20 for the policies related to employee entitlements.

The department, with the exception of the RoadTek commercialised business unit, is not subject to payroll tax.

7 Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that form the department's Executive Leadership Team (ELT) that had authority and responsibility for planning, directing and controlling the activities of the department during 2015–16. Further information on these positions can be found in the Annual Report under the section titled Governance.

(b) Remuneration expenses

Remuneration policy for the department's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The contracts may provide for other benefits including a motor vehicle allowance, however they do not provide for the provision of performance payments.

The remuneration of key management personnel increased by 2.5% effective from 1 September 2015 in accordance with government policy.

The following disclosures focus on the expenses incurred by the department during the reporting period attributable to the key management positions.

Remuneration expenses for key management personnel comprise the following components:

- Short term employee expenses including:
  - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position
  - performance payments recognised as an expense during the year
  - any applicable fringe benefits tax.
- 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.

7 Key management personnel and remuneration expenses (continued)

(b) Remuneration expenses (continued)

1 July 2015 – 30 June 2016

Position	• Contract classification • Appointment authority • Date appointed to position • Date exited from position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	CEO Contract (CEO) *Public Service Act 2008* Appointed in January 2013 and reappointed in June 2015	521	74	-	**595**
Deputy Director-General (Customer Services, Safety and Regulation)	SES Contract (SES4) *Public Service Act 2008* Appointed in October 2012 Exited in December 2015	156	18	-	**174**
	SES Contract (SES4) *Public Service Act 2008* Appointed in January 2016	117	14	-	**131**
Deputy Director-General (Infrastructure Management and Delivery)	SES Contract (SES4) *Public Service Act 2008* Appointed in May 2015 Transferred in January 2016 *	141	18	-	**159**
	SES Contract (SES4) *Public Service Act 2008* Appointed in January 2016	117	14	-	**131**
Deputy Director-General (Policy, Planning and Investment)	SES Contract (SES4) *Public Service Act 2008* Appointed in October 2013	268	32	-	**300**
Deputy Director-General (TransLink)	Higher duties (SES4) *Public Service Act 2008* 01.07.2015 – 22.01.2016	140	16	-	**156**
	SES Contract (SES4) *Public Service Act 2008* Appointed in January 2016	108	14	-	**122**
Deputy Director-General (Corporate) **	s.122 contract (SES4) *Public Service Act 2008* Appointed in September 2015	198	25	-	**223**
Chief Operations Officer	s.122 contract (SES3) *Public Service Act 2008* Appointed in October 2013	237	26	-	**263**
	Temporary transfer at level (SES3) *Public Service Act 2008* 25.05.2016 – 30.06.2016	26	3	-	**29**
Chief Finance Officer **	s.122 contract (SES4) *Public Service Act 2008* Appointed in October 2009	60	7	-	**67**

* Transferred to position of Deputy Director-General (Customer Services, Safety and Regulation) in January 2016.

** The legislative responsibilities of the Chief Finance Officer were assumed by the Deputy Director-General (Corporate) effective from September 2015 and the position of Chief Finance Officer is no longer a member of the ELT.

7 Key management personnel and remuneration expenses (continued)

(b) Remuneration expenses (continued)

1 July 2014 – 30 June 2015

Position	• Contract classification • Appointment authority • Date appointed to position • Date exited from position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	CEO Contract (CEO) *Public Service Act 2008* Appointed in January 2013 and reappointed in June 2015	456	59	-	**515**
Deputy Director-General (Customer Services, Safety and Regulation)	SES Contract (SES4) *Public Service Act 2008* Appointed in October 2012	252	31	-	**283**
Deputy Director-General (Infrastructure Management and Delivery)	s.122 contract (SES4) *Public Service Act 2008* Appointed in June 2013 Exited in September 2014	48	6	239	**293**
	Higher duties (SES4) Commenced August 2014 SES Contract (SES4) *Public Service Act 2008* Appointed in May 2015	211	25	-	**236**
Deputy Director-General (Policy, Planning and Investment)	SES Contract (SES4) *Public Service Act 2008* Appointed in October 2013	252	31	-	**283**
Deputy Director-General (TransLink)	SES Contract (SES4) *Public Service Act 2008* Appointed in October 2013 Exited in July 2015	325	35	-	**360**
Chief Operations Officer	s.122 contract (SES3) *Public Service Act 2008* Appointed in October 2013	223	24	-	**247**
Chief Finance Officer	s.122 contract (SES4) *Public Service Act 2008* Appointed in October 2009	252	31	-	**283**
The below positions are no longer members of the Executive Leadership Team (effective 12 November 2014)					
General Manager (Corporate Operations) (01.07.2014 – 12.11.2014)	SES contract (SES3) *Public Service Act 2008* Appointed in January 2014	96	12	-	**108**
Chief Information Officer (01.07.2014 – 12.11.2014)	s.122 contract (SES3) *Public Service Act 2008* Appointed in November 2013	80	8	-	**88**
General Manager (Strategy and Renewal) (01.07.2014 – 12.11.2014)	s.122 contract (SES3) *Public Service Act 2008* Appointed in October 2013	90	11	-	**101**

7 Key management personnel and remuneration expenses (continued)

(c) Performance payments

The remuneration package under the previous government of the former Deputy Director-General (TransLink) included a potential performance payment up to a maximum of $46,103. Approval was received in June 2015 to make a payment of $43,222 relating to the achievement of performance criteria during 2014–15.

The basis for performance payments expensed in the 2015–16 financial year is set out below:

Position	Amount	Date paid	Basis for payment
Deputy Director-General (TransLink)	$43,222	10.07.2015	This payment relates to the achievement of performance criteria during 2014–15.

The basis for performance payments expensed in the 2014–15 financial year is set out below:

Position	Amount	Date paid	Basis for payment
Deputy Director-General (TransLink)	$37,804	20.02.2015	This payment relates to the achievement of performance criteria during 2013–14.

8 Supplies and services

	2016 $'000	2015 $'000
Administration	48,216	46,703
Contractors *	491,103	620,060
Information and communication technology	42,548	40,096
Operating lease rentals	62,488	66,082
Queensland Government services	24,196	24,190
Queensland Rail operator service charges	1,570,218	1,531,303
Other transport service operator charges	711,733	709,530
Repairs and maintenance	217,515	200,274
Travel	7,485	7,302
Utilities	43,562	46,422
Other	44,694	54,427
Total	**3,263,758**	**3,346,389**

* Comparatives have changed due to the events disclosed in Note 32.

The department's total supplies and services expenditure was $4.885b (2015: $5.598b). Of this $1.621b (2015: $2.252b) was capitalised to construction work in progress.

9 Grants and subsidies

	2016 $'000	2015 $'000
National Heavy Vehicle Regulator	38,530	38,530
Public transport	62,103	61,958
Resources transferred to third parties *	16,920	595,971
School transport	146,489	149,434
Transport Infrastructure Development Scheme (TIDS)	66,468	122,328
Transport infrastructure	124,688	88,645
Other	1,503	577
Total	**456,701**	**1,057,443**

* Included in 2015 is $556.712m related to work performed on City of Gold Coast and public utility provider assets as part of the construction of stage one of the Gold Coast Light Rail system (2016: Nil).

10 Decommissioned and disposed assets expense

	2016 $'000	2015 $'000
Capital projects costs written off	828	47,180
Decommissioned infrastructure assets *	156,306	231,758
Losses on disposal of property, plant and equipment	4,780	63,471
Losses on disposal of intangible assets	15	287
Total	**161,929**	**342,696**

* Decommissioned infrastructure assets represents the value of road network components written off as a result of their renewal or replacement.

11 Finance and borrowing costs

	2016 $'000	2015 $'000
Administration charges	864	949
Finance lease charges	31,810	30,758
Interest	53,214	58,604
Total	**85,888**	**90,311**

Finance costs are recognised as an expense in the period in which they are incurred.

No borrowing costs are capitalised into qualifying assets.

12 Other expenses

	2016 $'000	2015 $'000
External audit fees *	890	675
Fees, permits and other charges	1,094	587
Insurance premiums	8,783	9,021
Losses:		
Public monies	11	65
Public property	396	328
Special payments:		
Ex gratia payments	19	230
Court awarded damages	62	320
Compensation claims	630	1,031
Other	797	654
Total	**12,682**	**12,911**

* Total audit fees paid to the Queensland Audit Office relating to the 2015–16 financial statements are estimated to be $0.650m (2015: $0.640m).

The department's total other expenses was $25.422m (2015: $22.758m). Of this $12.740m (2015: $9.847m) was capitalised to construction work in progress.

