PART B

ANNUAL REPORT 2015–2016

Department of Science, Information Technology and Innovation

FINANCIAL STATEMENTS

The Department of Science, Information Technology and Innovation
Financial Statements

Understanding our financial statements

The financial statements enable readers to assess the Department of Science, Information Technology and Innovation ("the department") including its commercialised business unit (CBU) and shared service provider (SSP) financial results and cash flows for the 2015-16 financial year and its position as at the end of the financial year.

These financial statements cover the department and its controlled entity.

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

General information

The head office and principal place of business of the department is:
Level 26
111 George Street
BRISBANE QLD 4000

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

For information in relation to the department's financial statements, please call 13 QGOV (13 74 68), email webfeedback@dsiti.qld.gov.au or visit the departmental website www.qld.gov.au/dsiti.

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Operating result			
Income from continuing operations			
Appropriation revenue	5	282,430	318,628
User charges and fees	6	304,176	341,389
Grants and other contributions	7	20,459	21,773
Interest	14	162	1,293
Other revenue	8	2,017	1,971
Total revenue		609,244	685,054
Gains on disposal of assets		10	6
Total income from continuing operations		**609,254**	**685,060**
Expenses from continuing operations			
Employee expenses	9	260,663	268,077
Supplies and services	11	256,348	303,108
Grants and subsidies	12	41,670	56,693
Depreciation and amortisation	17/18	28,468	46,046
Impairment losses	17/26	621	56
Finance/borrowing costs	20	4,016	2,359
Other expenses	13	19,682	16,812
Total expenses from continuing operations		**611,468**	**693,151**
Operating result from continuing operations before income tax		**(2,214)**	**(8,091)**
Income tax expense/(revenue)	27	(6)	606
Operating result from continuing operations after income tax		**(2,208)**	**(8,697)**
Other comprehensive income			
Items that will not be reclassified to operating result			
Increase in asset revaluation surplus	18	1,059	9,632
Total other comprehensive income		**1,059**	**9,632**
Total comprehensive income		**(1,149)**	**935**

The accompanying notes form part of these statements.

Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs

for the year ended 30 June 2016

	Corporate Administration Agency (SSP)*		Arts Queensland*		CITEC (CBU)		Queensland Shared Services (SSP)		Science	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income from continuing operations										
Appropriation revenue	-	-	-	59,767	-	-	-	-	85,553	69,080
User charges and fees	-	6,711	-	13,180	150,199	160,228	143,720	156,908	987	1,187
Grants and other contributions	-	83	-	133	-	-	5,590	5,858	14,853	15,800
Interest	-	-	-	52	162	327	-	-	-	914
Other revenue	-	11	-	132	9	8	295	1,782	698	961
Total revenue	-	6,805	-	73,264	150,370	160,563	149,605	164,548	102,091	87,942
Gains on disposal of assets	-	-	-	-	1	-	-	-	4	5
Total income from continuing operations	**-**	**6,805**	**-**	**73,264**	**150,371**	**160,563**	**149,605**	**164,548**	**102,095**	**87,947**
Expenses from continuing operations										
Employee expenses	-	4,422	-	7,795	40,425	42,611	85,115	86,258	38,370	37,059
Supplies and services	-	2,007	-	18,332	106,176	108,892	55,473	71,518	21,999	22,981
Grants and subsidies	-	-	-	25,368	-	-	-	-	35,418	27,807
Depreciation and amortisation	-	98	-	21,245	7,432	8,928	3,716	3,720	4,793	5,104
Impairment losses	-	-	-	-	19	48	551	4	3	-
Finance/borrowing costs	-	-	-	52	76	310	-	-	-	-
Other expenses	-	109	-	3,810	566	740	1,033	1,259	3,553	335
Total expenses from continuing operations	**-**	**6,636**	**-**	**76,602**	**154,694**	**161,529**	**145,888**	**162,759**	**104,136**	**93,286**
Operating result from continuing operations before income tax	**-**	**169**	**-**	**(3,338)**	**(4,323)**	**(966)**	**3,717**	**1,789**	**(2,041)**	**(5,339)**
Income tax expense/(revenue)	-	-	-	-	(6)	606	-	-	-	-
Operating result from continuing operations after income tax	**-**	**169**	**-**	**(3,338)**	**(4,317)**	**(1,572)**	**3,717**	**1,789**	**(2,041)**	**(5,339)**
Other comprehensive income										
Items that will not be reclassified to operating result										
Increase in asset revaluation surplus	-	-	-	9,632	-	-	-	-	1,059	-
Total other comprehensive income	**-**	**-**	**-**	**9,632**	**-**	**-**	**-**	**-**	**1,059**	**-**
Total comprehensive income	**-**	**169**	**-**	**6,294**	**(4,317)**	**(1,572)**	**3,717**	**1,789**	**(982)**	**(5,339)**

* Refer to note 32(f).

Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs

for the year ended 30 June 2016

	Digital Productivity and Services		Strategic ICT		Strategic Policy and Innovation		General – not attributed		Inter-departmental eliminations		Department total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Income from continuing operations												
Appropriation revenue	64,827	60,624	102,489	101,850	10,128	7,183	19,433	20,124	-	-	282,430	318,628
User charges and fees	28,208	27,983	2,815	323	-	-	7	15,001	(21,760)	(40,132)	304,176	341,389
Grants and other contributions	16	-	-	-	-	-	-	(18)	-	(83)	20,459	21,773
Interest	-	-	-	-	-	-	-	-	-	-	162	1,293
Other revenue	45	63	2,696	(11)	-	-	25,383	21,148	(27,109)	(22,123)	2,017	1,971
Total revenue	93,096	88,670	108,000	102,162	10,128	7,183	44,823	56,255	(48,869)	(62,338)	609,244	685,054
Gains on disposal of assets	3	1	-	-	-	-	2	-	-	-	10	6
Total income from continuing operations	**93,099**	**88,671**	**108,000**	**102,162**	**10,128**	**7,183**	**44,825**	**56,255**	**(48,869)**	**(62,338)**	**609,254**	**685,060**
Expenses from continuing operations												
Employee expenses	49,387	45,954	14,475	12,057	5,239	4,434	27,899	27,511	(247)	(24)	260,663	268,077
Supplies and services	35,179	36,705	68,805	84,887	2,387	1,743	14,909	18,281	(48,580)	(62,238)	256,348	303,108
Grants and subsidies	1,766	2,095	2,219	75	2,267	978	-	370	-	-	41,670	56,693
Depreciation and amortisation	3,819	3,802	8,631	3,108	3	7	74	34	-	-	28,468	46,046
Impairment losses	3	3	-	-	-	-	45	1	-	-	621	56
Finance/borrowing costs	-	-	3,940	1,997	-	-	-	-	-	-	4,016	2,359
Other expenses	2,787	113	9,980	38	231	20	1,574	10,464	(42)	(76)	19,682	16,812
Total expenses from continuing operations	**92,941**	**88,672**	**108,050**	**102,162**	**10,127**	**7,182**	**44,501**	**56,661**	**(48,869)**	**(62,338)**	**611,468**	**693,151**
Operating result from continuing operations before income tax	**158**	**(1)**	**(50)**	**-**	**1**	**1**	**324**	**(406)**	**-**	**-**	**(2,214)**	**(8,091)**
Income tax expense/(revenue)	-	-	-	-	-	-	-	-	-	-	(6)	606
Operating result from continuing operations after income tax	**158**	**(1)**	**(50)**	**-**	**1**	**1**	**324**	**(406)**	**-**	**-**	**(2,208)**	**(8,697)**
Other comprehensive income												
Items that will not be reclassified to operating result												
Increase in asset revaluation surplus	-	-	-	-	-	-	-	-	-	-	1,059	9,632
Total other comprehensive income	-	**-**	-	**-**	-	-	**-**	**-**	**-**	**-**	**1,059**	**9,632**
Total comprehensive income	**158**	**(1)**	**(50)**	**-**	**1**	**1**	**324**	**(406)**	**-**	**-**	**(1,149)**	**935**

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	14	41,690	45,954
Receivables	15	55,648	51,477
Other current assets	16	15,180	13,351
Total current assets		**112,518**	**110,782**
Non-current assets			
Intangible assets	17	30,770	33,535
Property, plant and equipment	18	189,078	143,431
Other non-current assets	16	13,842	790
Total non-current assets		**233,690**	**177,756**
Total assets		**346,208**	**288,538**
Current liabilities			
Payables	19	52,680	46,715
Interest-bearing liabilities	20	8,882	5,416
Accrued employee benefits	21	10,234	8,604
Other current liabilities	22	3,703	1,880
Total current liabilities		**75,499**	**62,615**
Non-current liabilities			
Interest-bearing liabilities	20	116,296	68,603
Deferred tax liabilities	27	1,526	1,532
Other non-current liabilities	22	13,334	431
Total non-current liabilities		**131,156**	**70,566**
Total liabilities		**206,655**	**133,181**
Net assets		**139,553**	**155,357**
Equity			
Contributed equity		155,917	170,572
Accumulated deficit		(64,057)	(61,849)
Asset revaluation surplus	18	47,693	46,634
Total equity		**139,553**	**155,357**

The accompanying notes form part of these statements.

Statement of Assets and Liabilities by Major Departmental Services, CBUs and SSPs

as at 30 June 2016

	CITEC (CBU)		Strategic Policy and Innovation		Science		Digital Productivity and Services	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current assets								
Cash and cash equivalents	16,077	17,533	-	-	1	1	3,240	2,817
Receivables	14,984	15,366	855	393	7,993	3,625	6,730	7,747
Other current assets	3,707	3,361	26	19	216	68	2,415	1,040
Total current assets	**34,768**	**36,260**	**881**	**412**	**8,210**	**3,694**	**12,385**	**11,604**
Non-current assets								
Intangible assets	3,688	5,354	-	-	991	1,025	4,721	6,676
Property, plant and equipment	11,174	14,428	7	6	49,161	49,900	4,957	5,741
Other non-current assets	738	359	-	-	-	-	514	431
Total non-current assets	**15,600**	**20,141**	**7**	**6**	**50,152**	**50,925**	**10,192**	**12,848**
Total assets	**50,368**	**56,401**	**888**	**418**	**58,362**	**54,619**	**22,577**	**24,452**
Current liabilities								
Payables	7,157	7,697	540	564	8,206	4,470	7,157	6,971
Interest-bearing liabilities	580	1,332	-	-	-	-	-	-
Accrued employee benefits	1,606	1,440	216	230	1,503	1,200	1,956	1,476
Other current liabilities	1,249	1,480	205	-	5	21	718	337
Total current liabilities	**10,592**	**11,949**	**961**	**794**	**9,714**	**5,691**	**9,831**	**8,784**
Non-current liabilities								
Interest-bearing liabilities	-	578	-	-	-	-	-	-
Deferred tax liabilities	1,526	1,532	-	-	-	-	-	-
Other non-current liabilities	230	-	-	-	-	-	514	431
Total non-current liabilities	**1,756**	**2,110**	**-**	**-**	**-**	**-**	**514**	**431**
Total liabilities	**12,348**	**14,059**	**961**	**794**	**9,714**	**5,691**	**10,345**	**9,215**
Net assets	**38,020**	**42,342**	**(73)**	**(376)**	**48,648**	**48,928**	**12,232**	**15,237**

The department has systems in place to allocate assets and liabilities by major departmental services, SSPs and CBUs.

