

SECTION 5

# FINANCIAL STATEMENTS

# Department of Transport and Main Roads Financial Statements as at 30 June 2018

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Department of Transport and Main Roads  
Statement of comprehensive income  
for the year ended 30 June 2018

<b>OPERATING RESULT</b>	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Income from continuing operations</b>			
Appropriation revenue	2	4,961,392	4,771,712
User charges and fees	3	722,947	732,173
Grants and other contributions	4	271,057	232,607
Other revenue		47,327	35,808
<b>Total revenue</b>		<b>6,002,723</b>	<b>5,772,300</b>
Gains on disposal of assets		3,769	3,859
<b>Total income from continuing operations</b>		<b>6,006,492</b>	<b>5,776,159</b>
<b>Expenses from continuing operations</b>			
Employee expenses	5	581,821	536,993
Supplies and services	7	3,535,121	3,223,836
Grants and subsidies	8	459,000	608,718
Depreciation and amortisation	13, 14	1,086,544	1,004,108
Finance and borrowing costs	9	95,848	97,367
Impairment losses	11	3,144	2,277
Other expenses	10	28,626	109,083
<b>Total expenses from continuing operations</b>		<b>5,790,104</b>	<b>5,582,382</b>
<b>Operating result from continuing operations before income tax equivalent expense</b>			
Income tax equivalent expense	21	9,526	14,343
<b>OPERATING RESULT FOR THE YEAR</b>		<b>206,862</b>	<b>179,434</b>
<b>Items not reclassified to operating result</b>			
Increase/(decrease) in asset revaluation surplus	14	(6,103,501)	(3,411,991)
<b>Total other comprehensive income/(loss)</b>		<b>(6,103,501)</b>	<b>(3,411,991)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>(5,896,639)</b>	<b>(3,232,557)</b>

The accompanying notes form part of these statements.

Department of Transport and Main Roads  
Statement of financial position  
as at 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash		378,023	364,335
Receivables	11	215,470	191,997
Inventories		12,007	10,556
Prepayments	12	597,885	27,871
Non-current assets classified as held for sale		16,453	15,492
<b>Total current assets</b>		<b>1,219,838</b>	<b>610,251</b>
<b>Non-current assets</b>			
Prepayments	12	994	344,587
Other financial assets	26	601	601
Intangible assets	13	84,073	94,744
Property, plant and equipment	14	62,399,800	66,673,596
Deferred tax assets	21	6,927	7,571
<b>Total non-current assets</b>		<b>62,492,395</b>	<b>67,121,099</b>
<b>Total assets</b>		<b>63,712,233</b>	<b>67,731,350</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	15	512,419	560,413
Interest bearing liabilities	16	238,982	82,294
Provisions	17	134,080	187,794
Accrued employee benefits	18	37,396	36,123
Unearned revenue	19	47,846	45,418
Current tax liabilities	21	-	3,519
Other	20	40,453	35,970
<b>Total current liabilities</b>		<b>1,011,176</b>	<b>951,531</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	16	1,190,753	1,156,267
Provisions	17	154,271	78,164
Accrued employee benefits	18	-	5,402
Other	20	16,314	51
<b>Total non-current liabilities</b>		<b>1,361,338</b>	<b>1,239,884</b>
<b>Total liabilities</b>		<b>2,372,514</b>	<b>2,191,415</b>
<b>NET ASSETS</b>		<b>61,339,719</b>	<b>65,539,935</b>
<b>Equity</b>			
Contributed equity		57,439,789	55,743,366
Accumulated surplus/(deficit)		2,053,117	1,846,255
Asset revaluation surplus		1,846,813	7,950,314
<b>TOTAL EQUITY</b>		<b>61,339,719</b>	<b>65,539,935</b>

The accompanying notes form part of these statements.

Department of Transport and Main Roads

Statement of comprehensive income by major departmental services  
for the year ended 30 June 2018

OPERATING RESULT	Transport system investment planning and programming		Transport infrastructure management and delivery		Transport safety and regulation	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Income from continuing operations</b>						
Appropriation revenue	120,313	90,188	2,062,878	1,935,892	9,328	9,390
User charges and fees	75,552	45,899	27,468	63,542	237,446	229,175
Grants and other contributions	35,233	11,067	185,833	178,209	4,632	2,985
Other revenue	1,982	802	56,514	46,277	1,677	1,043
<b>Total revenue</b>	<b>233,080</b>	<b>147,956</b>	<b>2,332,693</b>	<b>2,223,920</b>	<b>253,083</b>	<b>242,593</b>
Gains on disposal of assets	3,233	1,949	2,456	508	351	39
<b>Total income from continuing operations</b>	<b>236,313</b>	<b>149,905</b>	<b>2,335,149</b>	<b>2,224,428</b>	<b>253,434</b>	<b>242,632</b>
<b>Expenses from continuing operations</b>						
Employee expenses	77,175	66,927	161,039	145,778	68,252	64,354
Supplies and services	142,240	66,172	713,390	572,115	164,397	155,769
Grants and subsidies	2,065	12,172	224,590	374,243	5,283	5,919
Depreciation and amortisation	7,428	3,209	976,512	915,995	8,960	9,031
Finance and borrowing costs	-	-	29,979	39,520	5,072	5,442
Impairment losses	4,561	120	(1,493)	2,114	(17)	46
Other expenses	2,844	1,305	20,166	10,922	1,487	2,071
<b>Total expenses from continuing operations</b>	<b>236,313</b>	<b>149,905</b>	<b>2,124,183</b>	<b>2,060,687</b>	<b>253,434</b>	<b>242,632</b>
<b>Operating result from continuing operations before income tax equivalent expense</b>	<b>-</b>	<b>-</b>	<b>210,966</b>	<b>163,741</b>	<b>-</b>	<b>-</b>
Income tax equivalent expense	-	-	-	-	-	-
<b>OPERATING RESULT FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>210,966</b>	<b>163,741</b>	<b>-</b>	<b>-</b>
<b>Items not reclassified to operating result</b>						
Increase/(decrease) in asset revaluation surplus	2,731	4,596	(6,140,859)	(3,446,715)	3,484	3,250
<b>Total other comprehensive income/(loss)</b>	<b>2,731</b>	<b>4,596</b>	<b>(6,140,859)</b>	<b>(3,446,715)</b>	<b>3,484</b>	<b>3,250</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>2,731</b>	<b>4,596</b>	<b>(5,929,893)</b>	<b>(3,282,974)</b>	<b>3,484</b>	<b>3,250</b>

Customer experience		Passenger transport services		Transport infrastructure construction and maintenance		Inter-departmental services eliminations		Total	
2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
372,617	362,875	2,396,256	2,373,367	-	-	-	-	4,961,392	4,771,712
7,535	3,437	350,850	367,188	568,125	628,419	(544,029)	(605,487)	722,947	732,173
523	58	44,831	40,249	5	39	-	-	271,057	232,607
81	60	9,810	8,588	7,324	2,601	(30,061)	(23,563)	47,327	35,808
<b>380,756</b>	<b>366,430</b>	<b>2,801,747</b>	<b>2,789,392</b>	<b>575,454</b>	<b>631,059</b>	<b>(574,090)</b>	<b>(629,050)</b>	<b>6,002,723</b>	<b>5,772,300</b>
448	94	3,204	415	698	854	(6,621)	-	3,769	3,859
<b>381,204</b>	<b>366,524</b>	<b>2,804,951</b>	<b>2,789,807</b>	<b>576,152</b>	<b>631,913</b>	<b>(580,711)</b>	<b>(629,050)</b>	<b>6,006,492</b>	<b>5,776,159</b>
170,881	161,898	71,963	74,933	127,056	118,563	(94,545)	(95,460)	581,821	536,993
161,177	160,232	2,406,786	2,330,623	403,523	448,952	(456,392)	(510,027)	3,535,121	3,223,836
8	6	227,054	216,378	-	-	-	-	459,000	608,718
12,973	13,069	70,546	51,359	10,125	11,445	-	-	1,086,544	1,004,108
34,959	30,690	27,601	23,516	1,484	1,486	(3,247)	(3,287)	95,848	97,367
(8)	(32)	11	39	90	23	-	(33)	3,144	2,277
1,214	661	990	92,959	28,452	21,408	(26,527)	(20,243)	28,626	109,083
<b>381,204</b>	<b>366,524</b>	<b>2,804,951</b>	<b>2,789,807</b>	<b>570,730</b>	<b>601,877</b>	<b>(580,711)</b>	<b>(629,050)</b>	<b>5,790,104</b>	<b>5,582,382</b>
-	-	-	-	5,422	30,036	-	-	216,388	193,777
-	-	-	-	9,526	14,343	-	-	9,526	14,343
-	-	-	-	(4,104)	15,693	-	-	206,862	179,434
523	384	30,601	26,485	19	9	-	-	(6,103,501)	(3,411,991)
<b>523</b>	<b>384</b>	<b>30,601</b>	<b>26,485</b>	<b>19</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>(6,103,501)</b>	<b>(3,411,991)</b>
<b>523</b>	<b>384</b>	<b>30,601</b>	<b>26,485</b>	<b>(4,085)</b>	<b>15,702</b>	<b>-</b>	<b>-</b>	<b>(5,896,639)</b>	<b>(3,232,557)</b>



Department of Transport and Main Roads  
Statement of assets and liabilities by major departmental services  
as at 30 June 2018

	Transport system investment planning and programming		Transport infrastructure management and delivery		Transport safety and regulation	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Assets</b>						
<b>Current assets</b>						
Cash	14,986	9,371	60,318	50,814	15,787	15,492
Receivables	24,250	11,458	58,023	57,130	52,420	46,256
Inventories	-	-	47	506	664	243
Prepayments	1,455	1,494	576,445	16,050	6,404	4,520
Non-current assets classified as held for sale	16,223	15,128	88	135	10	16
<b>Total current assets</b>	<b>56,914</b>	<b>37,451</b>	<b>694,921</b>	<b>124,635</b>	<b>75,285</b>	<b>66,527</b>
<b>Non-current assets</b>						
Prepayments	12	14	479	343,814	46	69
Other financial assets	-	-	601	601	-	-
Intangible assets	35,714	40,397	5,723	5,694	13,703	8,682
Property, plant and equipment	79,635	81,554	60,418,364	65,594,844	99,412	101,614
Deferred tax assets	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>115,361</b>	<b>121,965</b>	<b>60,425,167</b>	<b>65,944,953</b>	<b>113,161</b>	<b>110,365</b>
<b>Total assets</b>	<b>172,275</b>	<b>159,416</b>	<b>61,120,088</b>	<b>66,069,588</b>	<b>188,446</b>	<b>176,892</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables	22,245	26,081	265,490	317,559	19,391	21,016
Interest bearing liabilities *	-	-	53,389	64,288	3,299	2,952
Provisions	-	-	134,080	187,794	-	-
Accrued employee benefits	4,679	4,132	9,765	9,318	4,138	3,973
Unearned revenue	789	702	964	2,282	2,732	-
Current tax liabilities	-	-	-	-	-	-
Other	69	1	621	13	74	1
<b>Total current liabilities</b>	<b>27,782</b>	<b>30,916</b>	<b>464,309</b>	<b>581,254</b>	<b>29,634</b>	<b>27,942</b>
<b>Non-current liabilities</b>						
Interest bearing liabilities *	-	-	502,498	556,095	85,128	88,447
Provisions	-	-	154,271	78,164	-	-
Accrued employee benefits	-	-	-	5,402	-	-
Other	665	1	5,975	19	713	2
<b>Total non-current liabilities</b>	<b>665</b>	<b>1</b>	<b>662,744</b>	<b>639,680</b>	<b>85,841</b>	<b>88,449</b>
<b>Total liabilities</b>	<b>28,447</b>	<b>122,316</b>	<b>1,127,053</b>	<b>1,220,934</b>	<b>115,475</b>	<b>116,391</b>

\* Comparatives have changed following a reallocation from Transport system investment planning and programming to Transport safety and regulation.