Insurance

The department's road assets are not insured. The risk associated with these assets is therefore borne by government. In certain circumstances, damage to the road network is proportionally covered through the Australian Government's Natural Disaster Relief and Recovery Arrangements.

The department insures its open tender road construction contract activities for both material damage and product liability under the Principal Arranged Insurance Program. As well as providing cover for the department and its employees, it also covers the other parties to open tender construction contracts such as contractors, superintendents and sub-contractors.

Most of the department's other non-current physical assets and risks are insured through the Queensland Government Insurance Fund. Premiums are paid on a risk assessment basis. Under this scheme the department's liability is limited to $10,000 for each claim.

In addition, the department pays premiums to WorkCover Queensland for its obligations for employee compensation.

	2016 $'000	2015 $'000

13 Receivables

	2016 $'000	2015 $'000
Current		
Trade debtors	41,853	45,788
Less: Allowance for impairment loss *	(5,615)	(6,032)
	36,238	39,756
GST receivable	69,865	57,771
GST payable	(6,757)	(19,602)
	63,108	38,169
Annual leave reimbursements	10,830	11,653
Appropriation revenue receivable	210,660	107,144
Long service leave reimbursements	2,245	2,418
Other	128	1,662
	223,863	122,877
Total	**323,209**	**200,802**

*** Movements in the allowance for impairment loss**

	2016 $'000	2015 $'000
Opening balance	6,032	7,985
Increase/(decrease) in allowance recognised in the operating result	984	(191)
Amounts written off during the year	(1,491)	(4,175)
Amounts recovered during the year previously written off	90	2,413
Closing balance **	**5,615**	**6,032**

** Individually impaired financial assets are more than 90 days overdue.

Receivables credit risk – ageing analysis

Past due but not impaired	**Overdue**				
	Less than 30 days $'000	**30-60 days $'000**	**61-90 days $'000**	**More than 90 days $'000**	**Total $'000**
2016					
Trade debtors	1,475	298	213	1,240	**3,226**
2015					
Trade debtors	1,710	-	484	4,496	**6,690**

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Settlement on these amounts is generally required within 30 days from invoice date.

The collectability of receivables is assessed periodically with an allowance being made for impairment.

All known bad debts were written off as at 30 June.

14 Prepayments

	2016 $'000	2015 $'000
Current		
Insurance	371	9,802
Pilotage	3,787	2,575
Software and data agreements	9,930	10,149
Toowoomba Second Range Crossing lease arrangement	743	-
Other	1,435	1,329
Total	**16,266**	**23,855**
Non-current		
Insurance	311	420
Software and data agreements	1,472	1,388
Total	**1,783**	**1,808**

15 Intangible assets

	Software purchased	Software internally generated *	Software work in progress	Other	Total
	2016 $'000	2016 $'000	2016 $'000	2016 $'000	2016 $'000
Gross value	16,706	250,763	29,230	4,386	**301,085**
Less: Accumulated amortisation	(11,769)	(196,701)	-	(303)	**(208,773)**
	4,937	**54,062**	**29,230**	**4,083**	**92,312**
Reconciliation					
Opening balance	5,436	64,040	11,203	4,084	**84,763**
Acquisitions (including upgrades)	-	-	26,064	-	**26,064**
Transfers between classes	612	5,203	(5,815)	-	**-**
Transfers from/(to) property, plant and equipment	-	-	(2,222)	-	**(2,222)**
Disposals	(15)	-	-	-	**(15)**
Amortisation	(1,096)	(15,181)	-	(1)	**(16,278)**
Closing balance	**4,937**	**54,062**	**29,230**	**4,083**	**92,312**

	Software purchased	Software internally generated *	Software work in progress	Other	Total
	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Gross value	17,365	258,396	11,203	4,386	**291,350**
Less: Accumulated amortisation	(11,929)	(194,356)	-	(302)	**(206,587)**
	5,436	**64,040**	**11,203**	**4,084**	**84,763**
Reconciliation					
Opening balance	4,564	90,694	16,907	4,087	**116,252**
Acquisitions (including upgrades)	100	94	11,506	-	**11,700**
Transfers from/(to) other entities	-	(5,365)	-	-	**(5,365)**
Transfers between classes	974	5,251	(6,225)	-	**-**
Transfers from/(to) property, plant and equipment	724	(458)	(10,762)	-	**(10,496)**
Disposals	-	(288)	-	-	**(288)**
Projects written off. Refer to Note 10.	-	-	(223)	-	**(223)**
Amortisation	(926)	(25,888)	-	(3)	**(26,817)**
Closing balance	**5,436**	**64,040**	**11,203**	**4,084**	**84,763**

* The department holds an internally generated software asset being the New Queensland Drivers Licence software that has a carrying amount of $30.020m (2015: $37.500m) and a remaining amortisation period of 5 years.

Intangible assets with a cost equal to or greater than $100,000 are recognised in the financial statements. Items with a lesser cost are expensed.

The department's intangible assets are not revalued as there is no active market for any of these assets. Such assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

For each class of intangible asset, the following amortisation rates are used:

Class	Amortisation method	Average useful life
Intangibles – purchased	Straight-line	8
Intangibles – internally generated	Straight-line	11
Intangibles – work in progress	Not amortised	–
Intangibles – other	Straight-line Not amortised	14 Indefinite life

The estimation of useful life and the resulting amortisation rates applied are based on a number of factors including expected usage, obsolescence, past experience and the department's planned replacement program. These are reviewed on an annual basis.

16 Property, plant and equipment

	Land 2016 $'000	Buildings 2016 $'000	Heritage and cultural 2016 $'000	Plant and equipment 2016 $'000	Leased assets 2016 $'000	Infrastructure * 2016 $'000	Work in progress 2016 $'000	Total 2016 $'000
Gross value	4,399,422	805,237	6,748	548,664	764,861	81,725,545	3,253,480	**91,503,957**
Less: Accumulated depreciation	-	(195,334)	-	(354,019)	(29,123)	(18,440,383)	-	**(19,018,859)**
	4,399,422	**609,903**	**6,748**	**194,645**	**735,738**	**63,285,162**	**3,253,480**	**72,485,098**
Reconciliation								
Opening balance	4,017,364	595,036	5,460	231,427	504,063	46,929,748	3,652,924	**55,936,022**
Acquisitions (including upgrades)	58,388	508	300	7,966	237,226	-	1,745,337	**2,049,725**
Assets received at below fair value. Refer to Note 4.	1,063	22	-	989	-	3,210	-	**5,284**
Transfers from/(to) other Queensland Government entities	(74,920)	-	-	-	-	9,025	-	**(65,895)**
Transfers between classes	(13,644)	23,055	-	6,541	-	2,128,001	(2,143,953)	**-**
Transfers from/(to) intangibles	-	-	-	2,222	-	-	-	**2,222**
Transfers from/(to) managed items	-	-	-	(35)	-	-	-	**(35)**
Disposals	(2,924)	(808)	(7)	(3,789)	-	(1,927)	-	**(9,455)**
Assets provided to third parties below fair value. Refer to Note 9.	(7,568)	-	-	(3)	-	(9,349)	-	**(16,920)**
Assets reclassified as held for sale	(11,118)	-	-	-	-	-	-	**(11,118)**
Projects written off. Refer to Note 10.	-	-	-	-	-	-	(828)	**(828)**
Decommissioned infrastructure assets. Refer to Note 10.	-	-	-	-	-	(156,306)	-	**(156,306)**
Revaluation decrement reversals recognised in operating result. Refer to Note 5.	-	-	-	-	5,938	1,701,135	-	**1,707,073**
Net revaluation increments/(decrements)	432,781	23,963	995	-	3,329	13,472,947	-	**13,934,015**
Depreciation	-	(31,873)	-	(50,673)	(14,818)	(791,322)	-	**(888,686)**
Closing balance	**4,399,422**	**609,903**	**6,748**	**194,645**	**735,738**	**63,285,162**	**3,253,480**	**72,485,098**

Fair value reconciliation for land and building assets classified as level 3

	Land 2016 $'000	Buildings 2016 $'000
Opening balance	-	446,706
Acquisitions	1,046	-
Transfer from level 3 to level 2	-	(108,115)
Transfer from level 2 to level 3	60,188	-
Transfers between classes	76	6,121
Disposals	(895)	-
Net revaluation increments/(decrements)	(47,943)	15,122
Depreciation	-	(15,619)
Closing balance	**12,472**	**344,215**

* Infrastructure consists of roads $52.039b, structures $11.032b and other infrastructure $0.214b.
Refer to Note 32 for details of the revaluation increment for infrastructure assets.