Statement of Assets and Liabilities by Major Departmental Services, CBUs and SSPs

as at 30 June 2016

	Queensland Shared Services (SSP)		Strategic ICT		General – not attributed		Inter-departmental eliminations		Department total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current assets										
Cash and cash equivalents	16,493	22,452	-	-	5,879	3,151	-	-	41,690	45,954
Receivables	22,919	19,085	6,021	5,761	2,840	3,698	(6,694)	(4,198)	55,648	51,477
Other current assets	470	**670**	6,936	**7,300**	1,410	**893**	-	-	15,180	**13,351**
Total current assets	**39,882**	**42,207**	**12,957**	**13,061**	**10,129**	**7,742**	**(6,694)**	**(4,198)**	**112,518**	**110,782**
Non-current assets										
Intangible assets	21,297	20,369	73	111	-	-	-	-	30,770	33,535
Property, plant and equipment	1,365	1,954	122,252	71,324	162	78	-	-	189,078	143,431
Other non-current assets	-	-	-	-	12,590	-	-	-	13,842	790
Total non-current assets	**22,662**	**22,323**	**122,325**	**71,435**	**12,752**	**78**	**-**	**-**	**233,690**	**177,756**
Total assets	**62,544**	**64,530**	**135,282**	**84,496**	**22,881**	**7,820**	**(6,694)**	**(4,198)**	**346,208**	**288,538**
Current liabilities										
Payables	6,579	5,117	25,573	20,702	4,162	5,392	(6,694)	(4,198)	52,680	46,715
Interest-bearing liabilities	-	-	8,302	4,084	-	-	-	-	8,882	5,416
Accrued employee benefits	3,299	2,906	601	402	1,053	950	-	-	10,234	8,604
Other current liabilities	-	29	381	1	1,145	12	-	-	3,703	1,880
Total current liabilities	**9,878**	**8,052**	**34,857**	**25,189**	**6,360**	**6,354**	**(6,694)**	**(4,198)**	**75,499**	**62,615**
Non-current liabilities										
Interest-bearing liabilities	-	-	116,296	68,025	-	-	-	-	116,296	68,603
Deferred tax liabilities	-	-	-	-	-	-	-	-	1,526	1,532
Other non-current liabilities	-	-	-	-	12,590	-	-	-	13,334	431
Total non-current liabilities	**-**	**-**	**116,296**	**68,025**	**12,590**	**-**	**-**	**-**	**131,156**	**70,566**
Total liabilities	**9,878**	**8,052**	**151,153**	**93,214**	**18,950**	**6,354**	**(6,694)**	**(4,198)**	**206,655**	**133,181**
Net assets	**52,666**	**56,478**	**(15,871)**	**(8,718)**	**3,931**	**1,466**	**-**	**-**	**139,553**	**155,357**

The department has systems in place to allocate assets and liabilities by major departmental services, SSPs and CBUs.

Statement of Changes in Equity

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Contributed equity			
Balance as at 1 July		170,572	917,108
Transactions with owners as owners			
Appropriated equity injections	5	6,173	5,200
Appropriated equity withdrawals	5	(13,302)	(26,021)
Non-appropriated equity injections		-	5,266
Non-appropriated equity withdrawals		(7,526)	(66,353)
Assets transferred from other Queensland Government entities		-	5,366
Net transfers to other Queensland Government entities – machinery-of-government changes		-	(669,994)
Balance as at 30 June		**155,917**	**170,572**
Accumulated deficit			
Balance as at 1 July		(61,849)	(53,152)
Operating result			
Operating result from continuing operations after income tax		(2,208)	(8,697)
Balance as at 30 June		**(64,057)**	**(61,849)**
Asset revaluation surplus			
Balance as at 1 July		46,634	37,002
Other comprehensive income			
Increase/(decrease) in asset revaluation surplus	18	1,059	9,632
Balance as at 30 June		**47,693**	**46,634**
Total equity as at 30 June		**139,553**	**155,357**

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Inflows:			
Service appropriation receipts	5	266,860	326,457
User charges and fees		296,073	345,991
Grants and other contributions		20,459	21,448
GST collected from customers		28,974	32,595
GST input tax credits from ATO		33,216	36,674
Interest receipts		166	427
Other		1,899	1,734
Outflows:			
Employee expenses		(258,403)	(268,250)
Supplies and services		(257,937)	(312,974)
Grants and subsidies		(41,626)	(53,279)
Finance/borrowing costs		(4,015)	(1,954)
GST paid to suppliers		(28,437)	(32,805)
GST remitted to ATO		(33,746)	(39,002)
Other		(2,246)	(3,034)
Net cash provided by operating activities	23	**21,237**	**54,028**
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment		1	4
Loans and advances redeemed		-	38,912
Outflows:			
Payments for property, plant and equipment		(5,256)	(5,669)
Loans and advances made		-	(1,120)
Payments for intangibles		(5,977)	(2,519)
Net cash provided by/(used in) investing activities		**(11,232)**	**29,608**
Cash flows from financing activities			
Inflows:			
Proceeds from borrowings		-	1,120
Equity injections		12,527	7,153
Outflows:			
Borrowing redemptions		(1,331)	(11,841)
Finance lease payments		(7,024)	(2,036)
Equity withdrawals		(18,441)	(99,893)
Net cash provided used in financing activities		**(14,269)**	**(105,497)**
Net increase/(decrease) in cash and cash equivalents		**(4,264)**	**(21,861)**
Increase/(decrease) in cash and cash equivalents from restructuring		-	(11,360)
Cash and cash equivalents at beginning of financial year		45,954	79,175
Cash and cash equivalents at end of financial year	14	**41,690**	**45,954**

The accompanying notes form part of these statements

Notes to the financial statements 2015–16

1. Statement of compliance

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

The department is a not-for-profit entity and these financial statements are general purpose financial statements and have been prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities. These financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2015, and other authoritative pronouncements.

The historical cost convention is used as the measurement basis except for land, buildings, infrastructure and heritage and cultural assets which are measured at their fair value.

2. The reporting entity

The financial statements include the value of all income, expenses, assets, liabilities and equity of the department and the entities that it controls, where these entities are material. Biopharmaceuticals Australia (Network) Pty Ltd is the department's only controlled entity as at 30 June 2016. Full details of this controlled entity are disclosed in note 4. All transactions and balances internal to the department have been eliminated in full.

3. Objectives and principal activities of the department

The department brings together science, information and technology and innovation into one portfolio to create the jobs of the future and to deliver on the community objectives of the Queensland Government.

Based on the 2015-19 Strategic Plan the department's vision is to enable an innovative, clever and connected Queensland which is supported by developing and implementing strategies, plans and activities that deliver three main objectives:

- to lead science, information communication technology (ICT), innovation, digital and customer services policy
- to deliver excellent specialist and support services
- to be a high-performing, innovative, clever and connected organisation

The department is supported by the Queensland Chief Scientist, who provides strategic advice and services to the Minister for Innovation, Science and Digital Economy, including implementation of government priorities.

The department is funded for the departmental services it delivers principally by parliamentary appropriations with further significant funding sourced through the generation of user charges from the following services:

- Information, Communication and Technology services provided by the department's CBU, CITEC
- Financial, Procurement, Human Resource Management, Facilities Management, Mail Support Services and Information Systems Support services provided by the department's SSP, Queensland Shared Services

Further information regarding the identity and purpose of the major departmental services, CBU and SSP is detailed within section 2 – Our service performance, of the department's annual report.

4. Controlled entity

Biopharmaceuticals Australia (Network) Pty Ltd (BPA) was established and incorporated in the State of Queensland to oversee the staged development of a contract biopharmaceutical manufacturing facility and to undertake business development activities to support the operations of the facility and the biopharmaceutical industry. BPA intends to complete remaining business development activities in late 2017, and it is likely that the company will be wound up upon finalisation of these activities. BPA is not-for-profit in nature.

The share capital of BPA consists of one fully paid share to the value of $1, which is held by the State of Queensland and enables 100% control by the department through majority voting rights. BPA is audited by the Auditor-General of Queensland. The assets, liabilities, income and expenses of BPA have not been consolidated in the financial statements as they would not materially affect the reported financial position and operating result of the department. The financial statements of BPA can be obtained from the department.

4. Controlled entity (continued)

Summary financial information about BPA is as follows.

Total assets		Total liabilities		Total income		Total expenses		Operating result	
2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
2,408	2,235	399	207	1,710	1,662	1,729	2,043	(19)	(381)

5. Appropriation receipts

Reconciliation of payments from consolidated fund to appropriation revenue recognised in operating result

	2016 $'000	2015 $'000
Budgeted appropriation revenue	324,729	362,789
Treasurer's transfers – transfers from equity adjustments	(9,299)	527
Lapsed appropriations	(48,570)	-
Transfers to other departments – redistribution of public business	-	(36,859)
Total appropriation receipts (cash)	**266,860**	**326,457**
Less: Opening balance of appropriation revenue receivable	-	(7,829)
Plus: Opening balance of deferred appropriation payable to consolidated fund	10,367	-
Plus: Closing balance of appropriation revenue receivable	5,203	-
Less: Closing balance of deferred appropriation payable to consolidated fund	(17,407)	(10,367)
Net appropriation revenue	**265,023**	**308,261**
Deferred appropriation payable to consolidated fund (expense)	17,407	10,367
Appropriation revenue recognised in Statement of Comprehensive Income	**282,430**	**318,628**

Reconciliation of payments from consolidated fund to equity adjustment

	2016 $'000	2015 $'000
Budgeted equity adjustment appropriation	(7,689)	(43,362)
Treasurer's transfers – transfers to appropriation revenue	9,299	(527)
Lapsed equity adjustments	-	(9,448)
Transfer to other departments – redistribution of public business	-	21,684
Equity adjustment receipts (cash)	**1,610**	**(31,653)**
Less: Opening balance of equity adjustment receivable	(8,165)	-
Plus: Opening balance of equity adjustment payable	16	2,683
Plus: Closing balance of equity adjustment receivable	1,813	8,165
Less: Closing balance of equity adjustment payable	(2,403)	(16)
Equity adjustment recognised in contributed equity	**(7,129)**	**(20,821)**

Accounting Policy

Appropriations provided under the Appropriation Act 2015 are recognised as revenue or equity when received or when a service rendered is recognised after approval from Queensland Treasury.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations. Refer to note 28.

6. User charges and fees

	2016 $'000	2015 $'000
Information, communication and technology services	160,203	168,531
Services rendered by shared service providers	140,115	158,090
Other	3,858	14,768
Total	**304,176**	**341,389**

Accounting Policy

User charges and fees are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This occurs upon delivery of the goods to the customer or completion of the requested services at which time the invoice is raised. Accrued revenue is recognised if the revenue has been earned but not yet invoiced.

7. Grants and other contributions

	2016 $'000	2015 $'000
Queensland Government grants and contributions*	15,405	16,092
Commonwealth grants and contributions*	1,026	1,504
Industry grants and contributions*	4,028	3,821
Assets received below fair value	-	206
Services received below fair value	-	150
Total	**20,459**	**21,773**

* Included in grants and other contributions are non-reciprocal grants funded by the Commonwealth, Queensland Government and other external bodies for a range of grant purposes. As at 30 June 2016, $10.886 million (30 June 2015: $11.098 million) of all grants and contribution funding received by the department in the current and prior financial years remained unspent, although the department expects to fully comply with the conditions of the grant or contribution agreement, and so does not expect to recognise a payable in the future.

Accounting Policy

Grants and contributions are non-reciprocal in nature so do not require any goods or services to be provided in return. Corresponding revenue is recognised in the year in which the department obtains control over the grant/contribution (control is generally obtained at the time of receipt).

Contributed physical assets are recognised at their fair value. Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and expense.