Customer experience		Passenger transport services		Transport infrastructure construction and maintenance		Inter-departmental services eliminations		Total	
2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
22,470	22,506	167,195	174,201	97,267	91,951	-	-	378,023	364,335
1,750	705	87,200	82,518	67,114	91,706	(75,287)	(97,776)	215,470	191,997
164	143	3,307	2,485	48,398	48,371	(40,573)	(41,192)	12,007	10,556
535	430	12,379	4,841	667	536	-	-	597,885	27,871
16	25	116	188	-	-	-	-	16,453	15,492
<b>24,935</b>	<b>23,809</b>	<b>270,197</b>	<b>264,233</b>	<b>213,446</b>	<b>232,564</b>	<b>(115,860)</b>	<b>(138,968)</b>	<b>1,219,838</b>	<b>610,251</b>
20	34	437	656	-	-	-	-	994	344,587
-	-	-	-	-	-	-	-	601	601
26,557	34,680	2,376	5,291	-	-	-	-	84,073	94,744
14,952	15,845	1,744,048	838,224	43,389	41,515	-	-	62,399,800	66,673,596
-	-	-	-	6,927	7,571	-	-	6,927	7,571
<b>41,529</b>	<b>50,559</b>	<b>1,746,861</b>	<b>844,171</b>	<b>50,316</b>	<b>49,086</b>	<b>-</b>	<b>-</b>	<b>62,492,395</b>	<b>67,121,099</b>
<b>66,464</b>	<b>74,368</b>	<b>2,017,058</b>	<b>1,108,404</b>	<b>263,762</b>	<b>281,650</b>	<b>(115,860)</b>	<b>(138,968)</b>	<b>63,712,233</b>	<b>67,731,350</b>
14,207	14,370	224,864	227,976	63,082	73,379	(96,860)	(119,968)	512,419	560,413
-	-	182,294	15,054	19,000	19,000	(19,000)	(19,000)	238,982	82,294
-	-	-	-	-	-	-	-	134,080	187,794
10,361	9,998	4,363	4,626	4,090	4,076	-	-	37,396	36,123
-	12	43,361	42,422	-	-	-	-	47,846	45,418
-	-	-	-	-	3,519	-	-	-	3,519
111	2	39,578	35,953	-	-	-	-	40,453	35,970
<b>24,679</b>	<b>24,382</b>	<b>494,460</b>	<b>326,031</b>	<b>86,172</b>	<b>99,974</b>	<b>(115,860)</b>	<b>(138,968)</b>	<b>1,011,176</b>	<b>951,531</b>
-	-	603,127	511,725	-	-	-	-	1,190,753	1,156,267
-	-	-	-	-	-	-	-	154,271	78,164
-	-	-	-	-	-	-	-	-	5,402
1,072	3	7,889	26	-	-	-	-	16,314	51
<b>1,072</b>	<b>3</b>	<b>611,016</b>	<b>511,751</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,361,338</b>	<b>1,239,884</b>
<b>25,751</b>	<b>24,385</b>	<b>1,105,476</b>	<b>837,782</b>	<b>86,172</b>	<b>99,974</b>	<b>(115,860)</b>	<b>(138,968)</b>	<b>2,372,514</b>	<b>2,191,415</b>



Department of Transport and Main Roads

Statement of changes in equity  
for the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Contributed equity</b>			
Opening balance		55,743,366	54,278,923
Transactions with owners as owners:			
Appropriated equity injections	2	1,734,469	1,517,552
Net asset transfer from/(to) other Queensland Government entities		(38,046)	(53,109)
<b>Closing balance</b>		<b>57,439,789</b>	<b>55,743,366</b>
<b>Accumulated surplus/(deficit)</b>			
Opening balance		1,846,255	1,666,821
Operating result		206,862	179,434
<b>Closing balance</b>		<b>2,053,117</b>	<b>1,846,255</b>
<b>Asset revaluation surplus *</b>			
Opening balance		7,950,314	11,362,305
Increase/(decrease) in asset revaluation surplus	14	(6,103,501)	(3,411,991)
<b>Closing balance</b>		<b>1,846,813</b>	<b>7,950,314</b>
<b>TOTAL EQUITY</b>		<b>61,339,719</b>	<b>65,539,935</b>

\* The closing balance of Asset revaluation surplus comprises:

Land		1,510,258	1,432,260
Buildings		77,138	60,173
Heritage and cultural		2,410	1,825
Leased assets		46,474	28,715
Infrastructure		210,533	6,427,341
<b>Closing balance</b>		<b>1,846,813</b>	<b>7,950,314</b>

The accompanying notes form part of these statements.

#### Accounting policy

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

Department of Transport and Main Roads  
Statement of cash flows  
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>		
<i>Inflows:</i>		
Service appropriation receipts	4,930,619	4,955,116
User charges and fees	676,224	736,981
Grants and other contributions	305,856	133,752
GST input tax credits from ATO	720,935	688,282
GST collected from customers	71,249	65,227
Other	44,763	35,856
<i>Outflows:</i>		
Employee expenses	(587,013)	(533,129)
Supplies and services	(3,536,971)	(3,161,242)
Grants and subsidies	(461,751)	(588,434)
Finance and borrowing costs	(74,830)	(76,047)
GST paid to suppliers	(727,254)	(689,405)
GST remitted to ATO	(66,369)	(64,317)
Income tax equivalent paid	(13,021)	(12,213)
Other	(18,363)	(104,603)
<b>Net cash provided by operating activities</b>	<b>1,264,074</b>	<b>1,385,824</b>
<b>Cash flows from investing activities</b>		
<i>Inflows:</i>		
Sales of property, plant and equipment	28,681	53,255
<i>Outflows:</i>		
Payments for property, plant and equipment	(2,413,380)	(2,311,142)
Payments for intangibles	(9,749)	(19,810)
<b>Net cash used in investing activities</b>	<b>(2,394,448)</b>	<b>(2,277,697)</b>
<b>Cash flows from financing activities</b>		
<i>Inflows:</i>		
Equity injections	2,549,735	2,338,718
<i>Outflows:</i>		
Equity withdrawals	(815,266)	(821,166)
Borrowing redemptions	(67,467)	(83,434)
Finance lease payments	(521,539)	(368,219)
Other	(1,401)	(1,498)
<b>Net cash provided by financing activities</b>	<b>1,144,062</b>	<b>1,064,401</b>
Net increase/(decrease) in cash	13,688	172,528
Cash – opening balance	364,335	191,807
<b>CASH – CLOSING BALANCE</b>	<b>378,023</b>	<b>364,335</b>

The accompanying notes form part of these statements.

#### Accounting policy

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

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

Department of Transport and Main Roads  
Notes to the Statement of cash flows  
for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
<b>RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>OPERATING RESULT</b>	206,862	179,434
<b>Non-cash items included in operating result</b>		
Goods, services and assets received at below fair value	(21,776)	(42,280)
Gains on disposal of assets	(3,769)	(3,859)
Goods, services and assets provided at below fair value	5,874	17,991
Depreciation and amortisation	1,086,544	1,004,108
Loss on disposed assets	10,263	4,480
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	(23,473)	131,212
(Increase)/decrease in inventories	(1,451)	(313)
(Increase)/decrease in prepayments	(10,450)	1,654
Increase/(decrease) in deferred income tax equivalents	644	(591)
Increase/(decrease) in payables	(10,366)	61,614
Increase/(decrease) in accrued employee benefits	(4,129)	3,492
Increase/(decrease) in unearned revenue	2,428	2,909
Increase/(decrease) in current tax liabilities	(3,519)	2,721
Increase/(decrease) in other liabilities	30,392	23,252
<b>Net cash provided by operating activities</b>	<b>1,264,074</b>	<b>1,385,824</b>

	Borrowings	Finance leases
	Note 16	Note 16
	2018 \$'000	2018 \$'000
Opening balance	711,781	526,780
New leases	-	544,233
Accrued repayments	-	19,976
<b>Non-cash changes</b>	-	564,209
Cash repayments *	(67,467)	(305,568)
<b>Cash flows</b>	<b>(67,467)</b>	<b>(305,568)</b>
<b>Closing balance</b>	<b>644,314</b>	<b>785,421</b>

\* The additional \$215.971m reported in the Statement of cash flows relates to finance lease repayments.

## 1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION

Refer to individual notes for specific accounting policies.

### STATEMENT OF COMPLIANCE

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

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

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

### THE REPORTING ENTITY

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

61 Mary Street  
Brisbane, Queensland 4000

The objectives of the department are:

- Customer focus – a customer-centric organisation that better meets the needs of our customers
- Innovation – an organisation that embraces change and adapts to external influences to minimise the impact of disruption
- Liveable regions and active cities – a network that connects communities and contributes to Queensland's quality of life
- Building prosperity – a network that advances economic prosperity across our cities and regions
- Sustainable funding – responsive finance and investment arrangements that deliver value for money
- Contemporary workforce – a prepared and capable workforce that meets the future mobility needs of Queenslanders.

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

The department's controlled entity, Transmax Pty Ltd, is not considered material and therefore is not consolidated in these financial statements. Refer to Note 26.

### DEPARTMENTAL SERVICES AND PRINCIPAL ACTIVITIES

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

#### Transport system investment planning and programming

The objective of this service area is to provide the direction for a single integrated transport network in Queensland, including the policy and planning framework to make informed investment decisions.

#### Transport infrastructure management and delivery

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

#### Transport safety and regulation

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

#### Customer experience

The objective of this service area is to put customers at the centre of the delivery of the department's products and services to understand their expectations, improve their experience and reduce rework.

#### Passenger transport services

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

#### Transport infrastructure construction and maintenance (RoadTek)

RoadTek provides transport infrastructure solutions, including construction and maintenance services to enable the department to deliver on government priorities and outcomes for the community.

### AGENCY ARRANGEMENTS

The department performs certain agency transactions and acts only in a custodial role for these transactions and balances. These transactions and balances are not material and are not disclosed in the financial statements.

## 1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION (continued)

### ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

- Note 13 Intangible assets
- Note 14 Property, plant and equipment
- Note 17 Provisions.

### CURRENCY, ROUNDING AND COMPARATIVES

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

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

### NEW AND REVISED ACCOUNTING STANDARDS

No Australian Accounting Standards have been early adopted in 2017–18.

#### Effective for the first time in 2017–18

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* requires the disclosure of information that will allow users to understand changes in liabilities arising from financing activities. In response to this amendment, the department has disclosed the relevant figures as required in the Statement of cash flows under Changes in liabilities arising from financing activities.

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* has simplified impairment testing requirements under AASB 136. In response to this amendment the department has replaced references to depreciated replacement cost with current replacement cost.

The amendment to AASB 12 (AASB 2017-2) has no effect on the financial statements as the department does not carry any interests in other entities as defined by AASB 5.

#### New Australian Accounting Standards issued but not yet effective

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

##### AASB 1058 *Income of Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers*

These standards will first apply to the department from the 2019–20 financial statements. The department has commenced analysing the new revenue recognition requirements under these standards and is yet to finalise accounting changes and impacts. Potential future impacts identifiable at the date of this report relate to grants received from the Queensland Reconstruction Authority, which may be deferred under the new standards. The department is yet to complete its analysis of existing arrangements for the sale of its goods and services, however work done to date indicates the impact if any will be immaterial.

##### AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

These standards will first apply to the department from the 2018–19 financial statements. This will change the requirements for the classification, measurement, impairment and the associated disclosures for the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The department has reviewed the impact of AASB 9 on the classification and measurement of its financial assets and liabilities. The following summarises the estimated impacts:

- There will be no change to classification or measurement of cash and other financial assets.
- There are new impairment requirements that will result in a provision being applied to all trade receivables rather than only on those receivables that are assessed as credit impaired. The department will be adopting the simplified approach under AASB 9 and measure lifetime expected credit losses on all trade receivables using a provision matrix approach to measure the impairment. The department has assessed the changes required and the impact is considered to be immaterial.
- All financial liabilities will continue to be measured at amortised cost. The department does not expect a material change in the reported value of financial liabilities.

## 1 ACCOUNTING POLICIES AND BASIS FOR FINANCIAL STATEMENTS PREPARATION (continued)

### NEW AND REVISED ACCOUNTING STANDARDS (continued)

#### AASB 16 Leases

This standard will first apply to the department from the 2019–20 financial year. The standard requires the department, as lessee, 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. Subject to guidance yet to be received from Queensland Treasury, it is expected that most operating leases as defined by the current AASB 117 *Leases* will be reported on the Statement of financial position under AASB 16 *Leases*.

The department will use the modified retrospective approach and will apply the new AASB 16 *Leases* definition only to future leases. Accordingly comparative information will not require restatement. The lease liability will be initially recognised at an amount equal to the present value of the outstanding lease payments.

The department has not yet quantified the impact on the Statement of comprehensive income or the Statement of financial position of applying AASB 16 *Leases* to its current operating leases, including the extent of additional disclosure required.

#### AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the department's financial statements in 2019–20. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

The department is currently analysing the effects of this standard on its contractual arrangements outlined in Note 23.

Assets and liabilities in relation to service concession arrangements will be first recognised in the department's 2019–20 financial statements as an adjustment to opening comparative balances at 1 July 2018. The assets will need to be recognised at current replacement cost in accordance with AASB 13 *Fair Value Measurement*.