Land and buildings held for future infrastructure have been reclassified to separately recognise these assets. Refer to Note 32.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2015–16 (continued)

16 Property, plant and equipment (continued)

	Land	Buildings	Heritage and cultural	Plant and equipment	Leased assets	Infrastructure *	Work in progress **	Total
	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000	2015 $'000
Gross value	4,017,364	835,599	5,460	555,945	517,920	66,675,017	3,652,924	**76,260,229**
Less: Accumulated depreciation	-	(240,563)	-	(324,518)	(13,857)	(19,745,269)	-	**(20,324,207)**
	4,017,364	**595,036**	**5,460**	**231,427**	**504,063**	**46,929,748**	**3,652,924**	**55,936,022**
Reconciliation								
Opening balance	3,985,692	617,653	4,688	226,563	-	46,313,651	7,587,479	**58,735,726**
Acquisitions (including upgrades)	104,937	5,969	-	5,797	721,455	142	2,209,760	**3,048,060**
Assets received at below fair value. Refer to Note 4.	44,411	-	-	2,679	-	24,362	-	**71,452**
Transfers from/(to) other entities	(91,593)	(19,273)	-	20,868	-	2,067	6,384	**(81,547)**
Transfers between classes	-	17,262	-	27,195	99,355	5,949,248	(6,093,060)	**-**
Transfers from/(to) intangibles	-	-	-	11,220	-	-	(724)	**10,496**
Transfers from/(to) managed items	-	-	-	-	-	-	(24)	**(24)**
Disposals	(52,754)	(3,795)	-	(7,620)	-	(4,631)	-	**(68,800)**
Assets provided to third parties below fair value. Refer to Note 9.	(996)	-	-	(56)	(296,952)	(288,033)	(9,934)	**(595,971)**
Assets reclassified as held for sale	(24,419)	(10,021)	-	-	-	-	-	**(34,440)**
Projects written off. Refer to Note 10.	-	-	-	-	-	-	(46,957)	**(46,957)**
Decommissioned infrastructure assets. Refer to Note 10.	-	-	-	-	-	(231,758)	-	**(231,758)**
Revaluation decrement reversals recognised in operating result. Refer to Note 5.	-	2,896	96	-	-	-	-	**2,992**
Revaluation decrements expensed	-	-	-	-	(5,938)	(1,701,135)	-	**(1,707,073)**
Net revaluation increments/(decrements)	52,086	14,485	676	-	-	(2,056,831)	-	**(1,989,584)**
Depreciation	-	(30,140)	-	(55,219)	(13,857)	(1,077,334)	-	**(1,176,550)**
Closing balance	**4,017,364**	**595,036**	**5,460**	**231,427**	**504,063**	**46,929,748**	**3,652,924**	**55,936,022**

Fair value reconciliation for building assets classified as level 3

	Buildings
	2015 $'000
Opening balance	460,255
Acquisitions	676
Transfers to other entities	(19,273)
Transfers between classes	17,262
Disposals	(3,795)
Revaluation decrement reversals recognised in operating result	2,895
Net revaluation increments/(decrements)	14,485
Depreciation	(25,799)
Closing balance	**446,706**

* Infrastructure consists of roads $36.605b, structures $10.106b and other infrastructure $0.219b.

** Comparatives for work in progress have changed due to the events disclosed in Note 32.

16 Property, plant and equipment (continued)

Recognition thresholds

All items of property, plant and equipment are recognised when the cost exceeds the following thresholds:

- Land $1
- Buildings $10,000
- Heritage and cultural $5000
- Plant and equipment $5000
- Infrastructure $10,000

The threshold for assets subject to a finance lease varies dependent on the property, plant and equipment class components contained within the lease.

All other items with a cost less than the above thresholds are expensed.

Acquisition

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs directly attributable to the acquisition, including all other costs incurred in preparing the assets ready for use. However, training costs are expensed as they are incurred.

Where assets are received free of charge from another Queensland Government entity, whether as a result of a Machinery-of-Government or other involuntary transfer, the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

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.

Depreciation

For each class of property, plant and equipment other than infrastructure assets, the following depreciation rates are used:

Class	Depreciation method	Average useful life
Land	Not depreciated	Indefinite life
Buildings	Straight-line	41
Heritage and cultural	Cultural and preservation policies – not depreciated	Indefinite life
Plant and equipment	Straight-line	9
Work in progress	Not depreciated	–

Property, plant and equipment subject to a finance lease is depreciated on a straight line basis over the expected useful life of the asset.

Where complex assets have significant separately identifiable components with different service lives that are subject to regular replacement, these components are assigned useful lives and are depreciated accordingly.

The following depreciation rates are used for infrastructure sub-components:

Component	Sub-component	Depreciation method	Average useful life
Roads	Surfaces	Straight-line	20
	Pavements	Straight-line	83
	Formation earthworks	Not depreciated	Indefinite life
	Formation earthworks	Straight-line	44
Structures – bridges, tunnels and major culverts	–	Straight-line	77
Other – mainly marine infrastructure	–	Straight-line	37

The estimation of useful life and resulting depreciation rates are based on a number of factors including the department's past experience, the planned replacement program and expected usage, wear and tear, obsolescence and fiscal capacity. Useful lives are reviewed on an annual basis.

16 Property, plant and equipment (continued)

Land under roads

The aggregate value of land under roads is measured and disclosed as land until road declarations for each land portion are confirmed.

Where a road declaration is confirmed, the title is extinguished and ownership reverts to the state represented by the Department of Natural Resources and Mines, in accordance with Queensland Government policy.

Non-current assets classified as held for sale

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

In accordance with 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. Such assets are no longer amortised or depreciated upon being classified as held for sale.

Fair value measurement

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements, are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities
- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Revaluation of property, plant and equipment

Plant and equipment assets and capital work in progress are measured at cost in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector.*

Land, buildings, heritage and cultural and infrastructure assets are measured and reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and accumulated impairment.

The cost of items acquired during the financial year materially represent their fair value at the end of the reporting period.

Heritage and cultural assets are independently valued on an annual basis. Road infrastructure assets are valued on an annual basis by suitably qualified departmental officers. Land, building and other infrastructure assets are assessed by qualified valuers at least once every five years with appropriate indices being applied in the intervening years.

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 accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount.

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.

Land

Land assets were revalued during 2015–16 based on specific appraisals by registered valuers from the department's Strategic Property Management unit and various external valuers.

The fair value of land assets is based on publicly available data on recent sales of land in nearby localities. In determining the fair values, adjustments were made to sales data to take into account the location of the department's land, it's size, shape, street/road frontage and access and any other significant restrictions.

In accordance with AASB13 *Fair Value Measurement* , the department's land assets are categorised as level 2.

Land subject to restrictions due to its size or use, and or ability to be sold, such as land located in areas where there is not an active market, have been classified as level 3.

16 Property, plant and equipment (continued)

Buildings

Building assets were revalued during 2015–16 based on specific appraisal by registered valuers from the department's Strategic Property Management unit and various external valuers.

Where available, data on recent sales of buildings in nearby localities was used to determine fair value. The depreciated replacement cost of the remaining buildings was determined by the valuers using professional judgement and a combination of internal records of the original cost of the specialised fit-outs, adjusted for more contemporary design and construction approaches, and published construction rates for various standard components of buildings.

The department's building assets are therefore categorised as a combination of level 2 and level 3 in accordance with AASB13 *Fair Value Measurement*.

In 2016 the department changed its policy in relation to buildings located on land held for future infrastructure. In previous years these buildings were not reported in the financial statements as they were expected to be consumed as part of road construction activities. As the buildings and related land are often not used in road construction for several years the department has now elected to recognise separate land and building assets. Refer to Note 32.

Heritage and cultural

The department's heritage collection was subject to specific appraisal by Waterhouse Property in 2015–16. As there is no active market for the department's heritage assets, their fair value is determined by estimating the cost to reproduce the items with the features and materials of the original items, with adjustments made to take into account the items' heritage restrictions and characteristics.

The department’s artwork was revalued based on specific appraisal by MacAulay Partners in 2015–16. The fair value of the artwork was based on sales data on similar artwork by the respective artists. Factors such as condition, size and medium of artwork were also taken into consideration during this specific appraisal.

In accordance with AASB13 *Fair Value Measurement*, the department's heritage and cultural assets are categorised as level 3.

Infrastructure

A full management valuation of the road infrastructure network asset as at 30 June 2016 was completed by suitably qualified and experienced departmental engineers and staff. The valuation methodology adopted to calculate fair value is based on the cost to acquire the service potential embodied in an asset and adjusted to reflect the asset’s present condition, functionality, technological and economic obsolescence. This is the estimated cost to replace an asset with an appropriate modern equivalent using current construction materials and standards, adjusted for changes in utility and production capacity.