8. Other revenue

	2016 $'000	2015 $'000
Insurance compensation - loss of property	48	138
Reversal of impairment loss	10	14
Recognition of prior period assets	96	-
Miscellaneous revenue	1,863	1,819
Total	**2,017**	**1,971**

Notes to the financial statements 2015–16

9. Employee expenses	2016 $'000	2015 $'000
Employee benefits		
Wages and salaries	201,870	205,517
Annual leave levy	20,339	21,961
Employer superannuation contributions	26,507	27,090
Long service leave levy	4,496	4,638
Termination benefits	1,878	3,104
Total employee benefits	**255,090**	**262,310**
Employee-related expenses		
Workers' compensation premium	630	731
Payroll tax	1,851	2,023
Other employee-related expenses	3,092	3,013
Total employee-related expenses	**5,573**	**5,767**
Total	**260,663**	**268,077**

The number of employees as at 30 June 2016, including both full-time employees and part-time employees, measured on a full-time equivalent basis is 2,644 (2015: 2,629).

Accounting Policy

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee-related expenses.

Wages, salaries and sick leave

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

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business unit and shared service provider. Under this scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Long service leave

Under the Queensland Government's Long Service Leave Central Scheme, a levy is made on the department to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

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. The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

10. Key management personnel and remuneration expenses

a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2015-16 and 2014-15. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Contract classification and appointment authority*	Date of initial appointment	Date of resignation or cessation
Director-General*	Efficient, effective and economic administration of the department.	Current - CEO 4 / s92 *Public Service Act 2008*	29 March 2016	-
		Acting - CEO 4 / s92 *Public Service Act 2008*	11 August 2015	28 March 2016
		Former - CEO 4 / s92 *Public Service Act 2008*	25 November 2013	26 March 2016
Queensland Government Chief Information Officer	Provides unbiased, independent quality advice to the Director-General and Minister for Innovation, Science and the Digital Economy on ICT issues from a whole-of-government perspective.	CEO 4 equivalent / s119, s121 & s122 *Public Service Act 2008*	6 January 2014	-
Queensland Chief Scientist	Provides strategic advice to government on harnessing science and innovation to support the government's objectives and activities.	CEO 2 equivalent / s119, s121 & s122 *Public Service Act 2008*	17 January 2011	-
Assistant Director-General, Digital Productivity and Services	Leads the Digital Productivity and Services Division to revitalise Queensland Government services, increase Queensland's digital capability, preserve and improve access to Queensland's record-related information, and enhance the customer experience with the Queensland Government. The division contributes to the Queensland Government's objectives for the community, and supports Advance Queensland to deliver quality frontline services, job creation and a diverse economy.	SES 4 / s110 & s119 *Public Service Act 2008*	3 April 2012	-
Assistant Director-General, Queensland Shared Services	Ensuring high quality, integrated service delivery for a range of corporate transactional and advisory services across 24 Queensland Government departments and agencies. The role is also responsible for managing the key financial and human resource management/payroll technology solutions that support agencies and underpins its service delivery.	Acting - SES 3 / s112 *Public Service Act 2008*	20 May 2015	-
		Former - SES 3 / s115 *Public Service Act 2008*	3 February 2014	15 May 2015
Assistant Director-General, Science	Leads the Science Division in providing scientific and technical advice and services to government agencies across the natural resources and environmental spectrum that underpin their decision-making and legislative responsibilities. The division, in close collaboration with the Queensland Chief Scientist, also provides strategic leadership for the government's investment in science and research, and develops Queensland Government science policy.	SES 3 / s110 *Public Service Act 2008*	3 April 2012	-

* The former Director-General was on approved leave for the period 11 August 2015 to 26 March 2016. An Acting Director-General was appointed to act as the chief executive during this period.

a) Key management personnel (continued)

Position	Responsibilities	Contract classification and appointment authority*	Date of initial appointment	Date of resignation or cessation
Deputy Director-General, Strategy and Innovation	Leading the innovation agenda for the department and at a whole-of-government level, with a primary focus on driving economic growth and job creation in Queensland through innovation. The role leads the implementation of the Queensland Government's Advance Queensland agenda.	SES 4 / s119, s121 & s122 *Public Service Act 2008*	7 December 2015	-
		Acting - SES 3 / s112 *Public Service Act 2008*)	30 July 2015	30 November 2015
Chief Strategic Policy and Innovation Officer, Strategic Policy and Innovation*	Leading the co-ordination of the department's strategic policy activity including cross-division, whole-of-government collaboration, monitoring the effectiveness of policy implementation and facilitating the development of corrective actions as well as performing customer and market analysis and disseminating meaningful insights to improve policy impact and service delivery.	Acting - SES 3 / s112 *Public Service Act 2008*)	18 May 2015	29 July 2015
		SES 3 / s110 *Public Service Act 2008*	3 February 2014	15 May 2015
Assistant Director-General, Strategic ICT	Leads the Strategic ICT Division to support, deliver, guide and advise on whole-of-government ICT initiatives that enable modern, responsive and integrated frontline services for Queenslanders.	SES 3 / s110 *Public Service Act 2008*	12 May 2014	-
Chief Change and Operations Officer, Change and Operations	Strategic leadership of the department's corporate services including finance, procurement, information management and technology, communications and engagement, strategic planning, human resources, and legal and integrity services.	SES 4 - s110 *Public Service Act 2008*	6 October 2014	-
		Acting - SES 4 / s110 *Public Service Act 2008*	3 February 2014	5 October 2014
Chief Finance Officer	Provides overall stewardship for the department and leadership in relation to financial strategy and resource management, procurement, statutory financial reporting and policy, as well as property and business management activities.	SES 2 / s110 *Public Service Act 2008*	10 March 2014	-
Deputy Director-General, Arts Queensland**	Maximising return on investment in great arts and culture, strengthening commercial and entrepreneurial capacity, growing the public value of arts and culture, and strengthening cultural tourism.	SES 4 / s110 *Public Service Act 2008*	3 November 2014	27 February 2015
		SES 3 / s110 *Public Service Act 2008*	12 August 2013	2 November 2014

* Details for both current and former incumbents and positions during 2015-16 and 2014-15 included where applicable. All positions are held by current incumbents unless otherwise stated.

** The position of Deputy Director-General, Arts Queensland transferred to the Department of the Premier and Cabinet in accordance with machinery-of-government changes effective 1 March 2015. Refer to note 32(f).

b) Remuneration policies

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 (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for key management personnel comprise the following components:

Short-term employee expenses which include:

- salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee was a key management person;
- performance payments recognised as an expense during the year; and
- non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

b) Remuneration policies (continued)

Long-term employee expenses include amounts expensed in respect of long service leave entitlements earned.

Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Separation payments for former Director-General

The mutually agreed terms for separation of the former Director-General considered all relevant clauses of her contract. The payment for the former Director-General's separation was determined and paid in March 2016 and included a separation payment of $160,655 and a payment in consideration of an at-risk component of $30,537 which are included in the key management personnel remuneration expenses for 2015-16. The payment in consideration of an at-risk component was made to the former Director-General in accordance with her contract of employment and the mutually agreed terms for her employment separation. It was not made on the basis of any performance assessment process.

Performance payments

The remuneration packages for all key management personnel do not provide for any performance or bonus payments.

c) Remuneration expenses

The following disclosures focus on the expenses incurred by the department that are attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

1 July 2015 to 30 June 2016	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000	$'000
Director-General – current	340	1	6	38	-	385
Director-General - former	330	-	5	31	161	527
Queensland Government Chief Information Officer	320	4	7	37	-	368
Queensland Chief Scientist	312	-	5	35	-	352
Deputy Director-General, Digital Productivity and Services	241	19	5	26	-	291
Assistant Director-General, Queensland Shared Services	239	-	4	21	-	264
Assistant Director-General, Science	211	4	4	22	-	241
Deputy Director-General, Strategic Policy and Innovation - current	160	3	3	13	-	179
Deputy Director-General, Strategic Policy and Innovation – former	83	1	1	7	-	92

c) Remuneration expenses (continued)

1 July 2015 to 30 June 2016	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000	$'000
Chief Strategic Policy and Innovation Officer, Strategic Policy and Innovation	25	-	-	3	-	28
Chief Finance Officer	184	28	4	20	-	236
Assistant Director-General, Strategic ICT	214	13	4	23	-	254
Chief Change and Operations Officer, Change and Operations	226	17	5	25	-	273
Total remuneration	2,885	90	53	301	161	3,490

1 July 2014 to 30 June 2015	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000	$'000
Director-General	375	3	7	41	-	426
Queensland Government Chief Information Officer	346	3	7	37	-	393
Queensland Chief Scientist	312	-	4	35	-	351
Deputy Director-General, Digital Productivity and Services	244	14	5	26	-	289
Assistant Director-General, Queensland Shared Services - current	26	-	-	2	-	28
Assistant Director-General, Queensland Shared Services - former	182	8	4	20	-	214
Assistant Director-General, Science	181	-	4	22	-	207
Chief Strategic Policy and Innovation Officer, Strategic Policy and Innovation (1)	18	2	1	2	-	23
Chief Strategic Policy and Innovation Officer, Strategic Policy and Innovation (2)	187	12	4	20	-	223
Deputy Director-General, Arts Queensland	143	-	3	16	-	162

c) Remuneration expenses (continued)

1 July 2014 to 30 June 2015	Short-term employee expenses		Long-term employee expenses	Post-employment expenses	Termination benefits	Total expenses
Position	Monetary expenses $'000	Non-monetary benefits $'000	$'000	$'000	$'000	Monetary expenses $'000
Chief Finance Officer	172	-	4	19	-	195
Assistant Director-General, Strategic ICT	205	9	4	22	-	240
Chief Change and Operations Officer, Change and Operations	219	14	5	21	-	259
Total remuneration	**2,610**	**65**	**52**	**283**	**-**	**3,010**

Accounting Policy

Key management personnel and remuneration disclosures are made in accordance with section 3 of the Financial Reporting Requirements for Queensland Government agencies issued by Queensland Treasury. In respect to the department's controlled entity, no executives are employed under the Public Service Act 2008.

11. Supplies and services

	2016 $'000	2015 $'000
Accommodation and property-related expenses	51,595	69,143
Travel	1,275	1,192
Contractors and consultants	29,351	32,084
Information and communication technology expenses	171,010	186,918
Bank fees and charges	473	481
Other	2,644	13,290
Total	**256,348**	**303,108**

Accounting Policy

For a transaction to be classified as supplies and services, the value of goods and services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant, refer to note 12.

12. Grants and subsidies

	2016	2015
Arts and culture	-	25,367
Science and innovation	37,642	28,743
Information and communication technology	3,984	2,169
Other grants	-	370
Donations/gifts	44	44
Total	**41,670**	**56,693**

13. Other expenses

	2016 $'000	2015 $'000
Insurance premiums - QGIF	408	819
Insurance premiums - other	298	373
Losses from disposal of non-current assets	6	3,559
Queensland Audit Office - external audit fees*	1,158	1,579
Special payments - ex gratia payments to former Core Agreement employees**	48	-
Special payments - other ex gratia payments	-	6
Deferred appropriation payable to consolidated fund	17,407	10,367
Other	357	109
Total	**19,682**	**16,812**

* Total audit fees quoted by the Queensland Audit Office relating to the 2015-16 financial statements are $495,000 (2015: $495,000). Other audit services relate to the audit of the report on service provider controls (2016: $870,000, 2015: $1,019,500).

** As part of the settlement offer to finalise negotiations for the *State Government Entities Certified Agreement 2015,* an undertaking was made that a section 831 one-off payment of $1,300 (or pro-rata) would be extended to those employees who resigned, retired or otherwise moved to other employment arrangements after 1 April 2016, but before the agreement was certified on 1 June 2016.