	2018 \$'000	2017 \$'000
<b>2 APPROPRIATIONS</b>		
<b>Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in Statement of comprehensive income</b>		
Budgeted appropriation revenue	5,063,420	5,218,430
Transfers from other departments	2,775	-
Transfers to other headings	(135,576)	-
Lapsed appropriation revenue	-	(263,314)
<b>Total appropriation receipts</b>	<b>4,930,619</b>	<b>4,955,116</b>
Less: Opening balance of appropriation revenue receivable	(27,256)	(210,660)
Plus: Closing balance of appropriation revenue receivable	58,029	27,256
<b>Appropriation revenue recognised in Statement of comprehensive income</b>	<b>4,961,392</b>	<b>4,771,712</b>
<b>Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity</b>		
Budgeted equity adjustment appropriation	1,349,391	1,411,276
Transfers from other headings	153,826	-
Unforeseen expenditure *	231,252	106,276
<b>Equity adjustment recognised in contributed equity</b>	<b>1,734,469</b>	<b>1,517,552</b>

\* Unforeseen expenditure relates to accelerated funding for capital programs including the Bruce Highway Upgrade and other State-controlled roads.

#### Accounting policy

Appropriations are provided by Queensland Treasury under the Appropriation Act and are recognised when received unless recorded as an appropriation revenue receivable.

	2018 \$'000	2017 \$'000
<b>3 USER CHARGES AND FEES</b>		
Compulsory third party administration fees	32,060	31,359
Expenditure recoveries for Gold Coast 2018 Commonwealth Games	30,050	-
Fare revenue	342,771	355,689
Merchant fees collected	4,647	4,359
Personalised plates sales	46,194	42,688
Pilotage	96,542	91,396
Property rental	34,830	34,178
Recoverable works	14,400	51,324
Registration fee surcharge	21,448	19,656
Services rendered	42,664	51,092
Other	57,341	50,432
<b>Total</b>	<b>722,947</b>	<b>732,173</b>

#### Accounting policy

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

#### 4 GRANTS AND OTHER CONTRIBUTIONS

Goods, services and assets received at below fair value	21,776	42,280
Grants from Department of Innovation, Tourism Industry Development and the Commonwealth Games *	34,908	10,996
Grants from Queensland Reconstruction Authority **	80,542	48,364
Grants from City of Gold Coast ***	41,251	-
Grants from Queensland Investment Corporation ****	47,312	87,428
Subsidies from Department of Education for students with disabilities	38,010	36,749
Other	7,258	6,790
<b>Total</b>	<b>271,057</b>	<b>232,607</b>

\* Grants received relating to the provision of an affordable transport solution for the Gold Coast 2018 Commonwealth Games.

\*\* Grants received for the rebuilding of transport infrastructure following natural disasters under the Natural Disaster Relief and Recovery Arrangements (NDRRA).

\*\*\* Grants related to the Gold Coast Light Rail system.

\*\*\*\* Grants related to the Gateway Upgrade North project.

#### Accounting policy

Grants, contributions, donations and gifts 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, donation or gift. Control is generally obtained at the time of receipt.

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 an expense.

Contributed physical assets are recognised at their fair value.



	2018 \$'000	2017 \$'000
<b>5 EMPLOYEE EXPENSES</b>		
<b>Employee benefits</b>		
Annual leave levy	44,036	40,588
Employer superannuation contributions	55,875	51,366
Long service leave levy	10,443	9,347
Wages and salaries	454,705	419,541
Other employee benefits	2,419	2,406
<b>Employee related expenses</b>		
Workers' compensation premium	3,450	2,616
Other employee related expenses	10,893	11,129
<b>Total</b>	<b>581,821</b>	<b>536,993</b>

The department's total employee expenditure was \$774.713m in 2018 (2017: \$736.876m). Of this \$192.892m (2017: \$199.883m) was capitalised to construction work in progress leaving \$581.821m reported as employee expenses.

<b>Number of full-time equivalent employees</b>	<b>7180</b>	<b>7192</b>
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Refer to Note 18 for the policies related to employee entitlements.

## 6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES

### Key management personnel

The department's responsible Minister, the Minister for Transport and Main Roads, is identified as part of the department's key management personnel, consistent with additional guidance included in AASB 124 *Related Party Disclosures*.

The following details for non-Ministerial key management personnel include those positions that form the department's Executive Leadership Team (ELT) that had authority and responsibility for planning, directing and controlling the activities of the department during 2017–18. Further information on these positions can be found in the Annual Report under the section titled Our Organisation.

### Remuneration expenses

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

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

The following disclosures focus on the expenses incurred by the department for non-Ministerial personnel during the reporting period attributable to the key management positions.

Remuneration expenses for key management personnel comprise the following components:

- Short term employee expenses including:
  - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position
  - non-monetary benefits and any applicable fringe benefits tax.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements payable on termination of employment.

## 6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES (continued)

### Remuneration expenses (continued)

1 July 2017 – 30 June 2018

Position	Short term employee expenses	Long term and post employment expenses	Termination benefits	Total expenses
	\$'000	\$'000	\$'000	\$'000
Director-General	556	76	-	632
Deputy Director-General (Customer Services, Safety and Regulation)	265	32	-	297
Deputy Director-General (Infrastructure Management and Delivery) (Exited December 2017)	189	17	257	463
Acting Deputy Director-General (Infrastructure Management and Delivery) (01.10.2017 – 30.06.2018)	201	23	-	224
Deputy Director-General (Policy, Planning and Investment) Acting (01.07.2017 – 07.01.2018) (Appointed in January 2018) * (Transferred out March 2018) **	209	22	-	231
Deputy Director-General (Policy, Planning and Investment) (Appointed in April 2018)	48	6	-	54
Deputy Director-General (TransLink)	278	34	-	312
Deputy Director-General (Corporate)	273	33	-	306
Chief Operations Officer	252	27	-	279

\* Temporary transfer to position of Deputy Director-General (Policy, Planning and Investment) from January 2017, with permanent appointment to the position in January 2018.

\*\* Transfer to non-ELT position from March 2018.

1 July 2016 – 30 June 2017

Position	Short term employee expenses	Long term and post employment expenses	Termination benefits	Total expenses
	\$'000	\$'000	\$'000	\$'000
Director-General *	332	49	-	381
Acting Director-General (28.10.2016 – 02.04.2017)	165	19	-	184
Deputy Director-General (Customer Services, Safety and Regulation)	189	24	-	213
Acting Deputy Director-General (Customer Services, Safety and Regulation) (14.11.2016 – 02.04.2017)	94	12	-	106
Deputy Director-General (Infrastructure Management and Delivery)	268	32	-	300
Deputy Director-General (Policy, Planning and Investment) (Transferred in February 2017) **	115	14	-	129
Acting Deputy Director-General (Policy, Planning and Investment) (28.01.2017 – 30.06.2017)	121	12	-	133
Deputy Director-General (TransLink) (Exited in February 2017)	209	20	189	418

## 6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES (continued)

### Remuneration expenses (continued)

1 July 2016 – 30 June 2017 (continued)

Position	Short term employee expenses \$'000	Long term and post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
Deputy Director-General (TransLink) (Appointed in February 2017)	151	19	-	170
Deputy Director-General (Corporate) (Exited in October 2016)	105	9	31	145
Acting Deputy Director-General (Corporate) (31.10.2016 – 20.05.2017)	142	16	-	158
Deputy Director-General (Corporate) (Appointed in May 2017)	26	3	-	29
Chief Operations Officer	247	26	-	273
Acting Chief Operations Officer (01.07.2016 – 31.08.2016)	45	5	-	50

\* The Director-General was seconded to another Queensland Government entity during the period October 2016 to March 2017.

\*\* Temporary transfer to position of Deputy Director-General (TransLink) from December 2016, with permanent appointment to the position in February 2017.

### Performance payments

None of the non-Ministerial key management personnel remuneration packages provide for performance or bonus payments.

### Transactions with related parties of key management personnel

There are no related party transactions for non-Ministerial key management personnel during the period, other than domestic transactions that form part of the usual course of business, which are not required to be reported as related party disclosures.

	2018 \$'000	2017 \$'000
<b>7 SUPPLIES AND SERVICES</b>		
Administration	65,713	62,144
Contractors	428,864	343,843
Information and communication technology	42,678	40,772
Operating lease rentals	64,390	65,967
Queensland Government services	23,430	22,829
Queensland Rail operator service charges *	1,648,319	1,582,583
Other transport service operator charges	828,918	729,472
Repairs and maintenance	302,133	300,977
Utilities	51,979	45,125
Other	78,697	30,124
<b>Total</b>	<b>3,535,121</b>	<b>3,223,836</b>

\* The department has a contract with Queensland Rail to provide rail passenger services in suburban and regional Queensland, and to ensure the Queensland Rail network can support safe and reliable passenger and freight services.

The department's total supplies and services expenditure was \$6.489b in 2018 (2017: \$5.532b). Of this \$2.954b (2017: \$2.308b) was capitalised to construction work in progress leaving \$3.535b reported as supplies and services.

	2018 \$'000	2017 \$'000
<b>8 GRANTS AND SUBSIDIES</b>		
Public transport	70,012	58,660
Resources transferred to third parties	8,292	17,991
School transport	151,269	146,672
Transport Infrastructure Development Scheme (TIDS)	74,345	67,030
Transport infrastructure	154,421	316,811
Other	661	1,554
<b>Total</b>	<b>459,000</b>	<b>608,718</b>

## 9 FINANCE AND BORROWING COSTS

Administration charges	726	787
Finance lease charges	62,560	54,206
Interest *	32,562	42,374
<b>Total</b>	<b>95,848</b>	<b>97,367</b>

\* The department's borrowings from Queensland Treasury Corporation, including key terms and conditions, are disclosed in Note 16.

### Accounting policy

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

No borrowing costs are capitalised into qualifying assets.

## 10 OTHER EXPENSES

External audit fees *	906	1,155
Fees, permits and other charges	1,330	1,590
Insurance premiums	8,244	8,621
Loss on disposal of property, plant and equipment	9,352	3,866
Losses:		
Public monies	813	343
Public property	272	35
Special payments:		
Ex gratia payments **	146	90,928
Court awarded damages	184	-
Compensation claims	6,089	1,380
Other	1,290	1,165
<b>Total</b>	<b>28,626</b>	<b>109,083</b>

\* Total audit fees quoted by the Queensland Audit Office relating to the 2017–18 financial statements are \$0.665m. Actual fees paid relating to the 2016–17 audit were \$0.674m.

\*\* Ex gratia payments in 2017 includes payments of \$90.450m made in relation to an industry adjustment assistance package to support limousine and taxi licence holders.

The department's total other expenses was \$36.764m in 2018 (2017: \$121.861m). Of this \$8.138m (2017: \$12.778m) was capitalised to construction work in progress leaving \$28.626m reported as other expenses.

### Accounting policy - Insurance

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

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

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

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

	2018 \$'000	2017 \$'000
<b>11 RECEIVABLES</b>		
<b>Current</b>		
Trade debtors	81,116	89,269
Other debtors	5,110	5,902
Less: Allowance for impairment loss *	(8,157)	(6,534)
	<b>78,069</b>	<b>88,637</b>
GST receivable	77,306	70,988
GST payable	(12,546)	(7,667)
	<b>64,760</b>	<b>63,321</b>
Annual leave reimbursements	10,764	10,225
Appropriation revenue receivable	58,029	27,256
Long service leave reimbursements	3,002	2,478
Other	846	80
	<b>72,641</b>	<b>40,039</b>
<b>Total</b>	<b>215,470</b>	<b>191,997</b>
<b>* Movements in the allowance for impaired receivables</b>		
Opening balance	6,534	5,615
Increase/(decrease) in allowance recognised in the operating result	3,144	2,277
Amounts written off during the year	(1,540)	(1,368)
Amounts recovered during the year previously written off	19	10
Closing balance **	8,157	6,534

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

#### Receivables credit risk – ageing analysis

Past due but not impaired	Overdue				Total \$'000
	1-30 days \$'000	31-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
<b>2018</b>					
Trade debtors	3,435	398	7	3,033	<b>6,873</b>
<b>2017</b>					
Trade debtors	1,316	87	141	1,496	<b>3,040</b>

#### Accounting policy

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

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

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

The department's annual and long service leave receivables relate to the Queensland Government's Annual Leave and Long Service Leave Central Schemes which are administered by QSuper on behalf of the state. Refer to Note 18.

#### 12 PREPAYMENTS

<b>Current</b>		
Insurance	848	365
Pilotage	3,820	3,787
Software and data agreements	10,915	9,026
Gold Coast Light Rail Stage 2 lease arrangement *	-	13,408
Toowoomba Second Range Crossing lease arrangement *	572,777	-
Other	9,525	1,285
<b>Total</b>	<b>597,885</b>	<b>27,871</b>
<b>Non-current</b>		
Insurance	368	214
Software and data agreements	626	975
Toowoomba Second Range Crossing lease arrangement *	-	343,398
<b>Total</b>	<b>994</b>	<b>344,587</b>

\* Lease prepayments made in advance of the commencement of operations. Refer to Note 23 for details of lease arrangements.

13 INTANGIBLE ASSETS	Software purchased	Software internally generated *	Software work in progress	Other	Total
	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2018 \$'000
Gross value	18,802	283,690	13,934	4,211	320,637
Less: Accumulated amortisation	(12,970)	(223,590)	-	(4)	(236,564)
	<b>5,832</b>	<b>60,100</b>	<b>13,934</b>	<b>4,207</b>	<b>84,073</b>

#### Reconciliation

Opening balance	6,565	43,297	40,800	4,082	94,744
Acquisitions (including upgrades)	82	-	9,667	-	9,749
Transfers from/(to) other entities	-	-	-	125	125
Transfers between classes	728	33,782	(34,510)	-	-
Transfers from/(to) property, plant and equipment	-	348	(2,023)	-	(1,675)
Disposals	(7)	(158)	-	-	(165)
Amortisation	(1,536)	(17,169)	-	-	(18,705)
<b>Closing balance</b>	<b>5,832</b>	<b>60,100</b>	<b>13,934</b>	<b>4,207</b>	<b>84,073</b>

	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2017 \$'000
Gross value	18,223	254,214	40,800	4,386	317,623
Less: Accumulated amortisation	(11,658)	(210,917)	-	(304)	(222,879)
	<b>6,565</b>	<b>43,297</b>	<b>40,800</b>	<b>4,082</b>	<b>94,744</b>

#### Reconciliation

Opening balance	4,937	54,062	29,230	4,083	92,312
Acquisitions (including upgrades)	156	-	19,654	-	19,810
Transfers between classes	1,259	3,451	(4,710)	-	-
Transfers from/(to) property, plant and equipment	1,600	-	(3,374)	-	(1,774)
Disposals	(9)	-	-	-	(9)
Amortisation	(1,378)	(14,216)	-	(1)	(15,595)
<b>Closing balance</b>	<b>6,565</b>	<b>43,297</b>	<b>40,800</b>	<b>4,082</b>	<b>94,744</b>

\* The department holds internally generated software assets as follows:

- Portfolio, Program, Project and Contract Management software that has a carrying amount of \$29.941m (2017: Nil) and a remaining amortisation period of 8 years.
- New Queensland Drivers Licence software that has a carrying amount of \$16.844m (2017: \$22.541m) and a remaining amortisation period of 3 years.

#### Accounting policy

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

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

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

Class	Amortisation method	Average useful life
Intangibles – purchased	Straight-line	8
Intangibles – internally generated	Straight-line	12
Intangibles – work in progress	Not amortised	-
Intangibles – other	Not amortised	Indefinite life

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

## 14 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Heritage and cultural	Plant and equipment	Leased assets	Infrastructure * **	Work in progress	Total
	2018	2018	2018	2018	2018	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value	4,484,483	970,529	7,488	607,327	1,461,469	74,774,587	2,984,477	85,290,360
Less: Accumulated depreciation	-	(213,220)	-	(403,243)	(91,733)	(22,182,364)	-	(22,990,560)
	<b>4,484,483</b>	<b>757,309</b>	<b>7,488</b>	<b>204,084</b>	<b>1,369,736</b>	<b>52,592,223</b>	<b>2,984,477</b>	<b>62,399,800</b>
<b>Reconciliation</b>								
Opening balance	4,420,633	702,271	6,903	168,668	751,863	57,888,766	2,734,492	66,673,596
Acquisitions (including upgrades)	56,751	158	-	18,228	544,233	-	2,331,056	2,950,426
Assets received at below fair value	3,866	-	-	27,576	-	-	3,500	34,942
Transfers from/(to) other Queensland Government entities	(18,279)	(18,490)	-	-	-	-	-	(36,769)
Transfers between classes	(25,175)	109,527	-	36,591	89,505	1,873,029	(2,083,477)	-
Transfers from/(to) intangibles	-	-	-	2,023	-	-	(348)	1,675
Transfers from/(to) managed items	-	(118)	-	(19)	-	-	-	(137)
Disposals	(1,869)	(6,850)	-	(1,700)	-	(173)	-	(10,592)
Assets provided to third parties below fair value	(636)	-	-	(36)	-	(7,620)	-	(8,292)
Assets reclassified as held for sale	(28,806)	(4,157)	-	-	-	-	-	(32,963)
Projects written off	-	-	-	-	-	-	(746)	(746)
Net revaluation increments/(decrements)	77,998	16,965	585	-	17,759	(6,216,808)	-	(6,103,501)
Depreciation	-	(41,997)	-	(47,247)	(33,624)	(944,971)	-	(1,067,839)
<b>Closing balance</b>	<b>4,484,483</b>	<b>757,309</b>	<b>7,488</b>	<b>204,084</b>	<b>1,369,736</b>	<b>52,592,223</b>	<b>2,984,477</b>	<b>62,399,800</b>

### Fair value reconciliation for land and building assets classified as level 3 (fair value substantially derived from unobservable inputs)

	Land	Buildings
	2018	2018
	\$'000	\$'000
Opening balance	12,389	326,543
Transfers from/(to) other Queensland Government entities	-	(18,490)
Transfers between classes	(7)	-
Disposals	(455)	-
Net revaluation increments/(decrements)	38	7,938
Depreciation	-	(17,341)
<b>Closing balance</b>	<b>11,965</b>	<b>298,650</b>

\* Infrastructure consists of roads \$41.847b, structures \$10.218b and other infrastructure \$0.527b.

\*\* The department's road infrastructure asset accumulated depreciation was understated in 2017 by \$1.559b due to the misalignment of useful lives which resulted from the application of fiscal availability to replace road infrastructure asset components. The correction arising from this misstatement has been made in 2018 in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and has reduced accumulated depreciation and increased the net revaluation increment.



## Department of Transport and Main Roads

Notes to the financial statements 2017–18 (continued)

### 14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land		Buildings		Heritage and cultural and cultural		Plant and equipment		Leased assets		Infrastructure *		Work in progress		Total	
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value	4,420,633	876,214	609,903	6,748	194,645	735,738	59,955,351	2,783,092	2,349,232	2,734,492	83,292,807	2,734,492	83,292,807			
Less: Accumulated depreciation	-	(173,943)	470	-	14,684	-	-	2,349,232	-	-	(16,619,211)	-	(16,619,211)			
	<b>4,420,633</b>	<b>702,271</b>	<b>609,903</b>	<b>6,748</b>	<b>194,645</b>	<b>735,738</b>	<b>59,955,351</b>	<b>2,783,092</b>	<b>2,349,232</b>	<b>2,734,492</b>	<b>57,888,766</b>	<b>2,734,492</b>	<b>66,673,596</b>			
<b>Reconciliation</b>																
Opening balance	4,513,426	609,903	609,903	6,748	194,645	735,738	59,955,351	2,783,092	2,349,232	2,734,492	57,888,766	2,734,492	68,798,903			
Acquisitions (including upgrades)	16,651	470	470	-	14,684	-	-	-	-	-	-	-	2,381,037			
Assets received at below fair value	2,938	-	-	-	364	-	-	-	-	-	21,267	4,640	29,209			
Transfers from/(to) other Queensland Government entities	(53,677)	-	-	-	-	-	-	-	-	-	2,066	-	(51,611)			
Transfers between classes	(90,913)	113,760	113,760	-	5,864	14,871	2,356,685	(2,400,267)	-	-	-	-	-			
Transfers from/(to) intangibles	-	-	-	-	3,315	-	59	(1,600)	-	-	-	-	1,774			
Transfers from/(to) managed items	-	-	-	-	(19)	-	-	-	-	-	-	-	(19)			
Disposals	(957)	(4,924)	(4,924)	-	(2,719)	-	(876)	-	-	-	-	-	(9,476)			
Assets provided to third parties below fair value	(46)	-	-	-	(88)	-	(7,699)	-	-	-	-	-	(7,833)			
Assets reclassified as held for sale	(67,022)	(257)	(257)	-	-	-	-	-	-	-	-	-	(67,279)			
Projects written off	-	-	-	-	-	-	-	-	-	-	-	-	(605)			
Net revaluation increments/(decrements)	100,233	21,724	21,724	155	-	25,386	(3,559,489)	-	-	-	(3,411,991)	-	(3,411,991)			
Depreciation	-	(38,405)	(38,405)	-	(47,378)	(24,132)	(878,598)	-	-	-	(988,513)	-	(988,513)			
<b>Closing balance</b>	<b>4,420,633</b>	<b>702,271</b>	<b>609,903</b>	<b>6,748</b>	<b>194,645</b>	<b>735,738</b>	<b>59,955,351</b>	<b>2,783,092</b>	<b>2,349,232</b>	<b>2,734,492</b>	<b>57,888,766</b>	<b>2,734,492</b>	<b>66,673,596</b>			

### Fair value reconciliation for land and building assets classified as level 3 (fair value substantially derived from unobservable inputs)

	Land		Buildings	
	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000
Opening balance	12,472	344,215	344,215	
Transfers from/(to) other Queensland Government entities	(146)	-	-	
Transfers between classes	(6)	(8,335)	(8,335)	
Net revaluation increments/(decrements)	69	14,038	14,038	
Depreciation	-	(23,375)	(23,375)	
<b>Closing balance</b>	<b>12,389</b>	<b>326,543</b>	<b>326,543</b>	

\* Infrastructure consists of roads \$46.154b, structures \$11.138b and other infrastructure \$0.597b.

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

### Accounting policy

#### Recognition thresholds

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

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

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

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

#### Acquisition

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

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

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

#### Depreciation

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

Class	Depreciation method	Average useful life
Land	Not depreciated	Indefinite life
Buildings	Straight-line	40
Heritage and cultural	Cultural and preservation policies – not depreciated	Indefinite life
Plant and equipment	Straight-line	9
Work in progress	Not depreciated	–

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

Complex assets consist of significant separately identifiable components with different service lives, which are subject to regular replacement during the life of the complex asset. When the change in depreciation expense from separately identifying significant components is material to the class to which the assets relate, the significant components are separately identified and depreciated. The department's road infrastructure has a componentised structure as shown below.

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

Component	Sub-component	Depreciation method	Average useful life
Roads	Surfaces	Straight-line	29
	Pavements	Straight-line	54
	Formation earthworks	Not depreciated	Indefinite life
	Formation earthworks	Straight-line	27
Structures – bridges, tunnels and major culverts	–	Straight-line	74
Other – mainly marine infrastructure	–	Straight-line	39

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

Where the confirmed available funding for the renewal and replacement of the department's road infrastructure assets varies from one year to the next, the sub-component remaining useful lives are subject to change as a consequence of the altered works program.

Accordingly an increase in funding allocated to asset renewal or replacement is likely to result in a corresponding proportionate increase in depreciation expense, and in accumulated depreciation, with a reduction in useful lives. A reduction in funding is likely to have a similar impact in reducing depreciation expense and accumulated depreciation, and increasing expected useful lives.

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

### Accounting policy (continued)

#### Depreciation (continued)

Formation earthworks initially have an indefinite life irrespective of work carried out on the surface and pavement components. Earthworks that are expected to be taken out of service or reconstructed are allocated a limited life and are depreciated in accordance with the requirements of AASB 116 *Property, Plant and Equipment*.

#### Land under roads

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

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

#### Non-current assets classified as held for sale

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

In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, when an asset is classified as held for sale, its value is measured at the lower of the asset's carrying amount and fair value less costs to sell. Such assets are no longer amortised or depreciated upon being classified as held for sale.

#### Fair value measurement

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

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

#### Revaluation of property, plant and equipment

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

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

Leased assets are revalued on the same basis as the underlying property, plant and equipment class they would otherwise be reported in.

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

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

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

For assets revalued using a cost valuation approach accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount.

For assets revalued using a market or income based valuation approach accumulated depreciation is eliminated against the gross amount of the asset prior to restating for the revaluation.

#### Land

The department's land was last revalued based on specific appraisals by registered valuers from the department's Strategic Property Management unit and various external valuers effective June 2016. During 2017–18 the fair values were updated using appropriate indices obtained from the Department of Natural Resources, Mines and Energy - State Valuation Service.

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

### Accounting policy (continued)

#### Revaluation of property, plant and equipment (continued)

##### Land (continued)

The State Valuation Service has provided an individual factor change per property derived from the review of observable market data. These market movements are determined having regard to the review of land values undertaken for each local government area issued by the Valuer-General. In determining the fair values, adjustments were made using sales data to take into account the location of the department's land, its size, shape, street or road frontage and access and any other significant restrictions.

Indices supplied are tested for reasonableness and the State Valuation Service has provided an assurance of their robustness, validity and appropriateness for application to the relevant assets.

In accordance with AASB 13 *Fair Value Measurement*, the department's land assets are generally categorised as level 2.

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

##### Buildings

The department's buildings were last revalued based on specific appraisal by registered valuers from the department's Strategic Property Management unit and various external valuers effective June 2016.

During 2017–18 the fair values of residential buildings were updated using the Cordell Housing Price Index supplied by the State Valuation Service. This index is specific to Queensland house price movements and is based on observable inputs that are developed using publicly available information on market transactions. The State Valuation Service have provided an assurance of their robustness, validity and appropriateness for application to residential buildings.

General non-residential building assets have been updated using a Building Price Index supplied by Gray Robinson Cottrell (GRC) Pty Ltd, Quantity Surveyors. This index is based on recent tenders for typical specialised buildings and is the most appropriate index to apply for specialised government assets.

The department's building assets are categorised as a combination of level 2 and level 3 in accordance with AASB 13 *Fair Value Measurement*.

##### Heritage and cultural

The department's heritage collection was subject to specific appraisal by Waterhouse Property in March 2018. As there is no active market for the department's heritage assets, their fair value is determined by estimating the cost to reproduce the items with the features and materials of the original items, with adjustments made to take into account the items' heritage restrictions and characteristics.

The department's artwork was revalued based on specific appraisal by MacAulay Partners in March 2018. The fair value of the artwork was based on sales data on similar artwork by the respective artists. Factors such as condition, size and medium of artwork were also taken into consideration during this specific appraisal.

In accordance with AASB 13 *Fair Value Measurement*, the department's heritage and cultural assets are categorised as level 3.

##### Infrastructure

A full management valuation of the road infrastructure network asset as at 30 June 2018 was completed by suitably qualified and experienced departmental engineers and staff. The valuation methodology adopted to calculate fair value is based on the cost to acquire the service potential embodied in an asset and adjusted to reflect the asset's present condition, functionality, technological and economic obsolescence. This is the estimated cost to replace an asset with an appropriate modern equivalent using current construction materials and standards, adjusted for changes in utility and service level capacity.

The department determines the current replacement cost of the road infrastructure network through an approach which takes into consideration the constraints on works that occur within existing road alignments or corridors containing existing road infrastructure. This approach results in a valuation that provides a sound representation of the cost of replacing the service potential embodied in the asset.

The valuation involves a resource-based assessment whereby all road infrastructure assets are categorised into a standardised road asset inventory, to which annually assessed unit costs are applied to determine current replacement cost. This process utilises the following key assumptions and judgements:

*Componentisation of the road assets includes:*

- Surface renewal – relative to the timing of resealing or resurfacing works.
- Pavement renewal – relative to the rehabilitation or renewal of the pavement structure.
- Formation (earthworks) – relative to the frequency of road reconstruction and the overall service function of the road in its location. Indefinite life is assigned unless the road is realigned, bypassed or permanently closed.

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

### Accounting policy (continued)

#### Revaluation of property, plant and equipment (continued)

##### Infrastructure (continued)

Road stereotypes are assigned to each road segment. The department's 13 different stereotypes are based on the road segments' complexity in relation to the number and width of traffic lanes, standard of construction (based on date), number of carriageways, age of construction, and location (rural or urban).

The stereotypes range from unformed roads through to major motorways and busways and are further defined by variables such as:

Category	Sub-category	Description
Costing regions	South East, Central Coast, Southern Inland, Central Inland, Tropical North	Five SmartCost (database of unit rates) geographical regions.
Terrain	Level, rolling, mountainous	Level average gradient of terrain is less than 5%. Rolling average gradient of terrain is greater than 5% but less than 15%. Mountainous average gradient of terrain is greater than 15%.
Environment	Wet or dry	Wet environment is more than 800mm average annual rainfall. Dry environment is less than 800mm average annual rainfall.
Soil type	Reactive or non-reactive	Reactive soils are typically clay-type soils. Non-reactive soils are typically sand or sandy loam type soils.
Surface type	Unsealed, concrete, chip seal, asphalt	All unpaved roads and unsealed roads are assumed to have no seal layer. For concrete roads: <ul style="list-style-type: none"> <li>Stereotypes 2 to 9 are valued using a flexible pavement with asphalt surfacing as the reference asset.</li> <li>Stereotypes 10 to 13 are valued using a rigid concrete pavement as the reference asset. All costs associated with replacing the service capacity are incorporated in the surface component.</li> </ul>

Project work breakdown structure (WBS) schedules represent project types for each stereotype and are used to derive unit rates for the full replacement and renewal of components. Project types are:

Project type	Description
Chip reseal	<ul style="list-style-type: none"> <li>Sprayed bituminous chip seals are the predominant surface type on road stereotypes 2 to 5, due to ease of application and maintenance under lower traffic volumes.</li> <li>Chip resealing schedules assumed length is 10km.</li> </ul>
Asphalt resurface	<ul style="list-style-type: none"> <li>Asphalt surfaces are the predominant surface type on road stereotypes 6 to 13. These are typically urban or high traffic roads and are often delivered as night works to minimise disruption to traffic.</li> <li>Level and rolling terrain standard length is 5km.</li> <li>Mountainous standard length is 3km.</li> </ul>
Rehabilitation	<ul style="list-style-type: none"> <li>Pavement rehabilitation works fully renews the service potential of the road pavement and replaces the surfacing. The surface type assumed in the rehabilitation project is chip seal for stereotypes 2 to 5 and asphalt for stereotypes 6 to 13.</li> <li>Level and rolling terrain standard length is 5km.</li> <li>Mountainous standard length is 3km.</li> </ul>
Reconstruction	<ul style="list-style-type: none"> <li>The cost to fully replace the service capacity of the existing road in that location given substantial existing infrastructure and existing road user demand. The department assumes that this is the most appropriate means of fully replacing the service capacity of road stereotypes 5 to 13.</li> <li>The surface type assumed in the reconstruction project is chip seal for stereotype 5 and asphalt for stereotypes 6 to 13.</li> <li>Level and rolling terrain standard length is 5km.</li> <li>Mountainous standard length is 3km.</li> </ul>
New construction	<ul style="list-style-type: none"> <li>The cost to fully replace the service capacity of the existing road in that location given little existing infrastructure and low road user demand. The department assumes that this is the most appropriate means of fully replacing the service capacity of road stereotypes 1 to 4.</li> <li>The surface type assumed in the new construction project is chip seal.</li> <li>Level and rolling terrain standard length is 5km.</li> <li>Mountainous standard length is 3km.</li> </ul>

## 14 PROPERTY, PLANT AND EQUIPMENT (continued)

### Accounting policy (continued)

#### Revaluation of property, plant and equipment (continued)

##### Infrastructure (continued)

*Unit rates:* the unit rates applied to road stereotypes are priced by a commercial estimating firm using current market rates using detailed WBS comprising key components and activities that include but are not limited to:

- Raw materials
- Cost of construction processes
- Plant
- Labour
- Traffic management
- Other construction inputs.

The assumed number of units, quantity and rates for items used in project estimations are determined by an external estimating firm and departmental engineers, and are sourced directly from suppliers and subcontractors competing in the marketplace in Queensland. These are then combined to create each item used in the physical unit rate calculations.

The unit cost inputs and quantity for each WBS are determined and calculated based on project type and are mapped to each layer of surface, pavement and formation.

The total amount for each WBS for each project type is calculated and lump sum items are then added to the total. The total amount for each WBS is then divided by the assumed area for each WBS. The areas have been determined by a firm of consultant engineers and are reviewed and updated as necessary.

The cost of replacing the service capacity of each road component is assumed to be derived from the project types that are most commonly undertaken to fully replace each component respectively.

The cost of renewing each component is assumed to be derived from those project types that are most commonly undertaken to restore each component to an as-new condition.

Of the large number of WBS schedules there is a small number of derived WBS that are based on other similar WBS instead of their own schedule of work activities. These WBS represent only 1.37% of the network length and therefore the impact on the materiality of the valuation is insignificant.

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

Remaining useful lives are estimated using past experience as detailed in the department's road condition models and in the pre-determined set of 163 rules applied to determine when an appropriate works intervention will occur. Consideration is also given to planned replacement programs as a result of observation of road use deterioration and environmental factors such as:

- Traffic volume
- Rutting
- Cracking
- Roughness
- Safety
- Number of years in use.

As there is no active market for the department's infrastructure assets, the valuation approach used is current replacement cost. This is the assets' measurement of their highest and best use. While the unit rates database consists of market derived component costs which includes raw materials and other costs of construction (level 2 inputs), there are also significant level 3 unobservable inputs such as useful life and asset condition which require extensive professional judgement. Differences in the assessment of these level 3 inputs would not result in material changes in the reported fair value.

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

During 2017–18 the fair values of other infrastructure assets were updated using an appropriate Building Price Index provided by Gray Robinson Cottrell (GRC) Pty Ltd, Quantity Surveyors.

As with the department's road infrastructure assets, there is no active market for marine infrastructure. Therefore current replacement cost is the measurement of the marine infrastructure assets highest and best use.

In accordance with AASB 13 *Fair Value Measurement*, the department's infrastructure assets are therefore categorised as level 3.



	2018 \$'000	2017 \$'000
<b>15 PAYABLES</b>		
<b>Current</b>		
Grants and subsidies payable	23,882	34,925
Trade creditors	479,905	519,434
Other	8,632	6,054
<b>Total</b>	<b>512,419</b>	<b>560,413</b>

#### Accounting policy

Trade creditors are recognised on receipt of the goods or services ordered and are measured at the agreed purchase or contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 28 day terms, with the exception of a range of transport service contracts which have varying settlement terms.

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

#### 16 INTEREST BEARING LIABILITIES

<b>Current</b>		
Lease liabilities	182,294	15,054
Queensland Treasury Corporation borrowings	56,688	67,240
<b>Total</b>	<b>238,982</b>	<b>82,294</b>
<b>Non-current</b>		
Lease liabilities	603,127	511,726
Queensland Treasury Corporation borrowings	587,626	644,541
<b>Total</b>	<b>1,190,753</b>	<b>1,156,267</b>

Principal and interest repayments of Queensland Treasury Corporation borrowings are made quarterly in arrears at rates ranging from 2.299% to 7.453% (2017: 2.11% to 7.45%). Repayment dates vary from 15 September 2018 to 15 June 2032.

The department has an overdraft facility with the Commonwealth Bank of Australia with an approved limit of \$200m (2017: \$200m). There is no interest charged on this overdraft facility.

Refer to Note 22 for lease information.

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

Financial liabilities	Fair value 2018 \$'000	Fair value 2017 \$'000
Queensland Treasury Corporation borrowings	667,611	749,310

#### 17 PROVISIONS

<b>Current</b>		
Property resumptions	134,080	187,794
<b>Total</b>	<b>134,080</b>	<b>187,794</b>
<b>Non-current</b>		
Property resumptions	154,271	78,164
<b>Total</b>	<b>154,271</b>	<b>78,164</b>

#### Movements in provisions

<b>Current</b>		
Opening balance	187,794	238,604
Restatement of provision	3,108	15,880
Additional provision recognised	13,075	26,034
Reduction in provision as a result of payments	(39,691)	(51,592)
Reclassification from/(to) non-current provision	(30,206)	(41,132)
<b>Closing balance</b>	<b>134,080</b>	<b>187,794</b>



	2018 \$'000	2017 \$'000
<b>17 PROVISIONS (continued)</b>		
<b>Movements in provisions (continued)</b>		
<b>Non-current</b>		
Opening balance	78,164	34,872
Restatement of provision	20,033	(1,530)
Additional provision recognised	44,384	11,160
Reduction in provision as a result of payments	(18,516)	(7,470)
Reclassification (to)/from current provision	30,206	41,132
<b>Closing balance</b>	<b>154,271</b>	<b>78,164</b>

#### Provision for property resumptions

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

#### Accounting policy

Provisions are recorded when the department has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Provisions are reviewed at each reporting date to ensure the amounts accurately reflect the best estimate available.

#### 18 ACCRUED EMPLOYEE BENEFITS

##### Current

Annual leave levy payable	15,314	14,788
Long service leave levy payable	3,762	3,426
Resignation benefit *	-	318
Salaries and wages outstanding	16,523	15,795
Other	1,797	1,796
<b>Total</b>	<b>37,396</b>	<b>36,123</b>

##### Non-current

Resignation benefit *	-	5,402
<b>Total</b>	<b>-</b>	<b>5,402</b>

\* Due to changes in the award, the department no longer recognises a provision for resignation benefits for employees employed under the *Civil Construction, Operations and Maintenance General Award - State 2016*.

#### Accounting policy

##### Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Central Scheme, a levy is made on the department to cover the cost of employees' annual leave and long service leave entitlements. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears. These schemes are administered by QSuper on behalf of the Queensland Government.

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

##### Sick leave

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

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

## 18 ACCRUED EMPLOYEE BENEFITS (continued)

### Accounting policy (continued)

#### Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant enterprise bargaining agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

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*. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

	2018 \$'000	2017 \$'000
<b>19 UNEARNED REVENUE</b>		
<b>Current</b>		
go card stored value *	43,040	41,641
Motor Accident Insurance Commission funding **	2,732	-
Other	2,074	3,777
<b>Total</b>	<b>47,846</b>	<b>45,418</b>

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

\*\* Funding received in advance for motor accident campaigns.

## 20 OTHER LIABILITIES

### Current

go card deposits held	38,758	35,936
Lease incentives *	1,695	34
<b>Total</b>	<b>40,453</b>	<b>35,970</b>

### Non-current

Lease incentives *	16,314	51
<b>Total</b>	<b>16,314</b>	<b>51</b>

\* Incentives received in relation to properties leased from the Department of Housing and Public Works.

## 21 INCOME TAX EQUIVALENTS

### Income tax equivalent expense

Current tax equivalents	8,810	14,925
Deferred tax equivalent expense/(income) relating to temporary differences	718	(591)
Under/(over) provision in previous years	(2)	9
<b>Income tax equivalent expense attributable to profit from ordinary activities</b>	<b>9,526</b>	<b>14,343</b>

### Numerical reconciliation of income tax equivalent expense to prima facie tax payable

Accounting profit before tax	30,434	47,778
Prima facie tax at applicable rate of 30%	9,130	14,333
Adjustments for non-temporary differences and excluded temporary differences:		
Other non-deductible expenses	398	1
Under/(over) provision in previous years	(2)	9
<b>Income tax equivalent expense attributable to profit from ordinary activities</b>	<b>9,526</b>	<b>14,343</b>

	2018 \$'000	2017 \$'000
<b>21 INCOME TAX EQUIVALENTS (continued)</b>		
<b>Deferred tax equivalent expense/(income) included in income tax equivalent expense comprises:</b>		
Deferred tax assets opening balance	7,571	6,980
Increase/(decrease) in deferred tax assets	(644)	591
<b>Deferred tax assets at 30 June</b>	<b>6,927</b>	<b>7,571</b>
<b>Proof of deferred tax assets</b>		
Deferred tax assets:		
Property, plant and equipment	6,623	7,156
Other items	304	415
<b>Net deferred tax assets at 30 June</b>	<b>6,927</b>	<b>7,571</b>
<b>Reconciliation of current tax (receivable)/payable</b>		
Opening balance	3,519	798
Net movements	(4,139)	2,721
<b>Current tax (receivable)/payable at 30 June</b>	<b>(620)</b>	<b>3,519</b>

#### Accounting policy

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

RoadTek is subject to the requirements of the National Tax Equivalents Regime (NTER). The liability for income tax equivalents under NTER is calculated substantially on the same basis as a corporate tax payer. The department remits its tax equivalents to Queensland Treasury in accordance with NTER arrangements.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the tax asset can be used. Deferred tax assets and liabilities are set off on the basis that they relate to income taxes levied by the same taxation authority and the department has a legally enforceable right to set off current tax assets against current tax liabilities.

## 22 LEASES

### FINANCE LEASE - LEASES AS LESSEE

#### Gold Coast Light Rail - G:link

The Gold Coast Light Rail system has been recognised as a finance lease in accordance with AASB 117 *Leases* with a lease term of 15 years and an implicit interest rate of 9.22%. Refer to Note 16 and Note 23.

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

	2018 \$'000	2017 \$'000
<b>Minimum lease payable</b>		
Not later than one year	215,253	43,756
Later than one year and not later than five years	190,367	175,787
Later than five years	297,676	325,454
Minimum future lease payable	703,296	544,997
Less: future finance charges	(202,667)	(218,960)
<b>Total minimum future lease payable</b>	<b>500,629</b>	<b>326,037</b>
<b>Present value of minimum lease payable</b>		
Not later than one year	181,057	14,291
Later than one year and not later than five years	90,050	72,744
Later than five years	229,522	239,002
<b>Present value of total minimum future lease payable</b>	<b>500,629</b>	<b>326,037</b>

## 22 LEASES (continued)

### FINANCE LEASE - LEASES AS LESSEE (continued)

#### New Generation Rollingstock (NGR)

The NGR service concession will be recognised in full as a finance lease in accordance with AASB 117 *Leases* with a term of 32 years and an implicit interest rate of 11.84%. In 2016 the Wulkuraka maintenance centre component of the service concession was accepted by the department and recognised as a finance lease. A total of 75 train sets will be recognised as part of the finance lease as they are accepted by the department. There have been 24 train sets recognised in these financial statements. Refer to Note 16 and Note 23.

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

<b>Minimum lease payable</b>		
Not later than one year	34,892	24,605
Later than one year and not later than five years	139,652	98,476
Later than five years	832,020	611,307
Minimum future lease payable	1,006,564	734,388
Less: future finance charges	(721,772)	(533,645)
<b>Total minimum future lease payable</b>	<b>284,792</b>	<b>200,743</b>
<b>Present value of minimum lease payable</b>		
Not later than one year	1,236	762
Later than one year and not later than five years	6,683	4,127
Later than five years	276,873	195,854
<b>Present value of total minimum future lease payable</b>	<b>284,792</b>	<b>200,743</b>

Operating lease commitments are disclosed in Note 24.

#### Accounting policy

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

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

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

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

## 23 SERVICE CONCESSION ARRANGEMENTS

### Gold Coast Light Rail - G:link

In May 2011 the department entered into a contractual arrangement with GoldLinQ Consortium to finance, design, build, operate and maintain a 13 kilometre light rail system linking key activity centres from Griffith University (Gold Coast Campus) and the Gold Coast University Hospital to Broadbeach via Southport. On 20 July 2014 construction was completed and the G:link commenced operations.

On 28 April 2016 the department entered into a contractual arrangement with GoldLinQ for stage two of the Gold Coast Light Rail system. Stage two connects the existing light rail system at Southport to heavy rail at the Helensvale station. The 7.3km route runs from Helensvale heavy rail station on the Gold Coast Line, adjacent to the Smith Street Motorway to connect with stage one at the Gold Coast University Hospital light rail station. Stage two of the system commenced operations on 18 December 2017.

During the 15 year operations period, GoldLinQ is paid monthly performance based payments for operations, maintenance and repayment of the debt finance used to construct the system. The state receives fare-box and advertising revenue generated by the system.

In accordance with AASB 117 *Leases*, these arrangements are recognised as a finance lease at fair value, which is depreciated over the life of the assets, and a corresponding lease liability, which is reduced by monthly repayments.

At the expiry of the concession period the department will retain ownership of the system.

## 23 SERVICE CONCESSION ARRANGEMENTS (continued)

### Gold Coast Light Rail - G:link (continued)

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

	2018 \$'000	2017 \$'000
<b>Estimated cash flows</b>		
<i>Inflows:</i>		
Not later than one year	25,604	23,267
Later than one year but not later than five years	128,940	118,483
Later than five years but not later than ten years	223,538	208,724
Later than ten years	49,675	100,552
<i>Outflows: *</i>		
Not later than one year	(273,760)	(110,056)
Later than one year but not later than five years	(441,085)	(603,038)
Later than five years but not later than ten years	(618,773)	(601,046)
Later than ten years	(131,642)	(268,406)
<b>Estimated net cash flow</b>	<b>(1,037,503)</b>	<b>(1,131,520)</b>

\* Includes \$500.629m in 2018 (2017: \$523.513m) of finance lease commitments.

### New Generation Rollingstock (NGR)

In January 2014 the department entered into a contractual arrangement with NGR Project Company Pty Ltd (Bombardier NGR Consortium) for the design, construction and maintenance of 75 new six-car train sets for south-east Queensland and a new purpose-built maintenance centre at Wulkuraka in Ipswich, over 32 years.

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

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

In June 2016 the maintenance centre was accepted by the department and a lease asset and lease liability have been recognised. There have been 24 train sets recognised in 2017–18 with the remaining train sets to be recognised as they are accepted.

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

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

<b>Estimated cash flows</b>		
<i>Inflows:</i>		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
<i>Outflows: *</i>		
Not later than one year	(323,332)	(356,637)
Later than one year but not later than five years	(585,066)	(823,059)
Later than five years but not later than ten years	(695,638)	(694,902)
Later than ten years	(3,036,303)	(3,545,294)
<b>Estimated net cash flow</b>	<b>(4,640,339)</b>	<b>(5,419,892)</b>

\* Includes \$2.132b in 2018 (2017: \$2.507b) of finance lease commitments.

### Toowoomba Second Range Crossing

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

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

On commissioning of the toll road in 2019, the department will recognise in accordance with AASB 117 *Leases*, a lease asset at fair value which will be depreciated over the life of the asset, and a corresponding lease liability, which will be reduced by the state contribution and monthly repayments. Maintenance payments will be expensed during the relevant year. Contributions made prior to the road commissioning are recognised as prepayments.

## 23 SERVICE CONCESSION ARRANGEMENTS (continued)

### Toowoomba Second Range Crossing (continued)

The Toowoomba Second Range Crossing will be a toll road, with Transurban Queensland contracted to provide the tolling collection service on behalf of the department.

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

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

	2018 \$'000	2017 \$'000
<b>Estimated cash flows</b>		
<i>Inflows:</i>		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
<i>Outflows: *</i>		
Not later than one year	(76,429)	(219,503)
Later than one year but not later than five years	(196,749)	(223,201)
Later than five years but not later than ten years	(271,895)	(265,286)
Later than ten years	(1,061,450)	(1,118,036)
<b>Estimated net cash flow</b>	<b>(1,606,523)</b>	<b>(1,826,026)</b>

\* Includes \$0.845b in 2018 (2017: \$1.064b) of finance lease commitments.

### Airportlink

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

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

The department does not recognise any assets associated with this arrangement. Assets will be recognised when control transfers to the department at the end of the service concession arrangement. Refer to Note 1.

### Gateway and Logan motorways

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

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

The department does not recognise any assets associated with this arrangement. Assets will be recognised when control transfers to the department at the end of the service concession arrangement. Refer to Note 1.

### Brisbane Airport Rail Link

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

In return for collecting passenger fares, Airtrain Citylink Limited must maintain, operate and manage the rail link for the period of the concession and also assume the demand and patronage risk for the concession period.

The department does not recognise any assets associated with this arrangement. Assets will be recognised when control transfers to the department at the end of the service concession arrangement. Refer to Note 1.



## 24 COMMITMENTS FOR EXPENDITURE

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

### Finance lease liability commitments

Refer to Note 23 for finance lease liability commitments.

	2018 \$'000	2017 \$'000
<b>Non-cancellable operating lease commitments</b>		
Not later than one year	50,206	40,452
Later than one year and not later than five years	145,309	111,973
Later than five years *	201,997	51,950
<b>Total</b>	<b>397,512</b>	<b>204,375</b>

\* Increase relates to the operating lease for 61 Mary Street Brisbane as a result of the central business district consolidation strategy.

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

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

Refer to Note 22 for the accounting policy for leases.

### Property, plant and equipment commitments

Not later than one year	487,199	349,784
Later than one year and not later than five years	1,341,643	1,146,892
Later than five years	-	-
<b>Total</b>	<b>1,828,842</b>	<b>1,496,676</b>

### Grants and subsidies commitments

Not later than one year	337,404	385,980
Later than one year and not later than five years	964,361	790,779
Later than five years	2,250	-
<b>Total</b>	<b>1,304,015</b>	<b>1,176,759</b>

### Other commitments

Not later than one year	1,393,753	1,673,896
Later than one year and not later than five years	1,221,627	842,642
Later than five years	3,321,191	3,748,669
<b>Total</b>	<b>5,936,571</b>	<b>6,265,207</b>

## 25 CONTINGENCIES

### Contingent liabilities

At balance date the department has been named as defendant in two cases and 77 other claims not yet subject to court action. The department's legal advisers and management believe it would be misleading to estimate the final amounts payable for litigation filed in the courts.

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

## 26 CONTROLLED ENTITIES

### Transmax Pty Ltd

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

## 26 CONTROLLED ENTITIES (continued)

### Transmax Pty Ltd (continued)

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

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

## 27 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of financial position when the department becomes party to the contractual provisions of the financial instrument.

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

### CATEGORISATION OF FINANCIAL INSTRUMENTS

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

	Note	2018 \$'000	2017 \$'000
<b>Financial assets</b>			
Cash		378,023	364,335
Receivables	11	215,470	191,997
Other financial assets	26	601	601
<b>Total</b>		<b>594,094</b>	<b>556,933</b>
<b>Financial liabilities</b>			
Financial liabilities measured at amortised cost:			
Payables	15	512,419	560,413
Interest bearing liabilities	16	1,429,735	1,238,561
Accrued employee benefits	18	37,396	41,525
<b>Total</b>		<b>1,979,550</b>	<b>1,840,499</b>

### FINANCIAL RISK MANAGEMENT

The department's activities expose it to a variety of financial risks such as interest rate risk, credit risk, liquidity risk and market risk. Financial risk management is implemented pursuant to government and departmental policy and seeks to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed by each division under policy established by the Finance and Procurement Branch.

### CREDIT RISK EXPOSURE

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

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

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

### LIQUIDITY RISK

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

## 27 FINANCIAL INSTRUMENTS (continued)

### LIQUIDITY RISK (continued)

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

Financial liabilities	Note	Payable in			
		<1 year \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>2018</b>					
Payables	15	512,419	-	-	512,419
Interest bearing liabilities		358,822	497,794	659,611	1,516,227
Accrued employee benefits	18	37,396	-	-	37,396
<b>Total</b>		<b>908,637</b>	<b>497,794</b>	<b>659,611</b>	<b>2,066,042</b>
<b>2017</b>					
Payables	15	560,413	-	-	560,413
Interest bearing liabilities		232,789	488,399	631,713	1,352,901
Accrued employee benefits	18	36,123	5,402	-	41,525
<b>Total</b>		<b>829,325</b>	<b>493,801</b>	<b>631,713</b>	<b>1,954,839</b>

### MARKET RISK

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

### INTEREST RATE SENSITIVITY ANALYSIS

All borrowings from Queensland Treasury Corporation are held at fixed rates which means the department is not exposed to interest rate sensitivity.

### FAIR VALUE

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

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

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

## 28 SCHEDULE OF ADMINISTERED ITEMS

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

The majority of administered revenue is recognised upon receipt, with the exception of Penalty Infringement Notices and Traffic Offence Notices for which an administered receivable is recognised at 30 June. If the notice is not paid within 56 days, the debt is transferred to Queensland Treasury and is not reported in the financial statements.

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

	2018 \$'000	2017 \$'000
<b>Administered income</b>		
User charges, fees and fines *	2,533,932	2,389,153
Other	8,324	7,892
<b>Total income</b>	<b>2,542,256</b>	<b>2,397,045</b>
<b>Administered expenses</b>		
Impairment losses on trade receivables	11	21
Other	91	1,089
Transfers of administered revenue to government	2,542,154	2,397,015
<b>Total expenses</b>	<b>2,542,256</b>	<b>2,398,125</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>-</b>	<b>(1,080)</b>

	2018 \$'000	2017 \$'000
<b>28 SCHEDULE OF ADMINISTERED ITEMS (continued)</b>		
* User charges, fees and fines includes:		
Fines and forfeiture	171,484	150,318
Motor vehicle registration	1,778,127	1,689,973
Transport and traffic fees	427,739	399,824
Other registration	81,956	78,402
Other regulatory fees	73,200	68,976
Other	1,426	1,660
<b>Total</b>	<b>2,533,932</b>	<b>2,389,153</b>
<b>Administered assets</b>		
<i>Current</i>		
Cash	69,417	56,347
Receivables	40,504	35,763
<b>Total current assets</b>	<b>109,921</b>	<b>92,110</b>
<i>Non-current</i>		
Land	262,729	268,335
<b>Total non-current assets</b>	<b>262,729</b>	<b>268,335</b>
<b>Total assets</b>	<b>372,650</b>	<b>360,445</b>
<b>Administered liabilities</b>		
<i>Current</i>		
Payables	104,032	86,204
Unearned revenue	5,655	5,672
<b>Total liabilities</b>	<b>109,687</b>	<b>91,876</b>
<b>NET ADMINISTERED ASSETS</b>	<b>262,963</b>	<b>268,569</b>
<b>Administered equity</b>		
Contributed equity	29,571	38,691
Accumulated surplus/(deficit)	(1,102)	(1,102)
Asset revaluation surplus	234,494	230,980
<b>TOTAL ADMINISTERED EQUITY</b>	<b>262,963</b>	<b>268,569</b>

## 29 BUDGETARY REPORTING

STATEMENT OF COMPREHENSIVE INCOME	Original budget 2018 \$'000	Actual result 2018 \$'000	Variance  \$'000
	<b>Income from continuing operations</b>		
Appropriation revenue	5,066,195	4,961,392	(104,803)
User charges and fees	684,256	722,947	38,691
Grants and other contributions	305,603	271,057	(34,546)
Other revenue	22,569	47,327	24,758
<b>Total revenue</b>	<b>6,078,623</b>	<b>6,002,723</b>	<b>(75,900)</b>
Gains on disposal of assets	3,007	3,769	762
<b>Total income from continuing operations</b>	<b>6,081,630</b>	<b>6,006,492</b>	<b>(75,138)</b>
<b>Expenses from continuing operations</b>			
Employee expenses	543,215	581,821	38,606
Supplies and services	3,648,880	3,535,121	(113,759)
Grants and subsidies	451,972	459,000	7,028
Depreciation and amortisation	897,494	1,086,544	189,050
Finance and borrowing costs	115,071	95,848	(19,223)
Impairment losses	1,670	3,144	1,474
Other expenses	157,672	28,626	(129,046)
<b>Total expenses from continuing operations</b>	<b>5,815,974</b>	<b>5,790,104</b>	<b>(25,870)</b>

## 29 BUDGETARY REPORTING (continued)

STATEMENT OF COMPREHENSIVE INCOME (continued)	Original budget 2018 \$'000	Actual result 2018 \$'000	Variance  \$'000
Operating result from continuing operations before income tax equivalent expense	265,656	216,388	(49,268)
Income tax equivalent expense	5,410	9,526	4,116
<b>OPERATING RESULT FOR THE YEAR</b>	<b>260,246</b>	<b>206,862</b>	<b>(53,384)</b>
<b>Items not reclassified to operating result</b>			
Increase/(decrease) in asset revaluation surplus	-	(6,103,501)	(6,103,501)
<b>Total other comprehensive income/(loss)</b>	<b>-</b>	<b>(6,103,501)</b>	<b>(6,103,501)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>260,246</b>	<b>(5,896,639)</b>	<b>(6,156,885)</b>

### Explanation of major variances

#### Grants and other contributions

Variance of (\$34.546m) reflects:

- (\$87.121m) less than budget reimbursed by the Queensland Reconstruction Authority (QRA) due to a reduction in the estimated cost of restoration works associated with Tropical Cyclone Debbie

Offset by:

- an \$18.251m earlier than budgeted contribution from the City of Gold Coast for Gold Coast Light Rail Stage 2
- a \$13.288m higher than anticipated contribution for the Gold Coast 2018 Commonwealth Games due to increased expenditure associated with transport services
- \$11.925m in infrastructure assets donated from local governments and other parties for which a budget could not be reliably allocated
- \$7.963m being recognition of a contribution from the Department of Housing and Public Works as goods received below fair value in the form of a fit out lease incentive for the department's 61 Mary Street Brisbane offices for which a budget could not be reliably allocated.

#### Other revenue

Variance of \$24.758m reflects:

- \$5.244m higher than anticipated revenue recognised from unclaimed *go* card balances and deposits on unused cards
- \$4.929m due to a change in the *Civil Construction, Operations and Maintenance General Award - State 2016*. Provisions for resignation benefits to employees employed under the award are no longer required resulting in the existing provision being transferred to other revenue
- \$4.137m in claim revenue from the Queensland Government Insurance Fund for which a budget could not be reliably allocated
- \$3.787m received for a mining contribution from Rio Tinto made under the *Mineral Resources Act 1989* for use of the Peninsula Developmental Road. A reliable estimate for the mining contribution for this project was not available at the time of budget preparation
- \$2.369m for assets that were not previously recorded in the department's asset register
- \$2.096m higher than budget due to an unforeseen refund from coordination authorities as part of the Personalised Transport Reform Industry Adjustment Assistance Package.

#### Employee expenses

Variance of \$38.606m is due to employees associated with project planning and temporary staff expenses for Gold Coast 2018 Commonwealth Games transport services.

#### Depreciation and amortisation

Variance of \$189.050m is due mainly to changes to useful lives for road infrastructure asset components. The impact of the changes was not budgeted for due to the unavailability of reliable measures at the time of budget development.

#### Finance and borrowing costs

Variance of (\$19.223m) is mainly due to reduced finance lease interest costs of (\$16.842m) for the New Generation Rollingstock as a result of the delay in delivery of the train sets.

#### Other expenses

At the time of budget development in 2017 estimates were based on prior year expenditure and included a budget of \$142.855m for decommissioned road infrastructure components. A review of this treatment at 30 June 2017 led to a change in the accounting treatment and this expense is no longer recognised.

## 29 BUDGETARY REPORTING (continued)

### STATEMENT OF COMPREHENSIVE INCOME (continued)

#### Explanation of major variances (continued)

##### *Increase/(decrease) in asset revaluation surplus*

Variance of (\$6.104b) includes a revaluation decrement of (\$6.434b) for infrastructure assets. A budget was not allocated due the unavailability of reliable measures for future movement in replacement costs of existing and new road infrastructure assets.

STATEMENT OF FINANCIAL POSITION	Original budget 2018 \$'000	Actual result 2018 \$'000	Variance  \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash	420,989	378,023	(42,966)
Receivables	118,073	215,470	97,397
Inventories	10,129	12,007	1,878
Prepayments	588,356	597,885	9,529
Non-current assets classified as held for sale	2,000	16,453	14,453
<b>Total current assets</b>	<b>1,139,547</b>	<b>1,219,838</b>	<b>80,291</b>
<b>Non-current assets</b>			
Prepayments	1,784	994	(790)
Other financial assets	601	601	-
Intangible assets	97,990	84,073	(13,917)
Property, plant and equipment	75,114,733	62,399,800	(12,714,933)
Deferred tax assets	9,211	6,927	(2,284)
<b>Total non-current assets</b>	<b>75,224,319</b>	<b>62,492,395</b>	<b>(12,731,924)</b>
<b>Total assets</b>	<b>76,363,866</b>	<b>63,712,233</b>	<b>(12,651,633)</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	437,557	512,419	74,862
Interest bearing liabilities	568,327	238,982	(329,345)
Provisions	238,604	134,080	(104,524)
Accrued employee benefits	36,153	37,396	1,243
Unearned revenue	44,799	47,846	3,047
Other	34,108	40,453	6,345
<b>Total current liabilities</b>	<b>1,359,548</b>	<b>1,011,176</b>	<b>(348,372)</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	868,862	1,190,753	321,891
Provisions	34,872	154,271	119,399
Accrued employee benefits	5,256	-	(5,256)
Other	-	16,314	16,314
<b>Total non-current liabilities</b>	<b>908,990</b>	<b>1,361,338</b>	<b>452,348</b>
<b>Total liabilities</b>	<b>2,268,538</b>	<b>2,372,514</b>	<b>103,976</b>
<b>NET ASSETS</b>	<b>74,095,328</b>	<b>61,339,719</b>	<b>(12,755,609)</b>
<b>TOTAL EQUITY</b>	<b>74,095,328</b>	<b>61,339,719</b>	<b>(12,755,609)</b>

#### Explanation of major variances

##### *Cash*

Variance of (\$42.966m) reflects a higher than anticipated opening balance variance of \$48.461m due to the timing of future planned transport operations and maintenance expenditure and the timing of the delivery of prior year capital works expenditure, offset by a decrease in cash of (\$91.427m) as illustrated in the Statement of cash flows.



## 29 BUDGETARY REPORTING (continued)

### STATEMENT OF FINANCIAL POSITION (continued)

#### Explanation of major variances (continued)

##### Receivables

Variance of \$97.397m mainly reflects funding yet to be received of:

- \$58.029m appropriation receivable due to higher than anticipated expenditure on transport infrastructure activities, including maintenance, preservation and operation of the network
- \$19.800m for a contribution from the City of Gold Coast for Gold Coast Light Rail Stage 2 that was budgeted to be received in 2018–19 but became due at 30 June 2018
- \$11.291m higher than anticipated contribution for the 2018 Commonwealth Games due to increased expenditure associated with transport services.

##### Property, plant and equipment

The variance is mainly due to the timing differences to obtain reliable measures for road infrastructure valuations to enable budget allocations. Actual asset revaluation decrements were not able to be determined at the time of budget development.

##### Payables

Variance of \$74.862m is due to a higher than anticipated amount of accrued expenditure for transport operations, maintenance and infrastructure works undertaken in 2017–18.

##### Interest bearing liabilities – Current

Variance of (\$329.345m) mainly reflects the delay in the delivery of New Generation Rollingstock train sets of (\$290.065m).

##### Provisions

Variance reflects a reclassification of the value of land resumptions between current and non-current provisions.

##### Interest bearing liabilities – Non-current

Variance of \$321.891m mainly reflects the delay in the delivery of New Generation Rollingstock train sets of \$283.555m.

##### Other

Variance of \$16.314m reflects the recognition of a lease incentive received in 2017–18 from Queensland Investment Corporation for the fit out of 61 Mary Street Brisbane, which was not budgeted for due to the unavailability of reliable measures.

### STATEMENT OF CASH FLOWS

	Original budget 2018 \$'000	Actual result 2018 \$'000	Variance \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Service appropriation receipts	5,066,195	4,930,619	(135,576)
User charges and fees	680,856	676,224	(4,632)
Grants and other contributions	305,603	305,856	253
GST input tax credits from ATO	582,400	720,935	138,535
GST collected from customers	87,909	71,249	(16,660)
Other	22,569	44,763	22,194
<i>Outflows:</i>			
Employee expenses	(543,204)	(587,013)	(43,809)
Supplies and services	(3,643,042)	(3,536,971)	106,071
Grants and subsidies	(451,972)	(461,751)	(9,779)
Finance and borrowing costs	(94,053)	(74,830)	19,223
GST paid to suppliers	(583,611)	(727,254)	(143,643)
GST remitted to ATO	(83,509)	(66,369)	17,140
Income tax equivalent paid	(5,578)	(13,021)	(7,443)
Other	(13,390)	(18,363)	(4,973)
<b>Net cash provided (used in) operating activities</b>	<b>1,327,173</b>	<b>1,264,074</b>	<b>(63,099)</b>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment	58,052	28,681	(29,371)
<i>Outflows:</i>			
Payments for property, plant and equipment	(1,967,823)	(2,413,380)	(445,557)
Payments for intangibles	(22,402)	(9,749)	12,653
<b>Net cash used in investing activities</b>	<b>(1,932,173)</b>	<b>(2,394,448)</b>	<b>(462,275)</b>

## 29 BUDGETARY REPORTING (continued)

STATEMENT OF CASH FLOWS (continued)	Original budget 2018 \$'000	Actual result 2018 \$'000	Variance \$'000
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Equity injections	2,170,557	2,549,735	379,178
<i>Outflows:</i>			
Equity withdrawals	(821,166)	(815,266)	5,900
Borrowing redemptions	(67,251)	(67,467)	(216)
Finance lease payments	(570,624)	(521,539)	49,085
Other	(1,401)	(1,401)	-
<b>Net cash provided by financing activities</b>	<b>710,115</b>	<b>1,144,062</b>	<b>433,947</b>
Net increase/(decrease) in cash	105,115	13,688	(91,427)
Cash – opening balance	315,874	364,335	48,461
<b>CASH – CLOSING BALANCE</b>	<b>420,989</b>	<b>378,023</b>	<b>(42,966)</b>

### Explanation of major variances

#### **GST input tax credits received from ATO, collected from customers, paid to suppliers and remitted to ATO**

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

#### **Other inflows from operating activities**

Variance of \$22.194m reflects:

- \$5.244m higher than anticipated revenue recognised from unclaimed go card balances and deposits on unused cards
- \$4.929m due to a change in the *Civil Construction, Operations and Maintenance General Award - State 2016*. Provisions for resignation benefits to employees employed under the award are no longer required
- \$4.137m in claim revenue from the Queensland Government Insurance Fund for which a budget could not be reliably allocated
- \$3.787m received for a mining contribution from Rio Tinto made under the *Mineral Resources Act 1989* for use of the Peninsula Developmental Road. A reliable estimate for the mining contribution for this project was not available at the time of budget preparation
- \$2.096m higher than budget due to an unforeseen refund from coordination authorities as part of the Personalised Transport Reform Industry Adjustment Assistance Package.

#### **Finance and borrowing costs**

Variance of \$19.223m is mainly due to reduced finance lease interest costs of \$16.842m for the New Generation Rollingstock as a result of the delay in delivery of the train sets.

#### **Sales of property, plant and equipment**

Variance of (\$29.371m) is due to a fewer number of properties being sold than was anticipated.

#### **Payments for property, plant and equipment**

Variance of (\$445.557m) reflects increased project expenditure as a result of better than anticipated capital program delivery.

#### **Equity injections**

Variance of \$379.178m reflects:

- \$449.639m accelerated state and Australian Government funding received for increased capital program delivery
- a \$57.579m funding transfer from operating due to a lower than anticipated operating expense component of construction works

Offset by:

- (\$121.498m) in reduced funding due to decreased payments as a result of delays in the delivery of New Generation Rollingstock train sets.

## 29 BUDGETARY REPORTING (continued)

SCHEDULE OF ADMINISTERED ITEMS	Original budget 2018 \$'000	Actual result 2018 \$'000	Variance  \$'000
<b>Administered income</b>			
User charges, fees and fines	2,495,263	2,533,932	38,669
Other	8,077	8,324	247
<b>Total income</b>	<b>2,503,340</b>	<b>2,542,256</b>	<b>38,916</b>
<b>Administered expenses</b>			
Impairment losses on trade receivables	-	11	11
Other	-	91	91
Transfers of administered revenue to government	2,503,340	2,542,154	38,814
<b>Total expenses</b>	<b>2,503,340</b>	<b>2,542,256</b>	<b>38,916</b>
<b>OPERATING RESULT FOR THE YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administered assets</b>			
<i>Current</i>			
Cash	13,796	69,417	55,621
Receivables	35,953	40,504	4,551
<b>Total current assets</b>	<b>49,749</b>	<b>109,921</b>	<b>60,172</b>
<i>Non-current</i>			
Land	261,311	262,729	1,418
<b>Total non-current assets</b>	<b>261,311</b>	<b>262,729</b>	<b>1,418</b>
<b>Total assets</b>	<b>311,060</b>	<b>372,650</b>	<b>61,590</b>
<b>Administered liabilities</b>			
<i>Current</i>			
Payables	43,835	104,032	60,197
Unearned revenue	5,681	5,655	(26)
<b>Total liabilities</b>	<b>49,516</b>	<b>109,687</b>	<b>60,171</b>
<b>NET ADMINISTERED ASSETS</b>	<b>261,544</b>	<b>262,963</b>	<b>1,419</b>
<b>TOTAL ADMINISTERED EQUITY</b>	<b>261,544</b>	<b>262,963</b>	<b>1,419</b>

### Explanation of major variances

#### **Cash**

Variance of \$55.621m reflects the timing of Compulsory Third Party insurance premiums collected which are yet to be remitted to the insurers.

#### **Receivables**

Variance of \$4.551m reflects an increase in the value of infringement notices issued which are yet to be received by the department.

#### **Payables**

Variance of \$60.197m reflects the timing of Compulsory Third Party insurance premiums collected which are yet to be remitted to the insurers.

### 30 EVENTS AFTER THE BALANCE DATE

#### New Generation SEQ Bus Contracts

Bus services within South East Queensland (SEQ) are delivered by transport service providers. The department has in place contracts with each service provider which are governed by the *Transport Operations (Passenger Transport) Act 1994*.

The department finalised negotiations for 10 New Generation SEQ Bus Contracts in July 2018. The total expenditure commitment for these 10 contracts is estimated to be \$1.643b over the next seven years.

## MANAGEMENT CERTIFICATE OF THE DEPARTMENT OF TRANSPORT AND MAIN ROADS

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Transport and Main Roads for the financial year ended 30 June 2018 and of the financial position of the department at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



**Nick Shaw FCPA**  
Chief Finance Officer

22 August 2018



**Neil Scales OBE**  
Director-General

22 August 2018



## INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Transport and Main Roads

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of the Department of Transport and Main Roads.

In my opinion, the financial report:

- a) gives a true and fair view of the department's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2018, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



**Infrastructure asset valuation (\$52.59 billion) and depreciation expense (\$944.97 million)**

Refer to note 14 in the financial report

Key audit matter	How my audit addressed the key audit matter
<p>Management has estimated the fair value of the entity's infrastructure assets to be \$52.59 billion as at 30 June 2018. The fair value measurement is based on current replacement cost (cost approach).</p> <p>The valuations are dependent on certain key assumptions that require significant management judgement including the following in respect of:</p> <ul style="list-style-type: none"> <li>the categorisation of the road network, features of a modern equivalent asset and current economic and market conditions impacting on costs of road construction.</li> <li>componentisation of the road assets and identifying those significant parts of road infrastructure assets that have different unit replacement rates and costs.</li> <li>categorising road stereotypes based on physical characteristics and locality (such as road type, region, soil type, terrain, climatic and environmental conditions) and the applicable project or treatment type such as reseal, rehabilitation, reconstruction or new construction.</li> <li>assignment of segmentation to road stereotypes.</li> <li>defining and estimating unit rates for varying project or types of treatment including full replacement and renewal of components.</li> </ul>	<p>My procedures included, but were not limited to:</p> <p><b>Gross replacement value</b></p> <p>Assessing the adequacy of management's review of the valuation process including:</p> <ul style="list-style-type: none"> <li>obtaining an understanding of the valuation technique adopted by management and assessing its design, validity and reasonableness in terms of the principles of the cost approach as described in AASB 13 <i>Fair Value Measurement</i>.</li> <li>assessing the reasonableness of the key assumptions and corroborating these to supporting evidence and my knowledge of the entity and its operating environment.</li> <li>verifying the mathematical accuracy of the model utilised to estimate gross replacement value through recalculation.</li> </ul> <p><b>Unit rates</b></p> <p>Assessing the reasonableness of unit rates by evaluating the techniques used in estimating unit rates, including:</p> <ul style="list-style-type: none"> <li>examining a sample of unit rates to assess consistency in calculations and reasonableness in application from the underlying inputs obtained from management's external expert.</li> <li>reviewing the 2018 Unit Rate Expert Panel's process and approval of final rates for adoption. This included analysis of rate movements since the date of the last revaluation.</li> <li>vouching a sample of approved unit rates to rates applied in the calculation of the final gross replacement value.</li> <li>comparing a sample of movement in unit rates against other publicly available information.</li> </ul>

Key audit matter	How my audit addressed the key audit matter
<p>In measuring annual depreciation expense and accumulated depreciation, management have applied significant judgement in estimating the expected utility of road infrastructure asset components, including:</p> <ul style="list-style-type: none"> <li>• applying past experience to determine when an appropriate works intervention will occur.</li> <li>• consideration of planned replacement programs as a result of observation of road use deterioration and environmental factors such as traffic volume, rutting, cracking, roughness, safety and number of years in use.</li> <li>• considerations of expected funding availability to the department and how this fiscal availability will impact upon planned replacement programs and expectations regarding the use of assets beyond their ideal or optimal replacement time-frame.</li> </ul>	<p><b>Useful lives</b></p> <p>Assessing the reasonableness of infrastructure asset useful lives by:</p> <ul style="list-style-type: none"> <li>• reviewing management’s annual assessment of useful lives against evidence supporting current condition and planned replacement.</li> <li>• reviewing evidence of planned use of assets with a focus on assets that are planned to be used for a longer or shorter than standard engineering estimates.</li> <li>• assessing the consistency between asset management plans and useful lives assigned to infrastructure assets.</li> <li>• evaluating remaining useful life estimates for reasonableness with reference to management’s assumptions regarding expected funding availability as reflected in Departmental budgets. This includes vouching that fiscal availability as reflected in budgetary information has been applied in the annual review of asset useful lives.</li> </ul>

**Other information**

Other information comprises the information included in the department’s annual report for the year ended 30 June 2018, but does not include the financial report and my auditor’s report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.



## **Responsibilities of the department 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 the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Accountable Officer is also responsible for assessing the department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the department or to otherwise cease operations.

## **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the department.
- Conclude on the appropriateness of the department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the department to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Officer, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Vaughan Stemmett  
as delegate of the Auditor-General

29 August 2018  
Queensland Audit Office  
Brisbane

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