The valuation involves a resource-based assessment using a series of road stereotypes that identify road types, terrain, climate, and soil type. These road stereotypes are then priced by a commercial estimating firm for raw materials, cost of construction processes and other construction inputs using current market rates.

These unit rates, including underlying assumptions and specific details contained in the stereotypes, are ratified annually by an expert panel consisting of engineers and staff from a range of disciplines across the department in conjunction with local government and industry.

The department's marine infrastructure was revalued during 2015–16 based on specific appraisal by AssetVal Pty Ltd using a costing database similar to the unit rates process used for road infrastructure.

As there is no active market for the department's infrastructure assets, the valuation approach used is depreciated replacement cost. While the unit rates database consists of market derived component costs which includes raw materials and other costs of construction (level 2 inputs), there are also significant level 3 unobservable inputs such as useful life and asset condition which require extensive professional judgement. Differences in the assessment of these level 3 inputs would not result in material changes in the reported fair value. In accordance with AASB13 *Fair Value Measurement*, the department's infrastructure assets are therefore categorised as level 3.

17 Payables

	2016 $'000	2015 $'000
Current		
Grants and subsidies payable	32,632	32,504
Trade creditors	395,696	427,473
Other	5,495	8,541
Total	**433,823**	**468,518**

Trade creditors are recognised on receipt of the goods or services ordered and are measured at the agreed purchase or contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 28 day terms, with the exception of payments to bus operators which the department is contractually required to pay by the fifteenth day of the month.

Other payables such as grants and subsidies and property resumptions have varying settlement terms.

18 Interest bearing liabilities

	2016 $'000	2015 $'000
Current		
Queensland Treasury Corporation borrowings	84,922	79,691
Lease liabilities	12,910	10,225
Total	**97,832**	**89,916**
Non-current		
Queensland Treasury Corporation borrowings	712,489	797,695
Lease liabilities	502,681	338,364
Total	**1,215,170**	**1,136,059**

Principal and interest repayments of Queensland Treasury Corporation borrowings are made quarterly in arrears at rates ranging from 2.5% to 9.02% (2015: 4.05% to 9.02%). Repayment dates vary from 15 December 2016 to 15 June 2026.

The department has an overdraft facility with the Commonwealth Bank of Australia with an approved limit of $200m (2015: $600m). There is no interest charged on this overdraft facility.

Refer to Note 24 for lease information.

The fair value of borrowings is notified by Queensland Treasury Corporation and is calculated using discounted cash flow analysis and the effective interest rate.

Financial liabilities	**Fair value 2016 $'000**	**Fair value 2015 $'000**
Queensland Treasury Corporation borrowings	1,378,926	1,306,176

19 Provisions

	2016 $'000	2015 $'000
Current		
Demolition costs	-	750
Property resumptions	238,604	199,422
Total	**238,604**	**200,172**
Non-current		
Property resumptions	34,872	80,939
Total	**34,872**	**80,939**

Movements in provisions

	2016 $'000	2015 $'000
Current		
Opening balance	200,172	198,568
Restatement of provision	(3,412)	(5,257)
Additional provision recognised	38,570	21,723
Reduction in provision as a result of payments	(50,758)	(50,850)
Reclassification from/(to) non-current provision	54,032	35,988
Closing balance	**238,604**	**200,172**

19 Provisions (continued)

Movements in provisions (continued)	**2016 $'000**	**2015 $'000**
Non-current		
Opening balance	80,939	94,373
Restatement of provision	(1,258)	2,427
Additional provision recognised	12,941	32,944
Reduction in provision as a result of payments	(3,718)	(12,817)
Reclassification (to)/from current provision	(54,032)	(35,988)
Closing balance	**34,872**	**80,939**

Provision for property resumptions

The department acquires property through compulsory acquisition in accordance with the *Acquisition of Land Act 1967,* the *Transport Infrastructure Act 1994* and the *Transport Planning and Coordination Act 1994.* The department recognises a provision to account for compensation it expects to pay for all property resumptions, with the exception of hardship resumptions which are recognised immediately as a payable. The department's advisors determine a value for the acquisition amount which, with timing of the settlement, is dependent on the outcome of negotiation between both parties.

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. Provisions are reviewed at each reporting date to ensure the amounts accurately reflect the best estimate available.

20 Accrued employee benefits

	2016 $'000	**2015 $'000**
Current		
Annual leave levy payable	15,245	15,166
Long service leave levy payable	3,359	3,008
Resignation benefit	321	447
Salaries and wages outstanding	12,485	9,922
Other	1,368	647
Total	**32,778**	**29,190**
Non-current		
Resignation benefit	5,255	4,983
Total	**5,255**	**4,983**

Sick Leave

Prior history indicates that on average, sick leave taken each 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 Scheme and Long Service Leave Central Scheme, a levy is made on the department to cover the cost of employees' annual leave and long service leave entitlements. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears.

No provision for annual leave or long service leave is recognised in these financial statements. The liabilities are held on a whole-of-government basis and are reported by Queensland Treasury.

Resignation benefit

Employees employed under the *Civil Construction, Operations and Maintenance General Award - State 2003* are entitled to a pro-rata benefit not exceeding eight weeks of their wage on resignation from the department.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the Treasurer on the 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.

No liability is recognised for accruing superannuation benefits in these financial statements. The liability is held on a whole-of-government basis and is reported by Queensland Treasury.

21 Unearned revenue

	2016 $'000	2015 $'000
Current		
Advance for work on the Moreton Bay Rail Link project	-	5,660
go card stored value *	39,724	35,438
Other	2,785	2,314
Total	**42,509**	**43,412**

* Represents unused *go* card balances which are recognised as revenue as patrons undertake travel.

22 Other liabilities

	2016 $'000	2015 $'000
Current		
go card deposits held	33,934	27,806
Lease incentives	89	233
Total	**34,023**	**28,039**
Non-current		
Lease incentives	85	106
Total	**85**	**106**

23 Income tax equivalents

(a) Income tax equivalent expense

	2016 $'000	2015 $'000
Current tax equivalents	9,587	12,819
Deferred tax equivalent expense/(income) relating to temporary differences	185	(865)
Under/(over) provision in previous years	9	(5,169)
Income tax equivalent expense attributable to profit from ordinary activities	**9,781**	**6,785**

(b) Numerical reconciliation of income tax equivalent expense to prima facie tax payable

	2016 $'000	2015 $'000
Accounting profit before tax	32,605	24,908
Prima facie tax at applicable rate of 30%	9,782	7,473
Adjustments for non-temporary differences and excluded temporary differences:		
Deductible expenses	(10)	(56)
Under/(over) provision in previous years	9	(632)
Income tax equivalent expense attributable to profit from ordinary activities	**9,781**	**6,785**

(c) Deferred tax equivalent expense/(income) included in income tax equivalent expense comprises:

	2016 $'000	2015 $'000
Deferred tax assets opening balance	7,165	4,760
Increase/(decrease) in deferred tax assets	(185)	2,405
Deferred tax assets at 30 June	**6,980**	**7,165**

(d) Proof of deferred tax assets

	2016 $'000	2015 $'000
Deferred tax assets:		
Property, plant and equipment	6,882	5,949
Other items	98	1,216
Net deferred tax assets at 30 June	**6,980**	**7,165**

(e) Reconciliation of current tax payable/(receivable)

	2016 $'000	2015 $'000
Opening balance	(572)	1,716
Net movements	1,370	(2,288)
Current tax payable/(receivable) at 30 June	**798**	**(572)**

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is generally exempt from Australian Government taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

RoadTek is subject to the requirements of the National Tax Equivalents Regime (NTER). The liability for income tax equivalents under NTER is calculated substantially on the same basis as a corporate tax payer.

23 Income tax equivalents (continued)

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the tax asset can be used.

24 Leases

Finance lease – leases as lessee

Gold Coast Light Rail – G:link

The Gold Coast Light Rail service concession arrangement has been recognised as a finance lease in accordance with AASB 117 *Leases* with a lease term of 15 years and an implicit interest rate of 9.22%. Refer to Note 18 and Note 25.