Accounting Policy

Special payments include ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. In compliance with the Financial and Performance Management Standard 2009, the department maintains a register setting out the details of all special payments greater than $5,000. The total of all special payments (including those of $5,000 or less) is disclosed separately within other expenses. However, descriptions of the nature of special payments are only provided for special payments greater than $5,000.

14. Cash and cash equivalents

Imprest accounts	9	9
Cash at bank	41,681	45,945
Total	**41,690**	**45,954**

The department, through the CITEC commercialised business unit, earned interest of $0.162 million (2015: $0.327 million) on deposits with the Commonwealth Bank. Interest earned on cash held with the Commonwealth Bank earned between 1.14% to 1.34% during 2015-16 (1.19% to 1.75% during 2014-15).

All other departmental bank accounts are grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation (QTC) and do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the consolidated fund.

Accounting Policy

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

15. Receivables

	2016 $'000	2015 $'000
Current		
Trade debtors	31,399	28,469
Less: Allowance for impairment loss*	(53)	(27)
Net trade debtors	**31,346**	**28,442**
GST input tax credits receivable	3,815	3,286
GST payable	(2,310)	(2,497)
Net GST	**1,505**	**789**
Advances	104	40
Less: Allowance for impairment loss*	(34)	-
Net advances	**70**	**40**
Annual leave reimbursements	3,719	4,146
Long service leave reimbursements	1,145	1,244
Appropriation revenue receivable	5,203	-
Departmental equity injection receivable	1,813	8,165
Accrued revenue	8,384	8,331
Interest receivable	37	41
Other	2,426	279
Total	**55,648**	**51,477**

* Refer to note 26(c) Financial instruments (Credit risk exposure) for an analysis of movements in the allowance for impairment loss.

Accounting Policy

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

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is generally required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made where receivables are impaired. All known bad debts were written off as at 30 June. Note 26(c) details the accounting policies for impairment of receivables, including the loss events giving rise to impairment and the movements in the allowance for impairment loss. All receivables within terms and expected to be fully collectible are considered of good credit quality based upon recent collection history. Credit risk management strategies are also detailed in note 26(c).

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

16. Other current and non-current assets

	2016 $'000	2015 $'000
Current		
Prepayments	13,506	13,116
Lease incentives	1,674	235
Total	**15,180**	**13,351**
Non-current		
Prepayments	738	359
Lease incentives	13,104	431
Total	**13,842**	**790**

17. Intangible assets

Reconciliations of the carrying amount for each class of intangible assets are set out below.

	Software purchased		Software internally generated		Intangible assets under development		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Carrying amount at 1 July	780	1,015	32,022	33,016	733	-	33,535	34,031
Acquisitions	-	177	428	1,011	5,548	1,300	5,976	2,488
Transfers in/(out) to other Queensland Government entities	-	-	-	5,366	-	-	-	5,366
Disposals	(1)	-	-	-	-	-	(1)	-
Transfers between classes	-	-	4,414	567	(4,414)	(567)	-	-
Amortisation	(385)	(412)	(7,824)	(7,938)	-	-	(8,209)	(8,350)
Impairment loss recognised	-	-	(531)	-	-	-	(531)	-
Total carrying amount at 30 June	**394**	**780**	**28,509**	**32,022**	**1,867**	**733**	**30,770**	**33,535**
Gross	38,203	63,272	193,742	189,172	1,867	733	233,812	253,177
Less: Accumulated amortisation	(37,809)	(62,492)	(115,556)	(108,004)	-	-	(153,365)	(170,496)
Less: Accumulated impairment losses	-	-	(49,677)	(49,146)	-	-	(49,677)	(49,146)
Total carrying amount at 30 June	**394**	**780**	**28,509**	**32,022**	**1,867**	**733**	**30,770**	**33,535**

Refer to note 32 (h) to (r) for the department's intangible assets accounting policies.

18. Property, plant and equipment

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below.

	Land		Building		Leased assets		Heritage and cultural assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Carrying amount at 1 July	2,520	234,614	7,067	442,509	71,226	39,631	37	135
Acquisitions	-	-	-	-	59,513	34,642	-	-
Transfers in/(out) to other Queensland Government entities	-	(241,698)	-	(413,847)	-	-	-	(125)
Disposals	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	(200)	9,605	518	-	-	-	-	27
Transfers between classes	-	-	19	-	-	-	-	-
Depreciation	-	-	(482)	(21,595)	(8,574)	(3,047)	-	-
Total carrying amount at 30 June	**2,320**	**2,520**	**7,122**	**7,067**	**122,165**	**71,226**	**37**	**37**
Gross	2,320	2,520	18,685	17,305	134,408	74,895	37	37
Less: Accumulated depreciation	-	-	(11,563)	(10,238)	(12,243)	(3,669)	-	-
Less: Accumulated impairment losses	-	-	-	-	-	-	-	-
Total carrying amount at 30 June	**2,320**	**2,520**	**7,122**	**7,067**	**122,165**	**71,226**	**37**	**37**
Opening balance of asset revaluation surplus by class	**39,243**	**29,638**	**6,297**	**6,297**	**-**	**-**	**64**	**37**
Revaluation increment/(decrement)	(200)	9,605	518	-	-	-	-	27
Closing balance of asset revaluation surplus by class	**39,043**	**39,243**	**6,815**	**6,297**	**-**	**-**	**64**	**64**

18. Property, plant and equipment (continued)

	Infrastructure		Plant and equipment		Capital works in progress		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Carrying value at 1 July	9,729	10,050	52,367	61,776	485	4,457	143,431	793,172
Acquisitions	-	-	4,840	3,724	457	1,952	64,810	40,318
Transfers in/(out) to other Queensland Government entities	-	-	-	(2,115)	-	(651)	-	(658,436)
Disposals	-	-	(5)	(122)	-	(3,436)	(5)	(3,558)
Revaluation increments/(decrements)	741	-	-	-	-	-	1,059	9,632
Transfers between classes	-	-	706	1,837	(725)	(1,837)	-	-
Depreciation	(322)	(321)	(10,881)	(12,733)	-	-	(20,258)	(37,696)
Other	-	-	41	-	-	-	41	-
Total carrying amount at 30 June	**10,148**	**9,729**	**47,068**	**52,367**	**217**	**485**	**189,078**	**143,431**
Gross	15,986	14,821	139,519	144,594	217	485	311,173	254,657
Less: Accumulated depreciation	(5,838)	(5,092)	(92,437)	(92,213)	-	-	(122,081)	(111,212)
Less: Accumulated impairment losses	-	-	(14)	(14)	-	-	(14)	(14)
Total carrying amount at 30 June	**10,148**	**9,729**	**47,068**	**52,367**	**217**	**485**	**189,078**	**143,431**
Opening balance of asset revaluation surplus by class	**1,030**	**1,030**	**-**	**-**	**-**	**-**	**46,634**	**37,002**
Revaluation increment/(decrement)	741	-	-	-	-	-	1,059	9,632
Closing balance of asset revaluation surplus by class	**1,771**	**1,030**	**-**	**-**	**-**	**-**	**47,693**	**46,634**

Refer to note 32 (h) to (r) for the department's property, plant and equipment accounting policies.

Basis of fair values

Categorisation of fair values	Level 2 $'000		Level 3 $'000		Total $'000	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Land	2,320	2,520	-	-	2,320	2,520
Buildings	-	-	7,122	7,067	7,122	7,067
Heritage and cultural assets	-	-	37	37	37	37
Infrastructure	-	-	10,148	9,729	10,148	9,729

There were no movements between levels during the 2015-16 financial year.

Land

Science controls land at Deagon and at Deception Bay with a total fair value as at 30 June 2016 of $2.3 million. This land was subject to an independent desktop valuation by State Valuation Services (SVS) as at the effective date of 30 June 2016. The fair value of the land was based on publicly available data on sales of similar land in nearby localities. In determining the values, adjustment was made to the sales data to take into account the location of the land, its size, street/road frontage and access, the nature of the buildings on the land, development potential and any significant restrictions.

18. Property, plant and equipment (continued)

As a result of the revaluation, there was a revaluation decrement of $0.2 million recorded in the value of the land at Deagon. The fair value of the land at Deception Bay, which is considerably smaller in size remained unchanged.

Buildings

Science controls buildings situated at Deagon and at the Brisbane Herbarium, Mt Coot-tha Road, Toowong. These assets were last subject to specific appraisal by SVS during the 2013-14 financial year. The fair value was determined using a depreciated replacement cost approach.

During the 2014-15 financial year, SVS was engaged to provide indexation of the previously specifically valued building assets. Based on a 3.15% increase in the building price index, management assessed that the increase was not material for the fair values of the assets to be adjusted. During the 2015-16 financial year the building price index was supplied by SVS. The basis of derivation of this index is consistent with the underlying data inputs adopted for the last specific appraisal.

Management has assessed that the cumulative movement in the indices (an increase of 7.87% in the building price index) between 30 June 2014 and 30 June 2016 is material and accordingly have updated the fair values of the building assets using the indexation provided by SVS. As a result of the revaluation, a revaluation increment of $0.52 million was recorded on the various buildings, effective as at 30 June 2016.

Infrastructure

Infrastructure assets in this asset class are controlled by Science and largely comprise the State of Queensland's proportionate share (25%) of the Tweed River Entrance Sand Bypassing Project (TRESBP) infrastructure assets. These assets were subject to a specific appraisal in June 2014 by New South Wales Public Works for the Crown Lands Division of NSW Trade and Investment.

During the 2014-15 financial year, SVS was engaged to provide indexation of the previously specifically valued infrastructure assets. Based on a 3.15% increase in the building price index (considered the most appropriate index for this type of infrastructure), management assessed that the increase was not material for the fair values of the assets to be adjusted. During the 2015-16 financial year the building price index was supplied by SVS. The basis of derivation of this index is consistent with the underlying data inputs adopted for the last specific appraisal.

Management has assessed that the cumulative movement in the indices (an increase of 7.87% in the building price index) from 30 June 2014 to 30 June 2016 is material and accordingly has updated the fair values of the infrastructure assets using indexation. As a result of the revaluation, a revaluation increment of $0.74 million was recorded on the various infrastructure assets, effective as at 30 June 2016.

Heritage and cultural assets

Heritage and cultural assets include works of art controlled by Science.

Heritage and cultural assets were last revalued based on specific appraisal by MacAulay Partners in 2014-15. There was no significant change to the valuation of the heritage and cultural assets. The heritage and cultural assets have not been subject to an official revaluation or indexation in 2015-16, as the asset values are considered to be immaterial.

18. Property, plant and equipment (continued)

Leased assets

The State of Queensland (through the department) has entered into a service agreement with a telecommunication service provider in September 2013 to have provisioned, operated and maintained a digital radio network known as the Government Wireless Network (GWN). Under the agreement the State has gained progressive control over infrastructure and equipment during various roll-out stages of the GWN that were undertaken between June 2014 and finalised in December 2015. As each roll-out stage is commercially accepted the State gained control over the GWN equipment acquired, through the State's exclusive "right to use" over the equipment provisioned under the GWN agreement.

The State gained control over an additional $39.205 million in exclusive "right to use" assets during 2015-16 following commercial acceptance of the second and third (final) phases of the South East Queensland (SEQ) stage of the GWN facility. The gross carrying value of the leased assets was determined using valuation techniques, specifically the present value of future payments under the service agreement attributable to these assets. A comparison was made to the fair value of the assets in reference to representations made by the telecommunication service provider in February 2016, following commercial acceptance of the final phase of the SEQ stage of the GWN facility (refer also to note 20).

The department, at commercial acceptance in accordance with the GWN agreement gained a "right to receive" replaced equipment over the life of the agreement. This "right to receive" replacement of exclusive assets has been recognised as a leased asset. The value of the assets acquired during 2015-16 of $20.308 million was determined using a valuation technique, specifically the present value of all future payments under the service agreement attributable to the "right to receive" replaced assets.

Change in useful lives

The approximate increase/(decrease) in depreciation and amortisation expense as a result of the re-assessment of the useful lives of depreciable assets during the reporting period was:

	2016 $'000	2015 $'000
Intangible assets	(330)	(657)
Property, plant and equipment	699	(403)

19. Payables

	2016 $'000	2015 $'000
Trade creditors and accruals	32,679	36,142
Equity withdrawal	2,403	16
Deferred appropriation payable to consolidated fund	17,407	10,367
Payroll tax	136	129
Other	55	61
Total	**52,680**	**46,715**

Accounting Policy

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 days terms or as otherwise agreed with the vendor.

20. Interest-bearing liabilities

	2016 $'000	2015 $'000
Current		
Finance lease liability	8,302	4,084
QTC borrowings	580	1,332
Total	**8,882**	**5,416**
Non-Current		
Finance lease liability	116,296	68,026
QTC borrowings	-	577
Total	**116,296**	**68,603**

Commitments under finance leases at reporting date are inclusive of anticipated GST and are payable as follows.

Not later than one year	13,798	7,412
Later than one year and not later than five years	69,475	37,053
Later than five years	85,753	57,431
Minimum payments	**169,026**	**101,896**
Less: Anticipated input tax credits	(15,366)	(9,263)
Less: Future finance charges	(29,062)	(20,523)
Total present value of minimum lease payments	**124,598**	**72,110**

Finance Lease

The department has entered into a finance lease with a telecommunication service provider as a means of funding the acquisition and replacement of information and communications equipment, in support of the establishment of a Government Wireless Network. Lease payments are fixed. The department has options to purchase this equipment at the expiry of the lease period. Capitalised leased assets are depreciated over the estimated useful life of the asset which equates to the lease term of 15 years.

The department has used valuation techniques, based on data provided by the telecommunication service provider, to disaggregate total payments made to the telecommunication service provider between those payments attributable to repayment of the finance lease and those payments relating to operational services which are expensed. Interest on the finance lease is recognised as an expense as it accrues on the outstanding lease liability using an implicit interest rate of between 3.173% and 3.343%.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The finance lease does not have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

Borrowings

All borrowings are in $A denominated amounts and no interest has been capitalised during the current or comparative reporting period. Expected final repayment date of QTC borrowings is 16 November 2016. The interest rate on QTC borrowings during the year was 6.96% (2015: 5.36%). There have been no defaults or breaches of the loan agreement during the period. No assets have been pledged as security for any borrowings.

CITEC has an overdraft facility with QTC with an approved credit limit of $5 million. The facility remains undrawn as at 30 June 2016 and is available for use in the next reporting period. The current overdraft rate is 5.28% (2015: 5.19%).

Finance/borrowing costs incurred in respect to the interest-bearing liabilities are as follows:

Interest on borrowings	75	353
Finance lease charges	3,940	1,998
Administration charges	1	8
Total	**4,016**	**2,359**

20. Interest-bearing liabilities (continued)

Accounting Policy

Finance costs are recognised as an expense in the period in which they are incurred. Finance costs include interest on bank overdrafts and short-term and long-term borrowings; finance lease charges and ancillary administration charges.

No finance costs are capitalised into qualifying assets.

21. Accrued employee benefits

	2016 $'000	2015 $'000
Annual leave levy payable	5,535	5,694
Long service leave levy payable	1,150	1,119
Salaries, wages and other related expenses outstanding	3,541	1,787
Other	8	4
Total	**10,234**	**8,604**

Accounting Policy

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

22. Other current and non-current liabilities

Current		
Unearned revenue	1,382	1,037
Lease incentives	1,674	235
Prepaid deposits	647	608
Total	**3,703**	**1,880**
Non-Current		
Unearned revenue	229	-
Lease incentives	13,105	431
Total	**13,334**	**431**

23. Reconciliation of operating result to net cash from operating activities

	2016 $'000	2015 $'000
Operating result from continuing operations before income tax	**(2,214)**	**(8,091)**
Less: Income tax expense/(revenue)	(6)	606
Operating result from continuing operations after income tax	**(2,208)**	**(8,697)**
Non-cash items:		
Depreciation and amortisation expense	28,468	46,046
Doubtful debts written off or provided for	90	(29)
Loss on sale or disposal of non-current assets	6	3,559
Gains on sale or disposal of non-current assets	(5)	(5)
Fair value and notional interest adjustment on loans	-	1,973
Assets and liabilities assumed/relinquished	-	(205)
Assets transferred to expense	16	-
Assets prior period recognised	(96)	-
Impairment loss reversal	(10)	(12)
Impairment losses	531	-
Change in assets and liabilities:		
(Increase)/decrease in net receivables	(10,236)	8,976
(Increase)/decrease in inventory	-	7
(Increase)/decrease in interest receivable	4	48
(Increase)/decrease in prepayments	(769)	1,951
(Increase)/decrease in deferred tax assets	-	8
(Increase)/decrease in other assets	8	498
Increase/(decrease) in unearned revenue	575	8,675
Increase/(decrease) in accrued employee benefits	1,630	666
Increase/(decrease) in payables	3,167	(8,814)
Increase/(decrease) in other liabilities	41	126
Increase/(decrease) in deferred tax liabilities	(7)	598
Increase/(decrease) in GST input tax credits receivable	99	(449)
Increase/(decrease) in GST payable	(67)	(892)
Net cash from operating activities	**21,237**	**54,028**

24. Operating lease and capital commitments

a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are payable:		
Not later than one year	57,656	52,925
Later than one year and not later than five years	51,926	40,435
Later than five years	1,454	-
Total	**111,036**	**91,360**

Operating leases are entered into primarily as a means of acquiring access to office accommodation and storage facilities. Rental payments are usually able to be varied based on CPI, or conditions detailed in the lease, on which contingent rentals are determined. Most leases contain renewal clauses, but no purchase options exist in relation to operating leases and no leases contain restrictions on financing, or other leasing activities. Where such renewal options exist, they are all exercisable at market prices. No leases have escalation clauses other than in the event of payment default.

Operating lease rental expenses comprise the minimum lease payments payable under operating lease contracts. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined.

b) Capital expenditure commitments

Material classes of capital expenditure commitments at reporting date are payable as follows.

Plant and equipment	2016 $'000	2015 $'000
Payable:		
Not later than one year	323	18
Total	**323**	**18**
Software purchased		
Payable:		
Not later than one year	1,166	-
Total	**1,166**	**-**

25. Contingencies

a) Financial guarantees

CITEC has arranged bank guarantees in relation to business opportunities pursued as follows.

Australian Securities and Investment Commission	550	550
State of Victoria	600	600
State of New South Wales	291	790
State of Western Australia	300	300
Insolvency and Trustee Service Australia	127	127
Total	**1,868**	**2,367**

The State of Queensland, acting through the department, has provided a guarantee to Translational Research Institute Pty Ltd with respect to the performance of the tenant, Patheon Biologics (formerly DSM Biologics (Australia) Pty Ltd), under the sublease of the Biopharmaceutical Australia Research facility.

The maximum liability under this guarantee is $11.760 million over the remaining 12-year term of the sublease. The liability is mitigated by the guarantee that the parent company of Patheon Biologics, DPx Holdings B.V (formerly Konininklijke N.V.), has provided to the State of Queensland, guaranteeing the performance of Patheon Biologics as tenant of the facility. No defaults have occurred and the department does not expect that the guarantee will be called upon. The guarantee is not recognised on the Statement of Financial Position, as the probability of default is remote.

As financial guarantee contracts are measured in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, the department has disclosed the details of the guarantee in this note, in addition to note 26(c) for full transparency purposes.

b) Litigation in progress

As at 30 June 2016 no claims against the department have been filed in the courts.

The department, on establishment, joined the Queensland Government Insurance Fund (QGIF). Under the QGIF, the department would be able to claim back, less a $10,000 deductible, the amount paid to successful litigants. This includes any cases that existed as at the date of the establishment of the department and cases that have arisen since that date.

CITEC has separate insurance arrangements. Under these arrangements, the department would be able to claim back, less a $5,000 deductible, the amount paid to successful litigants up to $50 million.

c) Contingent assets

A Deed of Funding commenced in 2014 whereby $6 million was held in trust with an Information and Communication Technology service provider for the Queensland Government (through the department) to purchase telecommunication products up until 28 February 2017. As at 30 June 2016, the Queensland Government has claimed $1.271 million against this facility.

As the remaining funds of $4.729 million are held in trust by the provider, the department has no control over the assets, and as such, the assets have not been recognised in the financial statements as the assets do not meet the asset recognition criteria.

26. Financial instruments

a) Categorisation of financial instruments

The department has the following categories of financial assets and financial liabilities.	Notes	2016 $'000	2015 $'000
Financial assets			
Cash and cash equivalents	14	41,690	45,954
Receivables at amortised cost	15	55,648	51,477
Total		**97,338**	**97,431**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	19	52,860	46,715
Interest bearing liabilities - finance lease liability	20	124,598	72,110
Interest bearing liabilities - QTC borrowings	20	580	1,909
Total		**178,038**	**120,734**

No financial assets and financial liabilities have been offset and presented as net in the Statement of Financial Position.

b) Financial risk management

The department's activities expose it to a variety of financial risks - 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. Financial risk is managed by the Finance, Procurement and Business Services unit and the Risk and Resilience unit of the department under policies approved by the department. The department provides written principles for overall risk management, as well as policies covering specific areas.

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

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

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.

c) Credit risk exposure (continued)

The maximum exposure to credit risk at balance date, in relation to each class of recognised financial assets, is the gross carrying amount of those assets, inclusive of any allowance for impairment loss. The maximum exposure to credit risk in relation to guarantees is disclosed in note 25(a). The carrying amount of receivables represents the maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to receivables held by the department. The department manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

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

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment loss is made in respect of that debtor/group of debtors. If the department determines that an amount owing by such a debtor does become uncollectible (after an appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables. No receivables have had their terms re-negotiated so as to prevent them from being past due, or impaired, and are stated at the carrying amounts as indicated.

Ageing of past due but not impaired, as well as impaired financial assets, are disclosed in the following tables:

Ageing of past due but not impaired receivables	2016 $'000	2015 $'000
Receivables		
Less than 30 days	2,658	3,337
Overdue 30-60 days	675	1,112
Overdue 61-90 days	479	991
Overdue more than 90 days	8,244	3,293
Total	**12,056**	**8,733**

Individually impaired receivables position (Aged)		
Receivables (gross)		
Less than 30 days	32	-
Less: Allowance for impairment	(32)	-
Carrying amount	-	-
More than 90 days	55	27
Less: Allowance for impairment	(55)	(27)
Carrying amount	-	-
Total carrying amount	**-**	**-**

Movements in allowance for impairment loss for impaired receivables		
Balance at 1 July	(27)	(306)
Amounts written off during the year in respect of bad debts	2	63
Amounts transferred due to machinery-of-government change	-	238
Amounts recovered during the year	10	14
(Increase)/decrease in allowance recognised in the operating result	(73)	(36)
Balance at 30 June	**(87)**	**(27)**

c) Credit risk exposure (continued)

Financial liabilities

The guarantees given by the department, referred to in note 25 meet the definition of a financial guarantee contract under AASB 139 *Financial Instruments: Recognition and Measurement*. The maximum credit risk exposure to the department, in relation to these guarantees, is $13.628 million (2015: $16.015 million).