Future minimum lease payments payable under the lease together with their present value are as follows:

	2016 $'000	2015 $'000
Minimum lease payable		
Not later than one year	43,017	42,035
Later than one year and not later than five years	174,621	173,402
Later than five years	370,377	414,612
Minimum future lease payable	588,015	630,049
Less: future finance charges	(249,651)	(281,460)
Total minimum future lease payable	**338,364**	**348,589**
Present value of minimum lease payable		
Not later than one year	12,327	10,225
Later than one year and not later than five years	65,255	58,367
Later than five years	260,782	279,997
Present value of total minimum future lease payable	**338,364**	**348,589**

New Generation Rollingstock (NGR)

The NGR service concession will be recognised in full as a finance lease in accordance with AASB 117 *Leases* with a term of 32 years and an implicit interest rate of 11.99%. In 2016 the Wulkuraka maintenance centre component of the service concession has been accepted by the department, and recognised as a finance lease. The NGR train sets will be recognised as part of the finance lease as they are accepted by the department. Refer to Note 18 and Note 25.

Future minimum lease payments payable under the lease together with their present value are as follows:

	2016 $'000	2015 $'000
Minimum lease payable		
Not later than one year	21,814	-
Later than one year and not later than five years	87,308	-
Later than five years	563,792	-
Minimum future lease payable	672,914	-
Less: future finance charges	(495,687)	-
Total minimum future lease payable	**177,227**	**-**
Present value of minimum lease payable		
Not later than one year	583	-
Later than one year and not later than five years	3,162	-
Later than five years	173,482	-
Present value of total minimum future lease payable	**177,227**	**-**

Operating lease commitments are disclosed in Note 26.

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all the risks and benefits.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities.

25 Service concession arrangements

Gold Coast Light Rail – G:link

In May 2011 the department entered into a contractual arrangement with GoldLinQ Consortium to finance, design, build, operate and maintain a 13 kilometre light rail system linking key activity centres from Griffith University (Gold Coast Campus) and the Gold Coast University Hospital to Broadbeach via Southport.

On 20 July 2014 construction was completed and the G:link commenced operations. During the 15 year operations period, GoldLinQ is paid monthly performance based payments for operations, maintenance and repayment of the debt finance used to construct the system. The state will receive revenue from fare-box and advertising generated by the system.

On 28 April 2016 the department entered into a contractual arrangement with GoldLinQ for stage two of the Gold Coast Light Rail system. Stage two will connect the existing light rail system at Southport to heavy rail at the Helensvale station. The 7.3km route runs from Helensvale heavy rail station on the Gold Coast Line, adjacent to the Smith Street Motorway to connect with stage one at the Gold Coast University Hospital light rail station.

The construction is expected to be completed and operational by April 2018.

The estimated cash flows, excluding GST and inflows from land sales, are detailed below:

Estimated cash flows	**2016 $'000**	**2015 $'000**
Inflows:		
Not later than one year	22,353	21,361
Later than one year but not later than five years	108,304	91,024
Later than five years but not later than ten years	194,507	155,165
Later than ten years	148,214	167,129
*Outflows: **		
Not later than one year	(202,321)	(88,658)
Later than one year but not later than five years	(662,358)	(365,627)
Later than five years but not later than ten years	(613,949)	(499,678)
Later than ten years	(414,819)	(445,526)
Estimated net cash flow	**(1,420,069)**	**(964,810)**

* Includes $507.652m in 2016 (2015: $281.460m) of finance lease commitments.

New Generation Rollingstock

In January 2014 the department entered into a contractual arrangement with NGR Project Company Pty Ltd (Bombardier NGR Consortium) for the design, construction and maintenance of seventy-five new six-car train sets for south-east Queensland and a new purpose-built maintenance centre at Wulkuraka in Ipswich over 32 years.

The service concession arrangement involves the department paying the consortium a series of availability payments over the concession period.

In accordance with AASB 117 *Leases,* the arrangement will be recognised in full as a lease asset at fair value which will be depreciated over the life of the asset, and a lease liability, which will be reduced by the repayments representing the capital component of the monthly availability payments following delivery of individual train sets. Maintenance payments will be expensed during the relevant year.

In June 2016 the maintenance centre was accepted by the department and a lease asset and lease liability have been recognised. All trains are expected to be in service by December 2018.

At the expiry of the concession period the department will retain ownership of the trains and maintenance centre.

The estimated cash flows, excluding GST, are detailed below:

Estimated cash flows		
Inflows:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
*Outflows: **		
Not later than one year	(131,815)	(61,686)
Later than one year but not later than five years	(1,015,035)	(1,022,289)
Later than five years but not later than ten years	(688,822)	(652,903)
Later than ten years	(3,690,635)	(3,851,115)
Estimated net cash flow	**(5,526,307)**	**(5,587,993)**

* Includes $2.571b in 2016 (2015: $2.808b) of finance lease commitments.

25 Service concession arrangements (continued)

Toowoomba Second Range Crossing

In August 2015 the department entered into a contractual arrangement with Nexus Infrastructure Consortium to finance, design, build, operate and maintain a range crossing connecting the Warrego Highway at Helidon Spa in the east with the Gore Highway at Athol in the west, via Charlton.

The department will provide contributions during the construction stage of the project and ongoing service payments over the 25 year operation and maintenance period.

On commissioning of the tollroad in late 2018, the department will recognise a lease asset at fair value which will be depreciated over the life of the asset, and a corresponding lease liability, which will be reduced by the state contribution and monthly repayments. Maintenance payments will be expensed during the relevant year. Contributions made prior to the road commissioning are recognised as prepayments.

The Toowoomba Second Range Crossing will be a tollroad. Tolls will not be finalised until closer to the opening of the road.

At the expiry of the concession period the department will retain ownership of the range crossing.

The estimated cash flows, excluding GST, are detailed below:

	2016 $'000	2015 $'000
Estimated cash flows		
Inflows:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
*Outflows: **		
Not later than one year	(342,655)	-
Later than one year but not later than five years	(419,820)	-
Later than five years but not later than ten years	(260,184)	-
Later than ten years	(1,172,622)	-
Estimated net cash flow	**(2,195,281)**	**-**

* Includes $1.402b in 2016 (2015: Nil) of finance lease commitments.

Airportlink

In 2008 the state entered into a 45 year service concession arrangement with BrisConnections to design, construct and maintain Airportlink, a 6.7km toll road, connecting the Clem 7 Tunnel, Inner City Bypass and local road network at Bowen Hills, to the northern arterials of Gympie Road and Stafford Road at Kedron, Sandgate Road and the East West Arterial leading to the airport. In April 2016 Transurban Queensland assumed responsibility for Airportlink and now operates Airportlink under the service concession arrangement.

In return for collecting the tolls, Transurban Queensland must maintain, operate and manage the toll road for the concession period and also assume the demand and patronage risk.

The department does not recognise any assets associated with this arrangement. Assets will be recognised when control transfers to the department at the end of the service concession arrangement.

Gateway and Logan motorways

A Road Franchise Agreement (RFA) was established between the state and Queensland Motorways Limited (QML) in 2011 to operate, maintain and manage the Gateway and Logan motorways for a period of 40 years. In 2014, Transurban Queensland acquired QML and now operates the Gateway Motorway and Logan Motorway toll roads under the RFA with the state.

In return for collecting the tolls, Transurban Queensland must maintain, operate and manage the toll roads for the period of the franchise and also assume the demand and patronage risk for the franchise period.

The department does not recognise any assets associated with this arrangement. Assets will be recognised when control transfers to the department at the end of the RFA concession period.

25 Service concession arrangements (continued)

Brisbane Airport Rail Link

In 1998, the state entered into a 35 year concession arrangement with Airtrain Citylink Limited (Airtrain) to design, construct, maintain and operate the Brisbane Airport Rail Link (BARL), a public passenger rail system connecting the Queensland Rail City network to the Brisbane Domestic and International Airports. The BARL is currently in the maintain and operation phase of the agreement after commencement of operations on 7 May 2001.

The department does not recognise any assets associated with this arrangement. Assets will be recognised when control transfers to the department at the end of the service concession arrangement.

26 Commitments for expenditure

Commitments inclusive of non-recoverable GST input tax credits but not recognised in the financial statements are payable as follows:

(a) Finance lease liability commitments

Refer to Note 25 for finance lease liability commitments.

	2016 $'000	2015 $'000
(b) Non-cancellable operating lease commitments		
Not later than one year	40,422	44,459
Later than one year and not later than five years	118,596	82,448
Later than five years	280,366	33,279
Total	**439,384**	**160,186**

Operating leases are mostly entered into for office accommodation and storage facilities. Lease payments are generally fixed, but with inflation and/or fixed percentage escalation clauses on which contingent rentals are determined.

Renewal options exist on some operating leases, generally at the sole discretion of the lessee, and no operating leases contain restrictions on financing or other leasing activities.

	2016 $'000	2015 $'000
(c) Property, plant and equipment commitments		
Not later than one year	1,049,606	1,600,580
Later than one year and not later than five years	238,677	175,451
Later than five years	-	-
Total	**1,288,283**	**1,776,031**
(d) Grants and subsidies commitments		
Not later than one year	429,393	429,368
Later than one year and not later than five years	890,795	756,188
Later than five years	-	-
Total	**1,320,188**	**1,185,556**
(e) Other commitments		
Not later than one year	2,760,574	2,492,570
Later than one year and not later than five years	981,943	2,622,541
Later than five years	3,783,648	3,191,843
Total	**7,526,165**	**8,306,954**

27 Contingencies

Contingent assets

The department holds securities amounting to $193.963m (2015: $164m) provided by contractors in the event of non-performance with the agreed contract terms. These securities are not recognised as assets in the Statement of financial position due to the probability of realisation being remote.

Contingent liabilities

At balance date the department has been named as defendant in six cases and 112 other claims not yet subject to court action. The department's legal advisers and management believe it would be misleading to estimate the final amounts payable for litigation filed in the courts.

The Queensland Government Insurance Fund limits the department's liability in each of these cases to $10,000.

28 Controlled entities

Transmax Pty Ltd

Transmax Pty Ltd (Transmax) was established in order to enhance and market the STREAMS traffic management system. STREAMS is a multifunctional intelligent transport system that provides freeway, traffic signal and incident management as well as driver and passenger information capabilities.

The department exercises control over Transmax through 100 percent ownership of all issued shares recognised at a cost of $0.601m. The amount of the investment and transactions relating to Transmax are not material, and therefore the entity is not consolidated within the department's financial statements.

Transmax prepares separate financial statements which are audited by the Queensland Audit Office and tabled in parliament in accordance with government policy.

29 Financial instruments

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.

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, and then subsequently held at amortised cost using the effective interest rate.

(a) Categorisation of financial instruments

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

	Note	2016 $'000	2015 $'000
Financial assets			
Cash		191,807	224,109
Receivables	13	323,209	200,802
Other financial assets		601	601
Total		**515,617**	**425,512**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	17	433,823	468,518
Interest bearing liabilities	18	1,313,002	1,225,975
Accrued employee benefits	20	38,033	34,173
Total		**1,784,858**	**1,728,666**

(b) Financial risk management

The department's activities expose it to a variety of financial risks such as interest rate risk, credit risk, liquidity risk and market risk. Financial risk management is implemented pursuant to 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 by each division under policy established by the Finance and Procurement Branch.

29 Financial instruments (continued)

(c) Credit risk exposure

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 maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment less any collateral held as security, such as deposits.

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

(d) Liquidity risk

The department manages liquidity risk through a combination of regular fortnightly appropriation payments from the Consolidated Fund, and when required, loan drawdowns for major projects based on an already agreed borrowings program with Queensland Treasury. This strategy reduces the exposure to liquidity risk by ensuring the department has sufficient funds available to meet its obligations when they fall due.

The following maturity analysis measures the liquidity risk of financial liabilities held by the department:

Financial liabilities	Note	Payable in			
		<1 year $'000	1-5 years $'000	>5 years $'000	Total $'000
2016					
Payables	17	433,823	-	-	**433,823**
Interest bearing liabilities		404,944	413,155	604,629	**1,422,728**
Accrued employee benefits	20	32,778	5,255	-	**38,033**
Total		**871,545**	**418,410**	**604,629**	**1,894,584**
2015					
Payables	17	468,518	-	-	**468,518**
Interest bearing liabilities		147,993	766,358	474,650	**1,389,001**
Accrued employee benefits	20	29,190	4,983	-	**34,173**
Total		**645,701**	**771,341**	**474,650**	**1,891,692**

(e) Market risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes.

(f) Interest rate sensitivity analysis

As of 1 April 2016 all borrowings from Queensland Treasury Corporation are held at fixed rates. The department is not exposed to interest rate sensitivity.

(g) Fair value

The department does not recognise any financial assets or financial liabilities at fair value.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The department's held-to-maturity financial asset is measured at cost. As fair value cannot be reliably measured, fair value is not disclosed.

30 Schedule of administered items

The department administers, but does not control, certain resources on behalf of the government. In doing so, it has responsibility and is accountable for administering related transactions and balances, but does not have the discretion to deploy these resources for the achievement of the department's objectives.

The following balances are administered by the department on behalf of the state and relate directly to the Transport Safety and Regulation departmental service area:

	2016 $'000	2015 $'000
Administered revenues		
User charges, fees and fines *	2,351,362	2,249,914
Other	7,492	7,340
Total	**2,358,854**	**2,257,254**
Administered expenses		
Impairment losses on trade receivables	9	14
Other	198	73
Transfers of administered revenue to government	2,358,647	2,257,183
Total	**2,358,854**	**2,257,270**
Operating surplus/(deficit)	**-**	**(16)**

	2016 $'000	2015 $'000
* User charges, fees and fines includes:		
Fines and forfeiture	183,043	161,278
Motor vehicle registration	1,641,345	1,579,209
Transport and traffic fees	382,506	375,564
Other registration	76,693	72,550
Other regulatory fees	65,793	59,440
Other	1,982	1,873
Total	**2,351,362**	**2,249,914**

	2016 $'000	2015 $'000
Administered assets		
Current		
Cash	13,613	20,701
Receivables **	35,767	33,933
Total	**49,380**	**54,634**
Non-current		
Land	261,311	80,890
Total	**261,311**	**80,890**
Total assets	**310,691**	**135,524**
Administered liabilities		
Current		
Payables	43,593	48,717
Unearned revenue	5,553	5,683
Total liabilities	**49,146**	**54,400**
Net administered assets	**261,545**	**81,124**
Administered equity		
Contributed equity	38,691	38,691
Accumulated surplus/(deficit)	(22)	(22)
Asset revaluation surplus	222,876	42,455
Total	**261,545**	**81,124**

** The department recognises an administered receivable for the balance of Penalty Infringement Notices and Traffic Offence Notices outstanding at 30 June. If the notice is not paid within 56 days, the debt is transferred to Queensland Treasury and is not reported in the financial statements.

31 Budgetary reporting

Statement of comprehensive income	Variance Note	Original budget 2016 $'000	Actual result 2016 $'000	Variance $'000	Variance % of original budget
Income from continuing operations					
Appropriation revenue		4,601,502	4,905,845	304,343	7 %
User charges and fees		832,516	768,792	(63,724)	(8)%
Grants and other contributions	i	219,063	159,173	(59,890)	(27)%
Other revenue		19,928	20,629	701	4 %
Total revenue		**5,673,009**	**5,854,439**	**181,430**	**3 %**
Gains on disposal and remeasurement of assets	ii	3,045	1,711,555	1,708,510	56109 %
Total income from continuing operations		**5,676,054**	**7,565,994**	**1,889,940**	**33 %**
Expenses from continuing operations					
Employee expenses		494,366	504,590	10,224	2 %
Supplies and services		3,119,552	3,263,758	144,206	5 %
Grants and subsidies		471,082	456,701	(14,381)	(3)%
Depreciation and amortisation	iii	1,132,845	904,964	(227,881)	(20)%
Decommissioned and disposed assets expense	iv	145,428	161,929	16,501	11 %
Impairment losses		1,720	984	(736)	(43)%
Finance and borrowing costs		85,924	85,888	(36)	-
Other expenses		15,708	12,682	(3,026)	(19)%
Total expenses from continuing operations		**5,466,625**	**5,391,496**	**(75,129)**	**(1)%**
Operating result from continuing operations before income tax equivalent expense		**209,429**	**2,174,498**	**1,965,069**	**938 %**
Income tax equivalent expense		3,995	9,781	5,786	145 %
Operating result for the year		**205,434**	**2,164,717**	**1,959,283**	**954 %**
Items not reclassified to operating result					
Increase/(decrease) in asset revaluation surplus	v	-	13,934,015	13,934,015	100 %
Total other comprehensive income		**-**	**13,934,015**	**13,934,015**	**100 %**
Total comprehensive income		**205,434**	**16,098,732**	**15,893,298**	**7736 %**

Explanation of major variances

i Variance of ($59.890m) reflects:
• $47.732m less than budget received from Queensland Reconstruction Authority (QRA) for Natural Disaster Relief and Recovery Arrangements (NDRRA) expenditure due to savings achieved in the delivery of the program and expenditure deemed ineligible
• $22.708m less than budget was received from QIC Limited for the Gateway Upgrade North project. While the construction milestone was reached, the process to enable payment by QIC Limited was not completed by 30 June.
Offset by:
• $10m higher than budget received from the City of Gold Coast for stage two of the Gold Coast Light Rail project. The funding arrangements for the project had not been determined at the time of budget preparation.

ii Variance of $1.709b is due to a revaluation decrement reversal of leased and infrastructure assets. A budget was not allocated due to the unavailability of reliable measures for the future value of such assets.

iii Variance of ($227.881m) is due mainly to changes to useful lives in 2015–16 for road infrastructure asset components which were not budgeted for due to the unavailability of reliable measures.

iv Variance of $16.501m is due to higher than anticipated decommissioned infrastructure, representing the value of various road network components written off as a result of their renewal, replacement or demolition.

v Variance of $13.934b includes a revaluation increment of $13.906b for infrastructure and land assets following the specific valuation in 2015–16. A budget was not allocated due to the unavailability of reliable measures for future movement in replacement costs of existing and new road infrastructure assets.

31 Budgetary reporting (continued)

Statement of financial position	Variance Note	Original budget 2016 $'000	Actual result 2016 $'000	Variance $'000	Variance % of original budget
Assets					
Current assets					
Cash	vi	702,296	191,807	(510,489)	(73)%
Receivables	vii	136,702	323,209	186,507	136 %
Inventories		12,736	10,243	(2,493)	(20)%
Prepayments		12,656	16,266	3,610	29 %
Non-current assets classified as held for sale		34,523	1,694	(32,829)	(95)%
Total current assets		**898,913**	**543,219**	**(355,694)**	**(40)%**
Non-current assets					
Prepayments		1,407	1,783	376	27 %
Other financial assets		601	601	-	-
Intangible assets		84,931	92,312	7,381	9 %
Property, plant and equipment	viii	62,898,515	72,485,098	9,586,583	15 %
Deferred tax assets		4,760	6,980	2,220	47 %
Total non-current assets		**62,990,214**	**72,586,774**	**9,596,560**	**15 %**
Total assets		**63,889,127**	**73,129,993**	**9,240,866**	**14 %**
Liabilities					
Current liabilities					
Payables	ix	778,799	433,823	(344,976)	(44)%
Interest bearing liabilities	x	80,001	97,832	17,831	22 %
Provisions	xi	105,374	238,604	133,230	126 %
Accrued employee benefits		35,847	32,778	(3,069)	(9)%
Unearned revenue		38,559	42,509	3,950	10 %
Current tax liabilities		(1,578)	798	2,376	151 %
Other		22,285	34,023	11,738	53 %
Total current liabilities		**1,059,287**	**880,367**	**(178,920)**	**(17)%**
Non-current liabilities					
Interest bearing liabilities	xii	1,056,269	1,215,170	158,901	15 %
Provisions	xi	187,567	34,872	(152,695)	(81)%
Accrued employee benefits		4,781	5,255	474	10 %
Other		-	85	85	100 %
Total non-current liabilities		**1,248,617**	**1,255,382**	**6,765**	**1 %**
Total liabilities		**2,307,904**	**2,135,749**	**(172,155)**	**(7)%**
Net assets		**61,581,223**	**70,994,244**	**9,413,021**	**15 %**
Equity					
Contributed equity		55,052,923	54,278,923	(774,000)	(1)%
Accumulated surplus/(deficit)	xiii	4,471,469	1,813,825	(2,657,644)	(59)%
Asset revaluation surplus	xiv	2,056,831	14,901,496	12,844,665	624 %
Total equity		**61,581,223**	**70,994,244**	**9,413,021**	**15 %**

31 Budgetary reporting (continued)

Statement of financial position (continued)

Explanation of major variances

vi Variance of ($510.489m) is due to a reduced cash balance at the beginning of the year as a result of $505.988m less than budget being received from QRA for NDRRA expenditure in 2014–15 following savings achieved in the delivery of the program and expenditure deemed ineligible.

vii Variance of $186.507m mainly reflects an increased appropriation receivable in 2015–16 which includes:
• $76.791m expenditure exceeding budget on transport infrastructure activities, including maintenance, preservation and operation of the network
• $39.640m less than budget received from Queensland Rail for the Lawnton to Petrie rail line project due to a later than anticipated completion date
• $13.768m less than budget received for fare revenue due to reduced patronage
• $12.524m in unrealised procurement savings.

viii Variance of $9.587b is mainly due to a change in accumulated depreciation arising from amended estimated useful lives of road infrastructure asset components. Reliable measures for the changes in estimates were not available at the time of budget development.

ix Actuals were lower than budget by $344.976m due to a reduction in the capital program over the last two years and lower than anticipated capital expenditure in 2015–16.

x Variance of $17.831m includes $12.327m higher than budget due to incorrect recognition of the non-current portion of the finance lease liability for Gold Coast Light Rail at the time the budget was published.

xi Variance reflects a reclassification of the value of land resumptions between current and non-current provisions and an annual re-measurement of the department's land resumptions.

xii Variance of $158.901m reflects:
• $176.644m to record the finance lease liability associated with the New Generation Rollingstock (NGR) project which was not budgeted for as the accounting treatment had not been finalised at the time of budget development.
Offset by:
• $12.327m due to the incorrect recognition of the non-current portion of the finance lease liability for Gold Coast Light Rail at the time the budget was published.

xiii Variance of ($2.658b) reflects:
• $2.230b for an unbudgeted adjustment representing recalculated accumulated depreciation on road infrastructure as a result of the Australian Accounting Standards Board clarifying the recognition principles for residual values in May 2015
• $1.636b of revaluation decrements for road infrastructure following the application of the department's valuation methodology in 2014–15. A budget was not allocated due to the unavailability of reliable measures for future movement in replacement costs of existing and new road infrastructure assets
• $556.712m for actual expenses for work performed on third party assets of the City of Gold Coast and public utility providers and as part of the Gold Coast Light Rail project. The amount expensed was determined by independent expert estimators after budget finalisation when construction of the project was completed in July 2015
• $417.446m in prior year adjustments for various road works projects identified as operational in nature after the department conducted a comprehensive review of all road capital projects
• $199.841m expensing of decommissioned infrastructure assets
• $138.497m less than budget was received from QRA for NDRRA expenditure due to a delay in processing of claims offset by an overspend in NDRRA operating expenses in 2014–15
• $28.273m in costs representing eight roads and four structures transferred to local governments that could not be reliably budgeted for.
Offset by:
• operating result of $2.165b from the Statement of comprehensive income. Refer notes i to iv.
• $127.310m for a prior year adjustment to recognise buildings separately from land. In previous reporting periods land and buildings sites were recorded together in the land asset class prior to demolition of the building. Due to an accounting policy change the department recognised land and buildings acquired for future infrastructure purposes separately.

xiv Variance of $12.845b reflects:
• $13.906b for an increase in the valuation of infrastructure and land assets. Refer Statement of comprehensive income variance note v.
Offset by:
• $2.057b for a revaluation decrease in road infrastructure assets in 2014–15.

31 Budgetary reporting (continued)

Statement of cash flows	Variance Note	Original budget 2016 $'000	Actual result 2016 $'000	Variance $'000	Variance % of original budget
Cash flows from operating activities					
Inflows:					
Service appropriation receipts		4,601,502	4,802,329	200,827	4 %
User charges and fees		826,139	770,423	(55,716)	(7)%
Grants and other contributions	xv	219,063	153,886	(65,177)	(30)%
GST input tax credits from ATO	xvi	719,656	567,436	(152,220)	(21)%
GST collected from customers	xvi	148,485	85,303	(63,182)	(43)%
Other		19,928	21,591	1,663	8 %
Outflows:					
Employee expenses		(484,459)	(499,734)	(15,275)	(3)%
Supplies and services		(3,130,836)	(3,265,025)	(134,189)	(4)%
Grants and subsidies		(471,082)	(439,653)	31,429	7 %
Finance and borrowing costs		(86,045)	(86,015)	30	-
GST paid to suppliers	xvi	(719,367)	(579,529)	139,838	19 %
GST remitted to ATO	xvi	(142,485)	(98,148)	44,337	31 %
Income tax equivalent paid		(4,550)	(8,226)	(3,676)	(81)%
Other		(15,708)	(12,683)	3,025	19 %
Net cash provided by/(used in) operating activities		**1,480,241**	**1,411,955**	**(68,286)**	**(5)%**
Cash flows from investing activities					
Inflows:					
Sales of property, plant and equipment	xvii	65,779	27,450	(38,329)	(58)%
Outflows:					
Payments for property, plant and equipment	xviii	(2,689,370)	(1,837,924)	851,446	32 %
Payments for intangibles		(11,402)	(26,065)	(14,663)	(129)%
Net cash provided by/(used in) investing activities		**(2,634,993)**	**(1,836,539)**	**798,454**	**30 %**
Cash flows from financing activities					
Inflows:					
Equity injections	xix	2,021,143	1,365,464	(655,679)	(32)%
Borrowings		2,000	-	(2,000)	(100)%
Outflows:					
Equity withdrawals		(821,766)	(820,287)	1,479	-
Borrowing redemptions		(81,636)	(79,848)	1,788	2 %
Finance lease payments	xx	(10,225)	(70,046)	(59,821)	(585)%
Machinery-of-Government transfers		(3,001)	(3,001)	-	-
Net cash provided by/(used in) financing activities		**1,106,515**	**392,282**	**(714,233)**	**(65)%**
Net increase/(decrease) in cash		(48,237)	(32,302)	15,935	33 %
Cash at beginning of financial year		750,533	224,109	(526,424)	(70)%
Cash at end of financial year		**702,296**	**191,807**	**(510,489)**	**(73)%**

Explanation of major variances

xv Variance of ($65.177m) is due to the impact on the cash flow of the QRA related transactions outlined in Statement of comprehensive income variance note i.

xvi Variance is due to variability of the timing, value and payment of invoices issued to and received from external parties.

xvii Variance of ($38.329m) is due to a fewer number of properties being sold than was anticipated.

xviii Variance of $851.446m mainly reflects:
- $387.081m for a net realignment of capital funding to reflect project cash flows
- $163.362m funding transfer to operating to correctly recognise the operating component of project expenditure that had previously been recognised as capital expenditure
- $75.853m less than budget due to savings achieved in the delivery of NDRRA programs and expenditure deemed ineligible
- $51.112m reduction in budget due to the capital program overspend in 2014–15
- $38.329m in reduced funding due to the lower than anticipated number of properties that are surplus to requirements that were sold.

31 Budgetary reporting (continued)

Statement of cash flows (continued)

Explanation of major variances (continued)

xix Variance of ($655.679m) reflects:
- $387.081m being a net realignment of capital funding to reflect project cash flows
- $163.362m funding transfer to operating to correctly recognise the operating component of project expenditure that had previously been recognised as capital expenditure
- $105.236m transfer to operating following a recalculation of depreciation expense based on a higher value of road infrastructure as a result of clarification by the Australian Accounting Standards Board in May 2015 of the residual values that apply to these assets.

xx Variance of ($59.821m) reflects a $60m finance lease payment for the NGR project which was not budgeted for as the accounting treatment had not been finalised at the time of budget development.

Schedule of administered items	Variance Note	Original budget 2016 $'000	Actual result 2016 $'000	Variance $'000	Variance % of original budget
Administered revenues					
User charges, fees and fines		2,358,521	2,351,362	(7,159)	-
Other		7,684	7,492	(192)	(2)%
Total		**2,366,205**	**2,358,854**	**(7,351)**	**-**
Administered expenses					
Impairment losses on trade receivables		-	9	9	100%
Other		-	198	198	100%
Transfers of administered revenue to government		2,366,205	2,358,647	(7,558)	-
Total		**2,366,205**	**2,358,854**	**(7,351)**	-
Operating surplus/(deficit)		**-**	**-**	**-**	**-**
Administered assets					
Current					
Cash		14,074	13,613	(461)	(3)%
Receivables	xxi	52,910	35,767	(17,143)	(32)%
Total		**66,984**	**49,380**	**(17,604)**	**(26)%**
Non-current					
Land	xxii	81,135	261,311	180,176	222%
Total		**81,135**	**261,311**	**180,176**	**222%**
Total assets		**148,119**	**310,691**	**162,572**	**110%**
Administered liabilities					
Current					
Payables	xxi	61,253	43,593	(17,660)	(29)%
Unearned revenue		5,498	5,553	55	1 %
Total liabilities		**66,751**	**49,146**	**(17,605)**	**(26)%**
Net administered assets		**81,368**	**261,545**	**180,177**	**221 %**
Administered equity					
Contributed equity		38,691	38,691	-	-
Accumulated surplus/(deficit)		(7)	(22)	(15)	(214)%
Asset revaluation surplus	xxii	42,684	222,876	180,192	422 %
Total		**81,368**	**261,545**	**180,177**	**221 %**

Explanation of major variances

xxi Variance reflects a lower year end accrual for revenue due to be received from unpaid infringement and offence notices. The accrual has been calculated to exclude those amounts which will be collected by the State Penalties Enforcement Registry as reported by Queensland Treasury.

xxii Variance includes the comprehensive revaluation of $180.421m for non-rail corridor land which was not budgeted for due to the unavailability of reliable measures.

32 Significant restated balances and changes in estimates

Buildings located on future infrastructure land

In 2016 a specific revaluation of the department's land and buildings was carried out. A significant component of the 2016 revaluation process involved the recognition and valuation for the first time of buildings located on land resumed by the department over a number of years for future infrastructure purposes. In all years prior to and including 2015 the department's practise was to recognise the full acquisition costs for sites with land and buildings, as a single asset classified as land.

An assessment of the department's future infrastructure land has determined that these buildings are often maintained for several years before being consumed as part of road construction activities. Accordingly the department has chosen to recognise these buildings as separate assets and treat this change as a change in accounting policy in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* .

The change has resulted in a restatement of property, plant and equipment and equity of $131.651m in 2014, and a restatement of the 2015 depreciation expense by $4.341m.

Capital work in progress restatement

In 2016 a review of project expenditure was undertaken on multiple large infrastructure projects. The review identified $143.787m of prior year expenditure that did not qualify for capitalisation.

This review has resulted in a restatement of property, plant and equipment and supplies and services (contractors) in 2015 of $143.787m.

Road infrastructure asset valuation and useful lives

During 2015–16 the road infrastructure asset valuation methodology was comprehensively reviewed. The review has resulted in changes to the unit rates and road stereotypes to better reflect the inputs to road construction, road types and conditions. As a result of the majority of the department’s road infrastructure works occurring on existing road alignments, a reconstruction approach is now applied in deriving replacement cost. The reconstruction approach utilises resealing/resurfacing, pavement rehabilitation and road reconstruction project types to inform the estimates of input quantities within a work breakdown structure. This approach provides a valuation estimate greater than a ‘greenfield’ approach due to the extra resources (inputs) required when working within a constrained environment, including the need to work around and remodel existing infrastructure, work in tight conditions, work at night and within additional safety requirements.

The reconstruction approach produces a valuation that better represents the current replacement cost of the department’s infrastructure assets. The valuation uses both short-life and long-life components to determine gross replacement value and the full replacement components' costs are determined directly from the most frequent project type undertaken in which that component is fully replaced.

The change to the infrastructure valuation approach has been recognised as a change in estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and has resulted in an approximate increase in gross value and net book value/net revaluation increment of $15b and $6b respectively in 2016.

The estimated useful lives of the road infrastructure asset components of surfaces and pavements were comprehensively reviewed in 2015–16. This review assessed the likely replacement program due to the available fiscal provision and considered this against the optimal replacement program. As a result the estimated useful life of a range of surfaces and pavements has been revised to ensure the useful life to the department reflects a replacement timeframe which considers fiscal capacity, and which is informed by the department's published infrastructure plans and forecasts, as well as the prior history of funding allocations.

The extended useful lives of surfacings and pavements has been recognised as a change in estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and has reduced depreciation expense in 2016 by approximately $314m. The change also resulted in a reduction to accumulated depreciation and a corresponding increase to the asset revaluation surplus of $8.885b.

Land revaluations

As part of the specific appraisal of land in 2016 the department undertook a significant review and cleansing of land holdings data. The improved data was provided to the department's external valuers for assessing certain land valuations, resulting in a more accurate estimate of fair value than that determined in 2011 when the last specific appraisal was undertaken.

The department has assessed these revised land values and determined that a number of specific appraisals conducted in 2011 did not sufficiently reflect fair value. Accordingly the department has restated property, plant and equipment and equity in 2014 by $1.454b in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* .

Certificate of the Department of Transport and Main Roads

These general purpose financial statements have been prepared pursuant to section 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 section 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;

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 of Transport and Main Roads for the financial year ended 30 June 2016 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.

Chris Mead FCPA
Bachelor of Business – Accountancy
Deputy Director-General (Corporate)

31 August 2016

Neil Scales.

Neil Scales OBE
Director-General

31 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Department of Transport and Main Roads

Report on the Financial Report

I have audited the accompanying financial report of Department of Transport and Main Roads, which comprises the statement of financial position and statement of assets and liabilities by major departmental services, as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services, for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificates given by the Director-General and the Chief Finance Officer.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

- (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Transport and Main Roads for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

AUDITOR GENERAL
31 AUG 2016
OF QUEENSLAND

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

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