The department assesses, on an annual basis, the fair value of the financial guarantees as at 30 June. It has been determined that the fair value is nil at 30 June 2016, due to the probability of default being remote with respect to the financial guarantees held by the department. Accordingly, the fair value of the guarantees has not been recognised on the Statement of Financial Position.

d) Liquidity risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash, or another financial asset.

The department is exposed to liquidity risk in respect of its payables and borrowings from QTC, in relation to departmental service delivery. The borrowings are based on the Queensland Government's gazetted floating rate.

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

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

Financial Liabilities	Notes	2016 $'000	2015 $'000
Payables	19		
Less than 1 year		52,680	46,715
Total		**52,680**	**46,715**
QTC borrowings	20		
Less than 1 year		580	1,332
1 to 5 years		-	577
Total		**580**	**1,909**
Lease liability	20		
Less than 1 year		8,302	4,084
1 to 5 years		46,482	22,877
Later than 5 years		69,814	45,149
Total		**124,598**	**72,110**
Total financial liabilities			
Less than 1 year		61,562	52,131
1 to 5 years		46,482	23,454
Later than 5 years		69,814	45,149
Total		**177,858**	**120,734**

e) Market risk

The department is exposed to market risk specifically through interest rate risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The department is exposed to interest rate risk through its borrowings from QTC and cash deposited in interest-bearing accounts. The department does not undertake any hedging in relation to interest rate risk and manages its risk as per its liquidity management strategies.

f) Fair value

With the exception of QTC borrowings, the carrying amount of financial liabilities are measured at amortised cost which approximately equals their fair value at reporting date. The fair value of borrowings is notified by QTC. It is calculated using discounted cash flow analysis and the effective interest rate. They are categorised as level three fair values within the fair value hierarchy.

	2016		2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial liabilities				
Financial liabilities at amortised cost - QTC borrowings	580	595	1,909	1,957
Total	**580**	**595**	**1,909**	**1,957**

Accounting Policy

Recognition

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.

Classification

Financial instruments are classified and measured as follows:

Cash and cash equivalents – held at fair value through profit or loss
Receivables – held at amortised cost
Payables – held at amortised cost
Borrowings – held at amortised cost
Finance leases – held at fair value

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

Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise. Borrowings are classified as non-current liabilities to the extent that the department has an unconditional right to defer settlement until at least 12 months after reporting date.

The department does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the department holds no financial assets classified at fair value through profit or loss.

27. Taxation equivalents

Information in respect of income tax equivalent expense incurred by those activities of CITEC, subject to the substantive model of the Tax Equivalents Regime:

Balance sheet approach	2016 $'000	2015 $'000
Major components of income tax equivalent expense for the period ended 30 June 2016.		
Income tax expense		
Deferred income tax		
Decrease/(increase) in deferred tax asset	-	8
(Decrease)/increase in deferred tax liability	(6)	598
Income tax equivalent expense reported in the Statement of Comprehensive Income	**(6)**	**606**
Reconciliation of income tax equivalent expense to prima facie tax payable for the year ended 30 June 2016 is as follows:		
Operating result from continuing operations before income tax of CITEC subject to Tax Equivalents Regime.	(4,324)	(966)
Indicative tax equivalent expense at 30%	**(1,297)**	**(290)**
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Previously unrecognised temporary differences now recognised	(48)	-
Effect of unused tax losses and deductible temporary differences not recognised	1,339	896
Income tax equivalent expense reported in the Statement of Comprehensive Income	**(6)**	**606**
Deferred tax liabilities		
The balance comprises temporary differences attributable to amounts recognised in the Statement of Comprehensive Income		
Interest receivable	11	12
Assets and other	1,515	1,520
Deferred tax liabilities taken to account	**1,526**	**1,532**
Deferred tax assets not recognised		
Income tax losses	1,277	26,201
Accrued employee benefits & payables	62	48
Total	**1,339**	**26,249**

A review of CITEC's budget estimates for the future years indicate that sufficient taxable profit will not be available, following the reversal of both the existing taxable temporary differences for the current year tax, and deductible temporary differences to be utilised in future periods.

Accordingly, the current year tax loss and the deductible temporary differences (tax effect totalling to $1,339,534) have not been recognised as deferred tax assets.

The unrecognised income tax losses will be brought to account when it is probable that further tax profits will arise to enable these tax losses to be utilised.

27. Taxation equivalents (continued)

Accounting Policy

The department is a State body as defined under the Income Tax Assessment Act 1997 and is exempt from all forms of Commonwealth taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the department. GST credits receivable from, and GST payable to, the Australian Taxation Office are recognised and accrued (refer to note 15).

Agreements have been reached with Queensland Treasury for CITEC to pay an income tax equivalent, in accordance with the requirements of the Tax Equivalents Regime.

The income tax equivalent expense for CITEC is calculated based on the Balance Sheet approach under which temporary differences are identified for each asset and liability. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the Statement of Financial Position as a tax asset or a tax liability.

Tax assets are not brought to account unless realisation of the asset is probable. Tax assets relating to CITEC's tax losses are only brought to account to the extent that future profits are probable. Recovery of deferred tax assets is primarily based on projected operational results outlined in the forecasting budgets provided to Queensland Treasury.

The controlled entity of the department is exempt from income tax under Section 50 of the Income Tax Assessment Act 1997.

28. Schedule of administered items

	2016 $'000	2015 $'000
Administered revenues		
Appropriation revenue	72,406	122,739
Contributions	12,433	-
Interest	-	1,612
Total administered revenues	**84,839**	**124,351**
Administered expenses		
Supplies and services	2,694	2,567
Grants and subsidies	68,330	121,135
Deferred administered appropriation payable to consolidated fund	1,996	248
Total administered expenses	**73,020**	**123,950**
Operating surplus	**11,819**	**401**
Administered current assets		
Cash and cash equivalents	3,400	6,784
Loans and receivables	2,098	550
Prepayments	13,000	-
Total administered current assets	**18,498**	**7,334**
Administered non-current assets		
Loans and receivables	-	1,650
Total administered non-current assets	**-**	**1,650**
Total administered assets	**18,498**	**8,984**
Administered current liabilities		
Payables	2,888	191
Revenue payable to government	1,996	248
Total administered current liabilities	**4,884**	**439**
Net administered assets	**13,614**	**8,545**
Total administered equity	**13,614**	**8,545**

28. Schedule of administered items (continued)

Administered grants and subsidies	2016 $'000	2015 $'000
Queensland Art Gallery	-	21,548
Queensland Museum	-	16,291
State Library of Queensland	62,689	61,088
Queensland Performing Arts Trust	-	6,165
Queensland Theatre Company	-	1,950
Screen Queensland	-	7,352
University of Queensland Brain Institute	-	194
Queensland Shared Services	5,641	5,530
Smart State Research Facility Fund	-	1,017
Total	**68,330**	**121,135**

Administered loans and receivables		
Queensland Centre for Advanced Technologies	550	2,200
Total	**550**	**2,200**

Accounting Policy

The department administers, but does not control, certain activities on behalf of the government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's overall objectives. These transactions and balances are not significant in comparison to the department's overall financial performance/financial position. Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

29. Administered appropriation receipts

Reconciliation of payments from consolidated fund to administered revenue

Budgeted administered appropriation	80,117	149,687
Transfers to other departments – redistribution of public business	-	(17,745)
Lapsed administered appropriation	(7,959)	(9,203)
Total administered appropriation receipts (cash)	72,158	122,739
Plus: Opening balance of deferred administered appropriation payable	248	-
Less: Closing balance of deferred administered appropriation payable	(1,996)	(248)
Net administered appropriation revenue	**70,410**	**122,491**
Plus: Deferred administered appropriation payable to consolidated fund (expense)	1,996	248
Administered appropriation revenue recognised in note 28	**72,406**	**122,739**

Reconciliation of payments from consolidated fund to administered equity adjustment

Budgeted administered equity adjustment appropriation	(8,492)	2,858
Lapsed administered appropriation	(5,784)	(142)
Total administered appropriation receipts (cash)	(14,276)	2,716
Plus: Opening balance of administered equity adjustment payable	191	-
Less: Closing balance of administered equity adjustment payable	(523)	(191)
Equity adjustment recognised in administered contributed equity	**(14,608)**	**2,525**

30. Agency transactions and balances

The department acts as an agent for collection and payment processing services, and undertakes certain transactions on behalf of Queensland Government agencies and its clients.

	2016 $'000	2015 $'000
a) CITEC		
Balance at 1 July	-	19,778
Collections during the period	-	1,580,648
Distributions according to clients' instructions during the period	-	(1,600,426)
Balance at 30 June*	**-**	**-**

* CITEC discontinued payment processing services in April 2015.

	2016 $'000	2015 $'000
b) Smart Service Queensland		
Balance at 1 July	352	732
Collections during the period	88,586	84,093
Distributions according to clients' instructions during the period	(88,467)	(84,473)
Balance at 30 June	**471**	**352**

Fees received for the provision of these services are included in user charges.

All agency transactions and balances are subject to audit by the Queensland Audit Office.

Accounting Policy

The department, through the CITEC commercialised business unit, had commercial arrangements during 2014-15 with various Queensland Government agencies to perform certain transactions on their behalf.

The department, through Smart Service Queensland, acts in an agency capacity by processing payments in respect of Queensland Government services and information.

The transactions and balances related to these agency arrangements are not included in these financial statements, because the department acts only in a custodial role.

31. Budget vs actual comparison

Statement of Comprehensive Income

	Variance notes	Original budget 2016 $'000	Actual 2016 $'000	Variance $'000	Variance % of budget
Operating result					
Income from continuing operations					
Appropriation revenue	1	322,496	282,430	40,066	12%
User charges and fees	2	280,124	304,176	(24,052)	(9%)
Grants and other contributions	3	26,904	20,459	6,445	24%
Interest		369	162	207	56%
Other revenue		4,094	2,017	2,077	51%
Total revenue		633,987	609,244	24,743	4%
Gains on disposal of assets		-	10	(10)	(100%)
Total income from continuing operations		**633,987**	**609,254**	**24,733**	**4%**
Expenses from continuing operations					
Employee expenses		260,452	260,663	(211)	0%
Supplies and services		261,590	256,348	5,242	2%
Grants and subsidies	4	86,385	41,670	44,715	52%
Depreciation and amortisation	5	34,359	28,468	5,891	17%
Impairment losses	6	-	621	(621)	(100%)
Finance/borrowing costs		4,602	4,016	586	13%
Other expenses	7	3,049	19,682	(16,633)	(546%)
Total expenses from continuing operations		**650,437**	**611,468**	**38,969**	**6%**
Operating result from continuing operations before income tax		**(16,450)**	**(2,214)**	**(14,236)**	**87%**
Income tax expense/(revenue)		-	(6)	6	(100%)
Operating result from continuing operations after income tax		**(16,450)**	**(2,208)**	**(14,242)**	**87%**
Other comprehensive income					
Items that will not be reclassified subsequently to operating result					
Increase in asset revaluation surplus	8	-	1,059	(1,059)	100%
Total other comprehensive income		**-**	**1,059**	**(1,059)**	**100%**
Total comprehensive income		**(16,450)**	**(1,149)**	**(15,301)**	**93%**

31. Budget vs actual comparison (continued)

Statement of Financial Position

	Variance notes	Original budget 2016 $'000	Actual 2016 $'000	Variance $'000	Variance % of budget
Current assets					
Cash and cash equivalents	9	18,293	41,690	(23,397)	(128%)
Receivables		62,782	55,648	7,134	11%
Other current assets		14,534	15,180	(646)	(4%)
Total current assets		**95,609**	**112,518**	**(16,909)**	**(18%)**
Non-current assets					
Intangible assets	10	42,448	30,770	11,678	28%
Property, plant and equipment		173,676	189,078	(15,402)	(9%)
Deferred tax assets		8	-	8	100%
Other non-current assets	11	1,619	13,842	(12,223)	(755%)
Total non-current assets		**217,751**	**233,690**	**(15,939)**	**(7%)**
Total assets		**313,360**	**346,208**	**(32,848)**	**(10%)**
Current liabilities					
Payables		56,989	52,680	4,309	8%
Interest-bearing liabilities	12	558	8,882	(8,324)	(1,492%)
Accrued employee benefits		9,002	10,234	(1,232)	(14%)
Other current liabilities		2,473	3,703	(1,230)	(50%)
Total current liabilities		**69,022**	**75,499**	**(6,477)**	**(9%)**
Non-current liabilities					
Payables		901	-	901	100%
Interest-bearing liabilities	13	122,960	116,296	6,664	5%
Deferred tax liabilities		934	1,526	(592)	(63%)
Other non-current liabilities	14	-	13,334	(13,334)	(100%)
Total non-current liabilities		**124,795**	**131,156**	**(6,361)**	**(5%)**
Total liabilities		**193,817**	**206,655**	**(12,838)**	**(7%)**
Net assets		**119,543**	**139,553**	**(20,010)**	**(17%)**
Equity					
Contributed equity		243,081	155,917	87,164	36%
Accumulated surplus/(deficit)		(116,286)	(64,057)	(52,229)	45%
Asset revaluation surplus		(7,252)	47,693	(54,945)	758%
Total equity	15	**119,543**	**139,553**	**(20,010)**	**(17%)**

31. Budget vs actual comparison (continued)

Statement of Cash Flows

	Variance notes	Original budget 2016 $'000	Actual 2016 $'000	Variance $'000	Variance % of budget
Cash flows from operating activities					
Inflows:					
Service appropriation receipts	16	324,729	266,860	57,869	18%
User charges and fees		282,082	296,073	(13,991)	(5%)
Grants and other contributions	17	26,904	20,459	6,445	24%
GST collected from customers		27,594	28,974	(1,380)	(5%)
GST input tax credits from ATO		13,527	33,216	(19,689)	(146%)
Interest receipts		369	166	203	55%
Other		3,994	1,899	2,095	52%
Outflows:					
Employee expenses		(260,367)	(258,403)	(1,964)	1%
Supplies and services		(261,539)	(257,937)	(3,602)	1%
Grants and subsidies	18	(86,385)	(41,626)	(44,759)	52%
Finance/borrowing costs		(4,602)	(4,015)	(587)	13%
GST paid to suppliers		(12,911)	(28,437)	15,526	(120%)
GST remitted to ATO		(28,058)	(33,746)	5,688	(20%)
Other		(2,749)	(2,246)	(503)	18%
Net cash provided by/(used in) operating activities		**22,588**	**21,237**	**1,351**	**6%**
Cash flows from investing activities					
Inflows:					
Sales of property, plant and equipment		16	1	15	94%
Loans and advances redeemed		-	-	-	-
Outflows:					
Payments for property, plant and equipment	19	(9,586)	(5,256)	(4,330)	45%
Payments for intangible assets	20	(12,960)	(5,977)	(6,983)	54%
Loans and advances made		-	-	-	-
Net cash provided by/(used in) investing activities		**(22,530)**	**(11,232)**	**(11,298)**	**50%**
Cash flows from financing activities					
Inflows:					
Borrowings		-	-	-	-
Equity injections		12,207	12,527	(320)	(2%)
Outflows:					
Borrowing redemptions		(1,344)	(1,331)	(13)	1%
Finance lease payments		(7,752)	(7,024)	(728)	9%
Equity withdrawals	21	(27,151)	(18,441)	(8,710)	32%
Net cash provided by/(used in) financing activities		**(24,040)**	**(14,269)**	**(9,771)**	**41%**
Net increase/(decrease) in cash and cash equivalents		**(23,982)**	**(4,264)**	**(19,718)**	**82%**
Increase/(decrease) in cash and cash equivalents from restructuring		-	-		
Cash and cash equivalents at beginning of financial year		42,275	45,954	(3,679)	(9%)
Cash and cash equivalents at end of financial year		**18,293**	**41,690**	**(23,397)**	**(128%)**

31. Budget vs actual comparison (continued)

Schedule of administered items

	Variance notes	Original budget 2016 $'000	Actual 2016 $'000	Variance $'000	Variance % of budget
Administered revenues					
Appropriation revenue		80,117	72,406	7,711	10%
Contributions	22	-	12,433	(12,433)	(100%)
Interest		-	-	-	-
Total administered revenues		**80,117**	**84,839**	**(4,722)**	**(6%)**
Administered expenses					
Supplies and services		2,080	2,694	(614)	(30%)
Grants and subsidies	23	78,037	68,330	9,707	12%
Other	24	-	1,996	(1,996)	(100%)
Total administered expenses		**80,117**	**73,020**	**7,097**	**9%**
Operating surplus		**-**	**11,819**	**(11,819)**	**(100%)**
Administered current assets					
Cash and cash equivalents		4,558	3,400	1,158	25%
Loans and receivables		-	2,098	(2,098)	(100%)
Prepayments	25	-	13,000	(13,000)	(100%)
Total administered current assets		**4,558**	**18,498**	**(13,940)**	**(306%)**
Administered non-current assets					
Loans and receivables	26	2,750	-	2,750	100%
Total administered non-current assets		**2,750**	**-**	**2,750**	**100%**
Total administered assets		**7,308**	**18,498**	**(11,190)**	**(153%)**
Administered current liabilities					
Payables	27	-	2,888	(2,888)	(100%)
Revenue payable to government	24	-	1,996	(1,996)	(100%)
Total administered current liabilities		**-**	**4,884**	**(4,884)**	**(100%)**
Net administered assets		**7,308**	**13,614**	**(6,306)**	**(86%)**

31. Budget vs actual comparison (continued)

Explanations of major variances

Statement of comprehensive income

1. The variance was mainly due to $26.5 million of Advance Queensland program expenditure milestones now expected to occur in 2016-17 and beyond, adjustments of $11.7 million to science-related initiatives in line with contractual commitments and timing adjustments of $5.1 million to Australian Institute of Tropical Health and Medicine (AITHM) offset by $1.6 million of additional funding for Cyber Security.
2. The variance is mainly due to CITEC achieving $17 million higher than anticipated revenue from Information Brokerage customers.
3. The variance is due to funding deferrals relating to Queensland Shared Services business capability and capacity projects of $10.6 million offset by higher than expected grant funding received for science projects of $4.2 million.
4. The variance was mainly due to $26.5 million of Advance Queensland program expenditure milestones now expected to occur in 2016-17 and beyond, timing adjustments of $5.1 million to AITHM, adjustments of $8.7 million to science-related initiatives in line with contractual commitments and $2.8 million deferral for improved mobile coverage work in future financial years.
5. The variance is mainly due to a change in amortisation amounts relating to the Government Wireless Network (GWN) of $5.4 million due to an adjustment to the useful life assumptions that were incorporated into the budget.
6. The variance is mainly due to the impairment of $0.5 million recognised during 2015-16 associated with Queensland Shared Services controlled whole-of-government SAP finance system asset, as a result of the decision by Queensland Treasury and the Department of Natural Resources and Mines to transfer from the whole-of-government SAP environment and upgrade to a purpose built SAP ECC6 finance system.
7. The variance is mainly due to $17.4 million of deferred appropriation payable to the consolidated fund for end-of-year lapses and deferral adjustments in relation to programs including Mobile Black Spots ($2.8 million), One Stop Shop ($2.1 million), Advance Queensland ($1.9 million), Strategic ICT Projects ($1.6 million), GWN ($1.5 million) and Cyber Security ($1 million) for future commitments and deliverables. Approximately $2 million was also returned to the consolidated fund in relation to the GWN for project implementation savings and contract abatements.
8. The variance of $1 million is due to a net revaluation increment in the carrying value of the land, building and infrastructure asset classes relating to Science.

Statement of financial position

9. The variance is due to CITEC's better-than-anticipated cash balance due to increased Queensland Government agency revenue and reduced capital program of $15.8 million. Major variance items are explained below in variance notes to the Statement of Cash Flows.
10. The variance is mainly due to lower-than-forecast expenditure against intangibles for Queensland Shared Services in relation to business capability and capacity projects of $3.7 million, a reduction in information Brokerage legacy software upgrades of $2.2 million and budget variations in opening balances and amortisation amounts of $4.5 million.
11. The variance is mainly due to the lease incentive assets associated with the department's office accommodation arrangements of $12.5 million. Refer to variance note 14 for the corresponding lease incentive liability.
12. The variance is mainly due to the budget against current interest-bearing liabilities not taking into account the reclassification of non-current to current interest-bearing liabilities that are due within 12 months of $11 million. This is offset by additional payments of $2 million budgeted under non-current interest-bearing liabilities.
13. The variance is mainly due to the budget against non-current interest-bearing liabilities not taking into account the reclassification of non-current to current interest-bearing liabilities that are due within 12 months of $11 million. This is offset by additional repayments budgeted under non-current interest-bearing liabilities of $2 million and a lower budgeted level of leases of $2 million.
14. The variance is mainly due to the lease incentive liabilities associated with the department's office accommodation arrangements of $12.5 million. Refer to variance note 11 for the corresponding lease incentive asset.

31. Budget vs actual comparison (continued)

15. The variance in equity is mainly due to the better-than-forecast operating results for CITEC ($9.6 million), Queensland Shared Services ($3.7 million) and the department ($0.9 million) and an increase to the asset revaluation reserve of $1 million.

Statement of cash flows

16. The variance is due to the appropriation adjustments as per variance note 1 plus appropriation receivable movements of $17 million.
17. Refer to variance note 3.
18. Refer to variance note 4.
19. The variance is due to One-Stop Shop capital funding converted to operating funds of $3 million and a reduced capital program of ICT asset replacement within CITEC of $1.2 million.
20. The variance is due to the timing of Queensland Shared Services business capability and capacity projects of $3.7 million into 2016-17, a reduction in Information Brokerage legacy software upgrades of $2.2 million and savings in Government Wireless Network software acquisitions of $1.1 million.
21. The variance is mainly due to reduced equity withdrawals related to the change in the Government Wireless Network finance lease depreciation rate of $6 million and savings in Government Wireless Network software acquisitions of $1.1 million.

Administered items

22. The variance of $12.4 million reflects the contribution from the Queensland Treasury Commercial Group for the ICT arrangements for the 1 William Street (1WS) building.
23. The variance is mainly due to the deferral of funding by Queensland Shared Services in relation to business capability and capacity projects of $10.7 million which will be delivered in future years, offset by additional funding provided to State Library of Queensland in relation to funding escalations for enterprise bargaining and population growth of $0.6 million.
24. The variance is due to the deferred appropriation payable to the consolidated fund for end-of-year deferral adjustments including Queensland Shared Services business capability and capacity projects of $1.7 million which will be delivered in future years.
25. The variance is due to a prepayment of $13 million being recognised in relation to the ICT arrangements for the 1WS building.
26. The variance is due to the repayment of the Queensland Centre for Advanced Technologies loan throughout 2015-16 and the balance of $0.55 million being transferred to current receivables as the loan will be finalised in 2016-17.
27. The variance is due to outstanding invoice payments in relation to ICT arrangements for the 1WS building of $1.2 million, business capability and capacity funding payments to Queensland Shared Services of $1.2 million and equity withdrawal payable to the consolidated fund in relation to Queensland Shared Services amortisation of $0.5 million.

32. Summary of other accounting policies

a) Leases

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

Leases of non-current assets where the department, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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. Lease payments are allocated between rental expense and reduction of the liability.

b) Insurance

With the exception of non-current physical assets held by CITEC, which are commercially insured, the department's non-current physical assets and other risks, including those relating to business interruption following natural disasters, are insured through the Queensland Government Insurance Fund. Premiums are paid on a risk assessment basis. In addition, the department pays premiums to Workcover Queensland in respect of its obligations for employee compensation.

c) Contributed equity

Interpretation 1038 Contributions by Owners Made to Wholly Owned Public Sector Entities specifies the principles for recognising contributed equity by the department. The following items are recognised as contributed equity by the department during the reporting and comparative years:

Appropriations and non-appropriated equity adjustments (refer to Statement of Changes in Equity).

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government and other approved changes (refer to Statement of Changes in Equity).

d) Issuance of financial statements

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

e) 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 the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. 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 with the most significant effect are outlined in the following financial statement notes:

Valuation of property, plant and equipment - note 18
Financial instruments - note 26
Finance leases - note 20
Contingencies - note 25
Receivables - note 15

Further, the matters covered in each of those notes (except for depreciation and amortisation) necessarily involve estimation uncertainty, with the potential to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

f) Currency, rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000, or where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

In accordance with the machinery-of-government changes that were specified in the Public Departmental Arrangements Notice (No.1) 2015, the function of Arts Queensland and the Corporate Administration Agency transferred to the Department of the Premier and Cabinet, with an effective date of 1 March 2015.

32. Summary of other accounting policies (continued)

g) Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

h) Donated/transferred assets

Assets and liabilities received or donated/transferred by the department are recognised as revenues or expenses as applicable. Refer to notes 7 and 18.

i) Capital work in progress, including intangible assets under development

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment and intangible assets constructed in-house are recorded as work in progress until completion of the project using all direct costs and, where applicable, reliable attributed indirect costs. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor. The department does not capitalise finance and borrowing costs.

j) Acquisition of assets

Historical cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Historical cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

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

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

k) Property, plant and equipment

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

Buildings	*$10,000*	*Infrastructure*	*$10,000*
Heritage and cultural	*$5,000*	*Plant and equipment*	*$5,000*
Leased assets	*$5,000*	*Land*	*$1*

Items with a lesser value are expensed in the year of acquisition. Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance that merely restores original service potential (lost through ordinary wear and tear) is expensed. Land improvements undertaken by the department are included with buildings.

l) Measurement of non-current physical assets using fair value

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. Leased assets are measured at fair value in accordance with AASB 117 Leases.

These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable.

The cost of items acquired during the financial year has been judged by the management of the department to materially represent their fair value at the end of the reporting period.

m) Measurement of non-current physical and intangible assets using historical cost

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

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

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they will be measured at fair value).

32. Summary of other accounting policies (continued)

n) Revaluation of non-current physical and intangible assets measured at fair value

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by specific appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by a team in the department's Finance, Procurement and Business Services unit, which determines the specific revaluation practices and procedures. The department undertakes annual reviews of the revaluation practices (after each year's revaluation process), and reports to the department's Audit and Risk Management Committee (of which the department's Chief Finance Officer is a member) regarding the outcomes of, and recommendations arising from, each annual review.

Revaluations using an independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal. This is arranged by the department's Finance, Procurement and Business Services unit after consultation with the department's Finance Committee.

Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case, revaluation is warranted).

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

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up to date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The State Valuation Service (SVS) supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on the department's own particular circumstances.

Any revaluation increment arising from 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 asset class.

For assets revalued using a cost valuation approach (e.g. depreciated replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the "gross method".

For assets revalued using a market or income-based valuation approach, accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the "net method".

o) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the department include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the department's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use.

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

32. Summary of other accounting policies (continued)

o) 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; and

Level 3 represents fair value measurements that are substantially derived from unobservable inputs.

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about the department's property, plant and equipment is outlined in note 18. Details of individual assets and liabilities measured under each category of fair value are set out in the tables at note 26.

p) Intangible assets

Intangible assets with a historical cost or other value greater than or equal to $100,000, are recognised in the financial statements. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the department. The residual value is zero for all the department's intangible assets.

There is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at historical cost, less accumulated amortisation and accumulated impairment losses. No intangible assets have been classified as held for sale, or form part of a disposal group held for sale.

Purchased software
The purchase cost of software has been capitalised and is amortised on a straight-line basis over the period of the expected benefit to the department, generally five years. However, where appropriate, the useful lives of certain assets have been determined on an individual basis.

Internally generated software
Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of the expected benefit to the department, generally five years. However, where appropriate, the useful lives of certain assets have been determined on an individual basis.

q) Amortisation and depreciation of intangible assets and property, plant and equipment

Land is not depreciated as it has an unlimited useful life.

All intangible assets of the department have finite useful lives and are amortised on a straight-line basis over their estimated useful life to the department.

Property, plant and equipment (excluding land) is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department. For depreciable assets, residual value is determined to be zero, reflecting the estimated amount to be received on disposal at the end of their useful life.

All heritage and cultural assets of the department are not depreciated as the service potential of the assets are not expected to diminish over time.

Assets under construction (work in progress) are not depreciated until they reach their service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use, or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property, plant and equipment and intangible assets.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

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

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

32. Summary of other accounting policies (continued)

q) Amortisation and depreciation of intangible assets and property, plant and equipment

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

Plant and equipment subject to a finance lease is amortised on a straight-line basis over the term of the lease or, where it is likely that the department will obtain ownership of the asset, the expected useful life of the asset to the department.

Straight-line depreciation is used reflecting the progressive, and even consumption of future economic benefits over their useful life to the department.

Items comprising the department's technical library are expensed on acquisition.

For each class of depreciable assets, the following depreciation and amortisation rates are used:

Class	Rates	Class	Rates
Buildings:	2% to 10%	Leasehold improvements:	2.5% to 26%
Infrastructure:	2% to 14%	Computer equipment:	4% to 55%
Financed leased assets:	7% to 8%	Scientific equipment:	4% to 33%
Other equipment:	4% to 33%	Software internally generated:	7% to 33%
Software purchased:	5% to 26%		

Where appropriate, the depreciation and amortisation rates applied to assets are determined on an individual basis.

r) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell, depreciated replacement cost, or net cash inflows generated through use of the asset.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

When an asset is revalued using either a market or income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

The department's annual asset impairment assessment process is conducted in accordance with the department's asset impairment assessment guide that forms part of the department's asset management handbook, maintained by Finance, Procurement and Business Services. Within this guide, the department maintains a schedule of impairment indicators for each individual asset's class, which are reviewed and updated annually.

The assessment of and outcomes from the department's impairment assessment process is reported to and endorsed by the department's Audit and Risk Management Committee annually.

s) New and revised accounting standards

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are as set out below.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

From reporting periods beginning on or after 1 July 2017, this standard amends AASB 107 Statement of Cash Flows and requires entities preparing financial statements in accordance with Tier 1 reporting requirements, to provide additional disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation or roll forward as part of the notes to the Statement of Cash Flows. The measurement of assets, liabilities, income and expenditure in the financial statements will be unaffected.

32. Summary of other accounting policies (continued)

s) New and revised accounting standards

AASB 124 – Related Party Disclosures

Effective from reporting periods beginning on or after 1 July 2016, a revised version of AASB 124 will apply to the department. AASB 124 requires disclosures about the remuneration of key management personnel (KMP), transactions with related parties, and relationships between parent and controlled entities.

The department already discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies. Due to the additional guidance about the KMP definition in the revised AASB 124, the department will disclose its responsible Minister as part of its KMP from 2016-17. The department does not provide remuneration to Ministers, so figures for Ministerial remuneration will not be disclosed by the department. Comparative information will continue to be disclosed in respect of KMP remuneration.

The most significant implications of AASB 124 for the department are the required disclosures about transactions between the department and its related parties (as defined in AASB 124). For any such transactions, from 2016-17, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/ payables, commitments, and any receivables where collection has been assessed as being doubtful. In respect of related party transactions with other Queensland Government controlled entities, the information disclosed will be more high level, unless a transaction is individually significant. No comparative information is required in respect of related party transactions in the 2016-17 financial statements.

AASB 15 – Revenue from Contracts with Customers

This standard will become effective from reporting periods beginning on or after 1 January 2018 and contains much more detailed requirements for the accounting of certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the department's goods and services, such that some revenue may need to be deferred to a later reporting period, to the extent that the department has received cash, but has not met its associated obligations (such amounts would be reported as an unearned revenue liability in the meantime). The department is yet to complete its analysis of current arrangements for sales of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9

These standards will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at either amortised cost or fair value. The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, all of the department's financial assets are expected to be required to be measured at fair value (instead of the measurement classifications presently used in note 26). In the case of the department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the department's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the department's receivables. Assuming no substantial change in the nature of the department's receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the department will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised. The department will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosures requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the department enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment.

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

AASB 16 Leases

This standard will become effective for reporting period beginning on or after 1 January 2019. When applied, the standard supersedes AASB 117 Leases, AASB Interpretation 4 Determining whether an arrangement contains a lease, AASB Interpretation 115 Operating Leases – Incentives and AASB Interpretation 127 Evaluation the Substance of Transactions involving the Legal Form of a Lease.

Impact for lessees

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

32. Summary of other accounting policies (continued)

s) New and revised accounting standards

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

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

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

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

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

t) First-year application of new accounting standards or changes in accounting policy

The department did not voluntarily change any of its accounting policies during 2015-16.

Accounting standards early-adopted for 2015-16

Two Australian accounting standards have been early adopted for the 2015-16 year as required by Queensland Treasury. These are:

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]

The amendments arising from this standard seek to improve financial reporting by providing flexibility as to the ordering of notes, the identifying and locating of significant accounting policies and the presenting of sub-totals, and providing clarity on aggregating line items. It also emphasises only including material disclosures in the notes. The department has applied this flexibility in preparing the 2015-16 financial statements, including co-locating significant accounting policies with the related breakdowns of financial statement figures in the notes.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]

This standard amends AASB 13 Fair Value Measurement and provides relief to not-for-profit public sector entities from certain disclosures about property, plant and equipment that is primarily held for its current service potential rather than to generate future net cash inflows. The relief applies to assets under AASB 116 Property, Plant and Equipment which are measured at fair value and categorised within Level 3 of the fair value hierarchy (refer to note 18).

As a result, the following disclosures are no longer required for those assets. In early-adopting the amendments, the following disclosures have been removed from the 2015-16 financial statements:

- *disaggregation of certain gains/losses on assets reflected in the operating result,*
- *quantitative information about the significant unobservable inputs used in the fair value measurement; and*
- *a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.*

Accounting standards Applied for the First Time in 2015-16

No new Australian accounting standards effective for the first time in 2015-16 had any material impact upon this financial report.

33. Events occurring after balance date

There were no material events subsequent to the reporting date but prior to the signing of these accounts of which management was aware.

Department of Science, Information Technology and Innovation

Management Certificate

for the year ended 30 June 2016

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 Science, Information Technology and Innovation 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 upon an appropriate system of internal controls and risk management processes being effective, in all material aspects, with respect to financial reporting throughout the reporting period.

Danny Short
B Comm CPA
Chief Finance Officer

D Short

25 August 2016

Jamie Merrick
Director-General

25 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Science, Information Technology and Innovation.

Report on the Financial Report

I have audited the accompanying financial report of the Department of Science, Information Technology and Innovation, which comprises the statement of financial position and statement of assets and liabilities by major departmental services, CBUs and SSPs 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, CBUs and SSPs for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Acting Director-General and 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 Science, Information Technology and Innovation 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
29 AUG 2016
OF QUEENSLAND

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane