Financial Statements

Department of Transport and Main Roads Financial Statements as at 30 June 2022

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Department of Transport and Main Roads
Statement of comprehensive income
for the year ended 30 June 2022

OPERATING RESULT	Note	2022 $'000	2021 $'000
Income			
Appropriation revenue	2	5,927,541	5,713,024
User charges and fees	3	703,281	615,524
Grants and other contributions	4	216,753	187,184
Service concession arrangements revenue	16	232,180	232,180
Other revenue		50,448	33,422
Total revenue		**7,130,203**	**6,781,334**
Gains on disposal of assets		3,127	4,073
Total income		**7,133,330**	**6,785,407**
Expenses			
Employee expenses	5	650,326	603,083
Supplies and services	7	4,250,502	4,038,765
Grants and subsidies	8	812,378	695,471
Finance and borrowing costs	9	79,971	117,878
Impairment losses	12	1,162	2,375
Depreciation and amortisation	10	1,355,679	1,265,135
Other expenses	11	28,131	40,094
Total expenses		**7,178,149**	**6,762,801**
Operating result before income tax equivalent expense		**(44,819)**	**22,606**
Income tax equivalent expense	22	16,260	7,930
OPERATING RESULT FOR THE YEAR		**(61,079)**	**14,676**
Items not reclassified to operating result			
Increase in asset revaluation surplus	15, 16	10,757,900	2,953,688
Total other comprehensive income		**10,757,900**	**2,953,688**
TOTAL COMPREHENSIVE INCOME		**10,696,821**	**2,968,364**

The accompanying notes form part of these financial statements.

Department of Transport and Main Roads
Statement of financial position
as at 30 June 2022

	Note	2022 $'000	2021 $'000
Assets			
Current assets			
Cash		245,430	344,348
Receivables	12	226,713	222,840
Inventories		17,936	16,010
Prepayments	13	93,791	129,551
Non-current assets classified as held for sale		2,824	4,515
Total current assets		**586,694**	**717,264**
Non-current assets			
Receivables	12	3,274	3,229
Prepayments	13	144,427	181,759
Intangible assets	14	90,176	85,554
Property, plant and equipment	15	86,999,719	74,527,821
Service concession assets	16	12,917,452	11,876,959
Deferred tax assets	22	3,296	3,852
Right-of-use assets		2	169
Investment in subsidiary	25	5,601	5,601
Total non-current assets		**100,163,947**	**86,684,944**
Total assets		**100,750,641**	**87,402,208**
Liabilities			
Current liabilities			
Payables	17	683,237	687,167
Borrowings	18	40,372	36,716
Provisions	19	228,718	195,097
Accrued employee benefits	20	31,859	31,231
Unearned revenue – Service concession arrangements	16	232,180	232,179
Other	21	234,194	191,118
Total current liabilities		**1,450,560**	**1,373,508**
Non-current liabilities			
Borrowings	18	1,255,229	1,219,134
Provisions	19	181,810	238,474
Unearned revenue – Service concession arrangements	16	7,155,314	7,387,494
Total non-current liabilities		**8,592,353**	**8,845,102**
Total liabilities		**10,042,913**	**10,218,610**
NET ASSETS		**90,707,728**	**77,183,598**
Equity			
Contributed equity		66,098,620	63,271,312
Accumulated surplus		3,677,607	3,735,072
Asset revaluation surplus		20,931,501	10,177,214
TOTAL EQUITY		**90,707,728**	**77,183,598**

The accompanying notes form part of these financial statements.

Department of Transport and Main Roads

Statement of comprehensive income by major departmental services

for the year ended 30 June 2022

OPERATING RESULT	Transport system investment planning and programming 2022 $'000	Transport infrastructure management and delivery 2022 $'000	Transport safety and regulation 2022 $'000	Customer experience 2022 $'000	Passenger transport services 2022 $'000	Transport infrastructure construction and maintenance 2022 $'000	Inter-departmental services eliminations 2022 $'000	Total 2022 $'000
Income								
Appropriation revenue	105,703	2,429,967	12,726	334,505	3,044,640	-	-	**5,927,541**
User charges and fees	36,540	138,748	286,359	14,997	220,560	833,272	(827,195)	**703,281**
Grants and other contributions	62	163,448	2,884	771	49,588	-	-	**216,753**
Service concession arrangements revenue	-	232,180	-	-	-	-	-	**232,180**
Other revenue	208	57,787	11,987	36	12,175	1,686	(33,431)	**50,448**
Total revenue	**142,513**	**3,022,130**	**313,956**	**350,309**	**3,326,963**	**834,958**	**(860,626)**	**7,130,203**
Gains on disposal of assets	571	-	116	217	-	2,223	-	**3,127**
Total income	**143,084**	**3,022,130**	**314,072**	**350,526**	**3,326,963**	**837,181**	**(860,626)**	**7,133,330**
Expenses								
Employee expenses	70,619	184,622	81,968	180,508	97,718	157,283	(122,392)	**650,326**
Supplies and services	32,262	908,423	210,773	164,307	3,010,249	629,291	(704,803)	**4,250,502**
Grants and subsidies	27,555	526,201	7,154	73	251,392	3	-	**812,378**
Finance and borrowing costs	2	22,530	4	4	57,476	1,190	(1,235)	**79,971**
Impairment losses/(reversals)	36	1,738	(674)	(30)	126	(34)	-	**1,162**
Depreciation and amortisation	4,657	1,229,336	12,189	5,051	93,662	10,784	-	**1,355,679**
Other expenses	7,953	13,377	2,658	613	2,244	33,482	(32,196)	**28,131**
Total expenses	**143,084**	**2,886,227**	**314,072**	**350,526**	**3,512,867**	**831,999**	**(860,626)**	**7,178,149**
Operating result before income tax equivalent expense	**-**	**135,903**	**-**	**-**	**(185,904)**	**5,182**	**-**	**(44,819)**
Income tax equivalent expense	-	-	-	-	-	16,260	-	**16,260**
OPERATING RESULT FOR THE YEAR	**-**	**135,903**	**-**	**-**	**(185,904)**	**(11,078)**	**-**	**(61,079)**
Items not reclassified to operating result								
Increase in asset revaluation surplus	652	10,571,551	11,612	1,642	172,400	43	-	**10,757,900**
Total other comprehensive income	**652**	**10,571,551**	**11,612**	**1,642**	**172,400**	**43**	**-**	**10,757,900**
TOTAL COMPREHENSIVE INCOME	**652**	**10,707,454**	**11,612**	**1,642**	**(13,504)**	**(11,035)**	**-**	**10,696,821**

Department of Transport and Main Roads
Statement of comprehensive income by major departmental services (continued)
for the year ended 30 June 2022

OPERATING RESULT	Transport system investment planning and programming 2021 $'000	Transport infrastructure management and delivery 2021 $'000	Transport safety and regulation 2021 $'000	Customer experience 2021 $'000	Passenger transport services 2021 $'000	Transport infrastructure construction and maintenance 2021 $'000	Inter-departmental services eliminations 2021 $'000	Total 2021 $'000
Income								
Appropriation revenue	110,709	2,339,135	-	264,439	2,998,741	-	-	**5,713,024**
User charges and fees	29,009	53,186	282,529	14,468	224,376	745,523	(733,567)	**615,524**
Grants and other contributions	167	131,218	5,628	473	49,698	-	-	**187,184**
Service concession arrangements revenue	-	232,180	-	-	-	-	-	**232,180**
Other revenue	264	36,920	915	56	15,954	1,520	(22,207)	**33,422**
Total revenue	**140,149**	**2,792,639**	**289,072**	**279,436**	**3,288,769**	**747,043**	**(755,774)**	**6,781,334**
Gains on disposal of assets	1,827	24	192	67	4	1,959	-	**4,073**
Total income	**141,976**	**2,792,663**	**289,264**	**279,503**	**3,288,773**	**749,002**	**(755,774)**	**6,785,407**
Expenses								
Employee expenses	67,169	169,395	77,667	165,846	93,767	145,210	(115,971)	**603,083**
Supplies and services	47,430	860,932	193,275	106,697	2,903,902	544,125	(617,596)	**4,038,765**
Grants and subsidies	22,275	393,603	6,507	45	273,041	-	-	**695,471**
Finance and borrowing costs	2	22,237	4	4	95,657	1,174	(1,200)	**117,878**
Impairment losses/(reversals)	129	2,630	(18)	62	(185)	(243)	-	**2,375**
Depreciation and amortisation	4,674	1,139,889	10,889	6,402	94,387	8,894	-	**1,265,135**
Other expenses	297	35,387	940	447	1,604	22,426	(21,007)	**40,094**
Total expenses	**141,976**	**2,624,073**	**289,264**	**279,503**	**3,462,173**	**721,586**	**(755,774)**	**6,762,801**
Operating result before income tax equivalent expense	**-**	**168,590**	**-**	**-**	**(173,400)**	**27,416**	**-**	**22,606**
Income tax equivalent expense	-	-	-	-	-	7,930	-	**7,930**
OPERATING RESULT FOR THE YEAR	**-**	**168,590**	**-**	**-**	**(173,400)**	**19,486**	**-**	**14,676**
Items not reclassified to operating result								
Increase/(decrease) in asset revaluation surplus	(4,524)	2,998,919	38,560	286	(79,553)	-	-	**2,953,688**
Total other comprehensive income	**(4,524)**	**2,998,919**	**38,560**	**286**	**(79,553)**	**-**	**-**	**2,953,688**
TOTAL COMPREHENSIVE INCOME	**(4,524)**	**3,167,509**	**38,560**	**286**	**(252,953)**	**19,486**	**-**	**2,968,364**

Department of Transport and Main Roads
Statement of assets and liabilities by major departmental services
as at 30 June 2022

	Transport system investment planning and programming 2022 $'000	Transport infrastructure management and delivery 2022 $'000	Transport safety and regulation 2022 $'000	Customer experience 2022 $'000	Passenger transport services 2022 $'000	Transport infrastructure construction and maintenance 2022 $'000	Inter-departmental services eliminations 2022 $'000	Total 2022 $'000
Assets								
Current assets								
Cash	5,769	57,594	15,377	17,981	161,902	(13,193)	-	**245,430**
Receivables	11,110	59,419	90,199	4,545	70,363	86,087	(95,010)	**226,713**
Inventories	-	-	1,101	137	1,899	108,162	(93,363)	**17,936**
Prepayments	5,409	7,439	2,993	1,844	74,947	1,159	-	**93,791**
Non-current assets classified as held for sale	2,824	-	-	-	-	-	-	**2,824**
Total current assets	**25,112**	**124,452**	**109,670**	**24,507**	**309,111**	**182,215**	**(188,373)**	**586,694**
Non-current assets								
Receivables	-	-	-	-	3,274	-	-	**3,274**
Prepayments	48	4,505	258	32	139,584	-	-	**144,427**
Intangible assets	15,703	4,507	48,478	19,593	1,895	-	-	**90,176**
Property, plant and equipment	21,309	84,360,358	251,934	106,374	2,190,193	69,551	-	**86,999,719**
Service concession assets	-	11,629,066	-	-	1,288,386	-	-	**12,917,452**
Deferred tax assets	-	-	-	-	-	3,296	-	**3,296**
Right-of-use assets	-	2	-	-	-	-	-	**2**
Investment in subsidiary	-	5,601	-	-	-	-	-	**5,601**
Total non-current assets	**37,060**	**96,004,039**	**300,670**	**125,999**	**3,623,332**	**72,847**	**-**	**100,163,947**
Total assets	**62,172**	**96,128,491**	**410,340**	**150,506**	**3,932,443**	**255,062**	**(188,373)**	**100,750,641**
Liabilities								
Current liabilities								
Payables	7,427	170,233	39,416	30,457	556,330	48,747	(169,373)	**683,237**
Borrowings	-	10,229	-	-	30,143	19,000	(19,000)	**40,372**
Provisions	-	182,203	-	-	46,515	-	-	**228,718**
Accrued employee benefits	3,013	7,878	3,497	7,702	4,170	5,599	-	**31,859**
Unearned revenue – Service concession arrangements	-	223,020	-	-	9,160	-	-	**232,180**
Other	51,344	86,377	1,227	-	95,246	-	-	**234,194**
Total current liabilities	**61,784**	**679,940**	**44,140**	**38,159**	**741,564**	**73,346**	**(188,373)**	**1,450,560**
Non-current liabilities								
Borrowings	-	394,694	-	-	860,535	-	-	**1,255,229**
Provisions	-	122,271	-	-	59,539	-	-	**181,810**
Unearned revenue – Service concession arrangements	-	7,037,755	-	-	117,559	-	-	**7,155,314**
Total non-current liabilities	**-**	**7,554,720**	**-**	**-**	**1,037,633**	**-**	**-**	**8,592,353**
Total liabilities	**61,784**	**8,234,660**	**44,140**	**38,159**	**1,779,197**	**73,346**	**(188,373)**	**10,042,913**

Department of Transport and Main Roads

Statement of assets and liabilities by major departmental services (continued)

as at 30 June 2022

	Transport system investment planning and programming 2021 $'000	Transport infrastructure management and delivery 2021 $'000	Transport safety and regulation 2021 $'000	Customer experience 2021 $'000	Passenger transport services 2021 $'000	Transport infrastructure construction and maintenance 2021 $'000	Inter-departmental services eliminations 2021 $'000	Total 2021 $'000
Assets								
Current assets								
Cash	8,610	79,861	20,369	20,456	222,096	(7,044)	-	**344,348**
Receivables	10,096	31,076	97,753	5,009	82,885	115,168	(119,147)	**222,840**
Inventories	-	203	970	165	2,270	86,512	(74,110)	**16,010**
Prepayments	1,934	8,689	5,273	1,758	110,628	1,269	-	**129,551**
Non-current assets classified as held for sale	4,515	-	-	-	-	-	-	**4,515**
Total current assets	**25,155**	**119,829**	**124,365**	**27,388**	**417,879**	**195,905**	**(193,257)**	**717,264**
Non-current assets								
Receivables	144	442	1,392	71	1,180	-	-	**3,229**
Prepayments	22	5,216	225	23	176,273	-	-	**181,759**
Intangible assets	19,249	4,230	35,010	17,814	9,251	-	-	**85,554**
Property, plant and equipment	3,870	72,836,057	200,692	84,901	1,332,780	69,521	-	**74,527,821**
Service concession assets	-	10,908,802	-	-	968,157	-	-	**11,876,959**
Deferred tax assets	-	-	-	-	-	3,852	-	**3,852**
Right-of-use assets	-	149	2	1	12	5	-	**169**
Investment in subsidiary	-	5,601	-	-	-	-	-	**5,601**
Total non-current assets	**23,285**	**83,760,497**	**237,321**	**102,810**	**2,487,653**	**73,378**	**-**	**86,684,944**
Total assets	**48,440**	**83,880,326**	**361,686**	**130,198**	**2,905,532**	**269,283**	**(193,257)**	**87,402,208**
Liabilities								
Current liabilities								
Payables	22,253	442,160	24,581	9,407	312,519	50,504	(174,257)	**687,167**
Borrowings	-	9,727	-	-	26,989	19,000	(19,000)	**36,716**
Provisions	-	148,582	-	-	46,515	-	-	**195,097**
Accrued employee benefits	3,084	7,778	3,566	7,616	4,305	4,882	-	**31,231**
Unearned revenue – Service concession arrangements	-	223,019	-	-	9,160	-	-	**232,179**
Other	68,645	26,963	1,610	-	93,900	-	-	**191,118**
Total current liabilities	**93,982**	**858,229**	**29,757**	**17,023**	**493,388**	**74,386**	**(193,257)**	**1,373,508**
Non-current liabilities								
Borrowings	-	404,922	-	-	814,212	-	-	**1,219,134**
Provisions	-	151,027	-	-	87,447	-	-	**238,474**
Unearned revenue – Service concession arrangements	-	7,260,776	-	-	126,718	-	-	**7,387,494**
Total non-current liabilities	**-**	**7,816,725**	**-**	**-**	**1,028,377**	**-**	**-**	**8,845,102**
Total liabilities	**93,982**	**8,674,954**	**29,757**	**17,023**	**1,521,765**	**74,386**	**(193,257)**	**10,218,610**

Department of Transport and Main Roads
Statement of changes in equity
for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Contributed equity			
Opening balance		63,271,312	60,908,788
Transactions with owners as owners:			
Appropriated equity injections	2	2,841,289	2,363,643
Net asset transfer to other Queensland Government entities		(13,981)	(1,119)
Closing balance		**66,098,620**	**63,271,312**
Accumulated surplus/(deficit)			
Opening balance		3,735,072	3,871,375
Restatement of opening balance due to change in accounting policy for cloud computing arrangements	1	-	(150,979)
Derecognition of heritage and cultural asset class *	15	3,614	-
Operating result for the year		(61,079)	14,676
Closing balance		**3,677,607**	**3,735,072**
Asset revaluation surplus			
Opening balance		10,177,214	7,223,526
Derecognition of heritage and cultural asset class through accumulated surplus/deficit *	15	(3,614)	-
Rounding adjustment		1	-
Increase in asset revaluation surplus	15, 16	10,757,900	2,953,688
Closing balance		**20,931,501**	**10,177,214**
TOTAL EQUITY		**90,707,728**	**77,183,598**

The closing balance of Asset revaluation surplus comprises:

	2022 $'000	2021 $'000
Land	2,892,698	2,299,876
Buildings	166,025	95,999
Heritage and cultural *	-	3,614
Major property, plant and equipment	105,519	86,980
Infrastructure	16,241,831	7,151,754
Service concession assets	1,525,428	538,991
Closing balance	20,931,501	10,177,214

* The heritage and cultural asset class is no longer separately disclosed in the financial statements due to its insignificant value. Accordingly the balance of the heritage and cultural asset revaluation surplus has been derecognised through accumulated surplus/deficit. These assets are carried at cost in the plant and equipment asset class. Refer to Note 15.

The accompanying notes form part of these financial statements.

Accounting policy

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities 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 2022

	2022 $'000	2021 $'000
Cash flows from operating activities		
Inflows:		
Service appropriation receipts	5,944,558	5,632,724
User charges and fees	670,648	559,313
Grants and other contributions	145,177	182,162
GST input tax credits from ATO	853,228	749,290
GST collected from customers	67,297	67,466
Other	51,967	29,721
Outflows:		
Employee expenses	(653,361)	(650,182)
Supplies and services	(4,180,982)	(3,936,787)
Grants and subsidies	(702,273)	(685,465)
Finance and borrowing costs	(76,487)	(94,177)
GST paid to suppliers	(840,708)	(771,361)
GST remitted to ATO	(68,322)	(66,449)
Income tax equivalent paid	(14,519)	(8,799)
Other	(22,940)	(15,193)
Net cash provided by operating activities	**1,173,283**	**992,263**
Cash flows from investing activities		
Inflows:		
Sales of property, plant and equipment	18,878	3,430
Outflows:		
Payments for property, plant and equipment	(4,077,969)	(3,260,501)
Payments for intangibles	(17,912)	(21,963)
Net cash used in investing activities	**(4,077,003)**	**(3,279,034)**
Cash flows from financing activities		
Inflows:		
Equity injections	4,032,675	3,498,060
Outflows:		
Equity withdrawals	(1,191,386)	(1,134,417)
Borrowing redemptions	(36,487)	(71,019)
Net cash provided by financing activities	**2,804,802**	**2,292,624**
Net increase/(decrease) in cash	(98,918)	5,853
Cash – opening balance	344,348	338,495
CASH – CLOSING BALANCE	**245,430**	**344,348**

The accompanying notes form part of these financial statements.

Cash disclosure

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

The department's bank accounts are grouped within the whole of government banking set-off arrangement with Queensland Treasury Corporation and do not earn interest. The department has an overdraft facility with the Commonwealth Bank of Australia with an approved limit of $200m (2021: $200m). There is no interest charged on this overdraft facility.

Department of Transport and Main Roads
Notes to the Statement of cash flows
for the year ended 30 June 2022

	2022 $'000	2021 $'000
RECONCILIATION OF OPERATING RESULT TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING RESULT	(61,079)	14,676
Non-cash items included in operating result		
Goods, services and assets received at below fair value	(71,576)	(5,121)
Gains on disposal of assets	(3,127)	(4,073)
Gain on finance lease modification	-	(5,469)
Service concession arrangements revenue	(232,180)	(232,180)
Assets provided at below fair value	64,742	13,406
Depreciation and amortisation	1,355,679	1,265,135
Loss on disposed assets	5,191	24,901
Change in assets and liabilities:		
(Increase)/decrease in receivables	(3,918)	(99,871)
(Increase)/decrease in inventories	(1,926)	(2,329)
(Increase)/decrease in prepayments	73,092	(111,576)
(Increase)/decrease in deferred tax assets	556	2,090
Increase/(decrease) in payables	(11,682)	53,761
Increase/(decrease) in accrued employee benefits	628	(41,747)
Increase/(decrease) in current tax liabilities	-	(473)
Increase/(decrease) in other liabilities	58,883	121,133
Net cash provided by operating activities	**1,173,283**	**992,263**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

BORROWINGS – Note 18

	2022 $'000	2021 $'000
Opening balance	1,255,850	1,308,553
New borrowings – leases	75,824	294
Accrued repayments	(360)	23,491
Remeasurement of liability	774	(5,469)
Non-cash changes	76,238	18,316
Cash repayments	(36,487)	(71,019)
Closing balance	**1,295,601**	**1,255,850**

Department of Transport and Main Roads
Notes to the financial statements 2021–22

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 38 of the *Financial and Performance Management Standard 2019*.

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:
- Accessible – Deliver a transport system that is accessible and inclusive for our customers
- Safe – Provide a safe and secure transport system and Department of Transport and Main Roads workplaces
- Responsive – Actively manage a transport system that is responsive to evolving customer expectations and business disruptions
- Efficient – Deliver an efficient and reliable system to advance the movement of people and goods and optimise our resources
- Sustainable – Create an environmentally, economically and socially sustainable transport system that supports liveable and prosperous communities.

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

The department has elected not to consolidate its investment in the controlled entity Transmax Pty Ltd in accordance with AASB 127 *Separate Financial Statements*. Refer to Note 25.

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 policy, planning and investment frameworks to deliver an integrated transport network accessible to everyone.

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 enhance the safety of the transport system through quality regulation, road and maritime safety programs.

Customer experience

The objective of this service area is to understand evolving customer needs and expectations, to improve customer experiences and reduce complaints.

Passenger transport services

The objective of this service area is to connect Queensland through the delivery of customer focused passenger transport services.

Transport infrastructure construction and maintenance (RoadTek)

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

Department of Transport and Main Roads
Notes to the financial statements 2021–22

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

AGENCY ARRANGEMENTS

The department performs certain transactions in an agent capacity, and the receipts of such funds are not considered to be revenue for the department, nor are payments of these amounts considered to be expenses of the department. These transactions are not recognised in the financial statements but are disclosed in these notes for the information of users. Significant agency transactions are disclosed in Note 27.

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 12 Receivables
- Note 14 Intangible assets
- Note 15 Property, plant and equipment
- Note 16 Public private partnerships
- Note 19 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.

CLIMATE RISK DISCLOSURE

The department considers specific financial impacts relating to climate related risks by identifying and monitoring material accounting judgements and estimates used in preparing the financial report. This includes the potential for changes in asset useful lives, changes in the fair value of assets, provisions or contingent liabilities and changes in expenses and revenue.

The department has not identified any material climate related risks relevant to the financial statements at the reporting date, and no adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the financial year.

The State of Queensland, as the ultimate parent of the Department of Transport and Main Roads, has published a wide range of information and resources on climate change including the following whole-of-government publications in relation to climate risk, strategy and action:
- Climate Adaptation Strategy
- Climate Transition Strategy
- Climate Action Plan 2030
- Queensland Sustainability Report.

The department constantly monitors the emergence of climate risks under the Queensland Government's Climate Transition Strategy. As part of the Queensland Climate Change Response, the department is undertaking projects specifically designed to reduce greenhouse gas emissions and decarbonise the Queensland transport sector, and to improve the department's capability to assess climate risk, undertake adaptation planning and build climate resilience across the network.

FINANCIAL IMPACTS FROM THE COVID-19 PANDEMIC

The department continuously assesses the financial impacts of the COVID-19 pandemic, particularly in relation to fare revenue. The financial impact from reduced public transport patronage is estimated to cost the department $186.0m in 2022 ($173.0m in 2021) compared to the pre-pandemic level.

NEW AND REVISED ACCOUNTING STANDARDS

Australian Accounting Standards and Interpretations that have been issued or amended, but are not yet effective, have not been adopted by the department in accordance with Queensland Treasury policy.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

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

CHANGE IN ACCOUNTING POLICY

Configuration or customisation costs in cloud computing arrangements

Following the issuance of the International Financial Reporting Interpretations Committee's (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the department has changed its accounting policy for certain cloud computing and software-as-a-service (SaaS) costs. The effects of these changes are detailed in Note 14 and Note 15.

In completing the analysis of previously capitalised software the department must demonstrate control of the asset by obtaining economic benefits from the software and the ability to restrict access of others.

Where there is no control, configuration and customisation costs do not qualify as an intangible asset and are further assessed as to the appropriate timing of expense recognition using the following criteria:

- Where the configuration or customisation is considered as a distinct, separately identifiable, service from the subsequent access to the cloud software, the costs are expensed when the configuration or customisation received.
- Where the configuration or customisation is not a distinct service from the department's right to access the software, the costs are expensed over the period of access on a straight-line basis. A prepayment asset is recognised when the payment is made upfront.

Changes have been applied retrospectively with an adjustment to comparative opening balances as at 1 July 2020. However, a separate statement of financial position as at 1 July 2020 is not provided because the overall impact of these changes is not considered material.

The impacts are summarised in the table below:

Category	**$'000**
Impact on balances in 2020–21	
Intangible assets	($141,217)
Property, plant and equipment	($54,207)
Prepayments	$21,916
Accumulated Surplus	($173,508)
Revenue and expenses for 2020–21	
Supplies and services	$35,372
Depreciation and amortisation	($12,843)

MACHINERY-OF-GOVERNMENT CHANGES

Fines and penalty debt administration

As a result of the Public Service Departmental Arrangements Notice (No.1) 2022, the fines and penalty debt administration functions of the department were transferred to the Queensland Revenue Office within Queensland Treasury, effective from 1 February 2022. There were no assets or liabilities transferred as part of the arrangement, however 23 employees were transferred from the department to the Queensland Revenue Office.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

2 APPROPRIATIONS

	2022 $'000	2021 $'000
Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in operating result		
Budgeted appropriation revenue	5,947,975	5,673,004
Transfers to other departments	(1,322)	-
Transfers to other headings	(2,095)	(40,280)
Total appropriation received	5,944,558	5,632,724
Less: Opening balance of appropriation revenue receivable	(19,010)	-
Plus: Closing balance of appropriation revenue receivable	1,993	19,010
Plus: Opening balance of deferred appropriation payable to Consolidated Fund	-	61,290
Less: Closing balance of deferred appropriation payable to Consolidated Fund	-	-
Net appropriation revenue	5,927,541	5,713,024
Appropriation revenue recognised in Statement of comprehensive income	**5,927,541**	**5,713,024**
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	2,419,324	2,019,337
Transfers from other headings	91,639	344,306
Unforeseen expenditure *	330,326	-
Equity adjustment receipts	2,841,289	2,363,643
Equity adjustment recognised in contributed equity	**2,841,289**	**2,363,643**

* Unforeseen expenditure in 2022 is primarily due to accelerated expenditure on various capital programs.

Accounting policy

Appropriations provided under the *Appropriation Act 2021* are recognised as revenue when received. Where the department has an obligation to return unspent or unapplied appropriation receipts to the Consolidated Fund at year end, a deferred appropriation liability to the Consolidated Fund is recognised with a corresponding reduction to appropriation revenue, reflecting the net appropriation revenue position with the Consolidated Fund for the reporting period. Capital appropriations are recognised as adjustments to equity.

3 USER CHARGES AND FEES

	2022 $'000	2021 $'000
Compulsory third party administration fees	39,628	38,271
Fare revenue *	202,654	208,942
Merchant fees collected	10,431	9,552
National Heavy Vehicle Regulator	15,462	19,997
Personalised plates sales	88,182	86,146
Pilotage	96,927	94,532
Property rental	36,420	28,962
Recoverable works **	98,072	14,328
Registration fee surcharge	19,452	20,339
Services rendered	26,474	29,999
Toll revenue	19,727	18,748
Other	49,852	45,708
Total	**703,281**	**615,524**

* Fare revenue has decreased across passenger transport services due to the ongoing COVID-19 pandemic.

** Increase due to works completed for Queensland Rail relating to park and ride infrastructure of $66.907m, and $16.923m from the City of Gold Coast for local infrastructure improvements.

Accounting policy

User charges and fees are recognised as performance obligations are met and as goods or services are provided to the customer.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

4 GRANTS AND OTHER CONTRIBUTIONS

	2022 $'000	2021 $'000
Goods, services and assets received at below fair value *	71,576	5,022
Grants from City of Gold Coast **	17,000	-
Grants from Motor Accident Insurance Commission ***	187	4,240
Grants from Queensland Health ****	8,726	12,856
Grants from Queensland Reconstruction Authority *****	71,270	122,996
Subsidies from Department of Education for students with disabilities	43,137	39,568
Other	4,857	2,502
Total	**216,753**	**187,184**

* Includes infrastructure assets received from local governments of $54.840m.

** Grants related to the Gold Coast Light Rail system Stage 3.

*** Grants received for road safety campaigns.

**** Grants received for additional cleaning and sanitising costs incurred due to the COVID-19 pandemic.

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

Accounting policy

Grants, contributions and donations are non-reciprocal transactions where the department does not directly give approximately equal value to the grantor.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for the department to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case revenue is initially deferred as a contract liability and recognised as or when the performance obligations are satisfied.

Otherwise, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants received to construct non-financial assets controlled by the department. Special purpose capital grants are recognised as unearned revenue when received, and subsequently recognised progressively as revenue as the department satisfies its obligations under the grant through construction of the asset.

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, the amount representing the fair value is recognised as revenue with a corresponding expense for the same amount.

Contributed physical assets are recognised at their fair value.

5 EMPLOYEE EXPENSES

	2022 $'000	2021 $'000
Employee benefits		
Annual leave levy	47,365	42,608
Employer superannuation contributions	62,555	59,064
Long service leave levy	13,613	12,034
Wages and salaries	506,510	472,400
Other employee benefits	4,393	4,367
Employee related expenses		
Workers' compensation premium	3,029	2,821
Other employee related expenses	12,861	9,789
Total	**650,326**	**603,083**

The department's total employee expenditure was $897.836m in 2022 (2021: $846.384m). Of this $247.510m (2021: $243.301m) was capitalised to construction work in progress leaving $650.326m (2021: $603.083m) reported as employee expenses.

Number of full-time equivalent employees	**7,405**	**7,382**

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

Department of Transport and Main Roads
Notes to the financial statements 2021–22

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 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 the financial year. 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 for the Minister. 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 and post employment expenses including:
  - amounts expensed in respect of long service leave entitlements earned
  - 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.

1 July 2021 – 30 June 2022

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	553	79	-	**632**
Deputy Director-General (Customer Services, Safety and Regulation) (Exited 17.09.2021)	59	8	-	**67**
Acting Deputy Director-General (Customer Services, Safety and Regulation) (20.09.2021–30.06.2022)	212	31	-	**243**
Deputy Director-General (Infrastructure Management and Delivery)	299	38	-	**337**
Deputy Director-General (Policy, Planning and Investment)	295	38	-	**333**
Deputy Director-General * (Translink) (Appointed December 2021)	305	20	-	**325**
Deputy Director-General (Corporate)	259	34	-	**293**
Chief Operations Officer	242	31	-	**273**

* Includes $151,071 as the key management personnel officer was employed as a contractor for the period 1 July 2021 to 10 December 2021. The recruitment followed standard departmental policies and conditions for the procurement of such services.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

6 KEY MANAGEMENT PERSONNEL AND REMUNERATION EXPENSES (continued)

Remuneration expenses (continued)

1 July 2020 – 30 June 2021

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	554	79	-	**633**
Deputy Director-General (Customer Services, Safety and Regulation)	283	38	-	**321**
Deputy Director-General (Infrastructure Management and Delivery)	293	38	-	**331**
Deputy Director-General (Policy, Planning and Investment)	288	38	-	**326**
Deputy Director-General (Translink)	268	37	-	**305**
Deputy Director-General (Corporate)	253	35	-	**288**
Chief Operations Officer	244	31	-	**275**

Comparatives have been restated following a review of the calculation methodology and the removal of immaterial balances relating to short term relieving arrangements.

The alignment of payroll dates and calendar dates lead to an extra pay period in 2021.

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 material 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.

7 SUPPLIES AND SERVICES

	2022 $'000	2021 $'000
Administration	65,749	63,785
Contractors – including service contracts:		
Administrative and professional *	59,956	77,846
Information technology	78,320	40,725
Queensland Transport and Roads Investment Program (QTRIP)	483,024	446,053
Repairs and maintenance	86,948	55,263
Transport services – Queensland Rail **	1,998,842	1,912,301
Transport services – other	1,086,346	1,059,045
Other	40,270	31,466
Communication equipment and service charges	55,304	48,992
Motor vehicles – Qfleet	10,265	10,025
Office accommodation	53,984	51,258
Payments to other government agencies ***	50,641	44,694
Utilities	54,808	53,420
Raw materials	44,395	44,440
Other	81,650	99,452
Total	**4,250,502**	**4,038,765**

Department of Transport and Main Roads
Notes to the financial statements 2021–22

7 SUPPLIES AND SERVICES (continued)

* Comparatives have changed following the reclassification of expenditure associated with departmental cloud computing arrangements due to a change in accounting policy. Refer to Note 1.

** 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.

*** Payments to other government agencies includes Queensland Shared Services of $20.802m in 2022 (2021: $19.171m), the Queensland Government's primary information services provider CITEC of $24.952m in 2022 (2021: $23.125m), and other government entities of $4.887m in 2022 (2021: $2.398m).

The department's total supplies and services expenditure was $7.994b in 2022 (2021: $7.109b). Of this $3.743b (2021: $3.070b) was capitalised to construction work in progress leaving $4.251b (2021: $4.039b) reported as supplies and services.

8 GRANTS AND SUBSIDIES

	2022 $'000	2021 $'000
Assets provided to third parties at below fair value *	64,742	13,406
Public transport	89,208	94,034
School transport	164,927	156,500
Transport infrastructure **	410,337	313,822
Transport Infrastructure Development Scheme (TIDS)	69,870	82,923
Other	13,294	34,786
Total	**812,378**	**695,471**

* Includes $61.068m in 2022 for infrastructure assets transferred to local governments.

** Includes $80.0m in 2022 paid to the Brisbane City Council for the Brisbane Metro project.

9 FINANCE AND BORROWING COSTS

	2022 $'000	2021 $'000
Interest on lease liabilities	90	91
Interest on service concession arrangements	46,653	48,369
Interest on New Generation Rollingstock arrangement	33,228	69,418
Total	**79,971**	**117,878**

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 DEPRECIATION AND AMORTISATION

	2022 $'000	2021 $'000
Depreciation incurred for property, plant and equipment		
Buildings	48,950	51,299
Plant and equipment	39,294	41,100
Major plant and equipment	42,535	40,560
Infrastructure	1,038,373	951,074
Service concession assets	174,729	169,770
Right-of-use assets	167	321
Total	**1,344,048**	**1,254,124**

	2022 $'000	2021 $'000
Amortisation incurred		
Software purchased	2,642	2,192
Software internally generated *	8,989	8,819
Total	**11,631**	**11,011**

* Comparatives have changed following the reclassification of expenditure associated with departmental cloud computing arrangements due to a change in accounting policy. Refer to Note 1.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

11 OTHER EXPENSES

	2022 $'000	2021 $'000
Queensland Audit Office – external audit fees *	741	750
Audit fees – other **	1,033	793
Fees, permits and other charges	1,795	1,344
Insurance premiums	9,350	8,491
Loss on disposal of property, plant and equipment ***	3,941	24,551
Losses:		
Public monies	356	222
Public property	33	34
Special payments:		
Ex gratia payments	784	131
Court awarded damages	-	4
Compensation claims ****	8,233	2,302
Other	1,865	1,472
Total	**28,131**	**40,094**

* Total audit fees quoted by the Queensland Audit Office relating to the 2022 financial statements are $0.740m. Actual fees paid relating to the 2021 audit were $0.742m.

** Relates mainly to probity audits associated with road infrastructure projects.

*** Includes $13.580m in 2021 associated with Cross River Rail project related asset disposals.

**** Includes $7.206m paid to toll road operators for suspension of tolling due to the South East Queensland flood event.

The department's total other expenses was $48.405m in 2022 (2021: $72.570m). Of this $20.274m (2021: $32.476m) was capitalised to construction work in progress leaving $28.131m (2021: $40.094m) reported as other expenses.

Insurance

With the exception of bridge and tunnel assets, 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 *Disaster Recovery Funding Arrangements* (previously *Natural Disaster Relief and Recovery Arrangements*).

The department insures its open tender road construction contract activities for material damage, public and products liability, environmental impairment liability and professional indemnity 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 and sub-contractors.

The department's project risks and other non-current physical assets are insured through the Queensland Government Insurance Fund, with the exception of land, and New Generation Rollingstock and Gold Coast Light Rail assets which are insured by the service operator. 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 and insures its fleet assets through the open insurance market.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

12 RECEIVABLES

	2022 $'000	2021 $'000
Current		
Trade debtors	123,738	99,549
Other debtors	5,574	4,707
Less: Loss allowance *	(5,406)	(11,776)
	123,906	**92,480**
GST receivable	82,165	94,685
GST payable	(6,779)	(7,804)
	75,386	**86,881**
Annual leave reimbursements	15,406	13,545
Appropriation revenue receivable	1,993	19,010
Long service leave reimbursements	5,012	3,210
Other	5,010	7,714
	27,421	**43,479**
Total	**226,713**	**222,840**
Non-current		
Sublease receivable	3,274	3,229
Total	**3,274**	**3,229**

*** Movements in the loss allowance**

	2022 $'000	2021 $'000
Opening balance	11,776	10,050
Increase in allowance recognised in the operating result	1,162	2,375
Amounts written off during the year	(613)	(653)
Impairment loss reversal (amount recovered) **	(6,935)	-
Amounts recovered during the year previously written off	16	4
Closing balance ***	5,406	11,776

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

*** Recovery of previously impaired debt following renegotiation of the outstanding amount with the customer.

Receivables credit risk – ageing analysis

Past due but not impaired	Overdue				
	1-30 days $'000	31-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
2022					
Trade debtors	2,372	106	406	1,390	**4,274**
2021					
Trade debtors	2,093	524	533	1,458	**4,608**

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.

Under AASB 9 *Financial instruments* the department has assessed the historical trend of its receivables to calculate loss rates adjusted for forward-looking information. Historical rates are calculated using credit losses experienced during the past 10 years preceding 30 June 2022, adjusted by the unemployment rate, which is determined to be the most relevant forward-looking indicator for the department. The calculated lifetime expected credit loss allowance is then applied to trade receivables. No additional loss allowance has been recognised in the current financial year based on materiality.

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

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 20.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

13 PREPAYMENTS

	2022 $'000	2021 $'000
Current		
Insurance	2,805	3,868
New Generation Rollingstock accessibility works *	61,109	60,519
Pilotage	1,030	2,030
Prepaid salaries	2,941	5,582
Queensland Rail transport services contract	-	17,500
Software and data agreements **	24,996	36,606
Other	910	3,446
Total	**93,791**	**129,551**
Non-current		
Insurance	4,019	5,020
New Generation Rollingstock accessibility works *	138,994	175,648
Software and data agreements	1,353	743
Other	61	348
Total	**144,427**	**181,759**

* Milestone payments on rectification works for New Generation Rollingstock train sets made in accordance with the variation deed entered into with the vendor. Residual payments have been recognised as a provision. Refer to Note 19.

** Comparatives have changed following the reclassification of expenditure associated with departmental cloud computing arrangements due to a change in accounting policy. Refer to Note 1.

14 INTANGIBLE ASSETS

	Software purchased 2022 $'000	Software internally generated* 2022 $'000	Software work in progress 2022 $'000	Other 2022 $'000	Total 2022 $'000
Gross value	33,536	281,981	44,114	4,350	**363,981**
Less: Accumulated amortisation	(19,050)	(254,751)	-	(4)	**(273,805)**
Carrying amount at 30 June	**14,486**	**27,230**	**44,114**	**4,346**	**90,176**
Reconciliation					
Carrying amount at 1 July	9,847	35,426	35,935	4,346	**85,554**
Acquisitions (including upgrades)	-	-	17,912	-	**17,912**
Transfers between classes	7,281	793	(8,074)	-	**-**
Transfers to property, plant and equipment	-	-	(409)	-	**(409)**
Projects written off	-	-	(1,250)	-	**(1,250)**
Amortisation	(2,642)	(8,989)	-	-	**(11,631)**
Carrying amount at 30 June	**14,486**	**27,230**	**44,114**	**4,346**	**90,176**

Department of Transport and Main Roads
Notes to the financial statements 2021–22

14 INTANGIBLE ASSETS (continued)

	Software purchased 2021 $'000	Software internally generated* 2021 ** $'000	Software work in progress 2021 $'000	Other 2021 $'000	Total 2021 $'000
Gross value	26,254	282,718	35,935	4,350	**349,257**
Less: Accumulated amortisation	(16,407)	(247,292)	-	(4)	**(263,703)**
Carrying amount at 30 June	**9,847**	**35,426**	**35,935**	**4,346**	**85,554**
Reconciliation					
Carrying amount at 1 July	12,039	36,662	23,290	4,207	**76,198**
Acquisitions (including upgrades)	-	-	21,963	-	**21,963**
Transfers between classes	-	4,473	(4,473)	-	**-**
Transfers from/(to) property, plant and equipment	-	3,110	(4,495)	139	**(1,246)**
Projects written off	-	-	(350)	-	**(350)**
Amortisation	(2,192)	(8,819)	-	-	**(11,011)**
Carrying amount at 30 June	**9,847**	**35,426**	**35,935**	**4,346**	**85,554**

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

- Portfolio, Program, Project and Contract Management software that has a carrying amount of $12.533m (2021: $16.710m) and a remaining amortisation period of 3 years.
- New Queensland Drivers Licence software that has a carrying amount of $6.382m (2021: $7.654m) and a remaining amortisation period of 5 years.

** Comparatives have changed following the reclassification of expenditure associated with departmental cloud computing arrangements due to a change in accounting policy. Refer to Note 1.

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.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred. Any training costs are expensed as incurred.

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	11
Intangibles – internally generated	Straight-line	15
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.

15 PROPERTY, PLANT AND EQUIPMENT

	Land 2022 $'000	Buildings 2022 $'000	Plant and equipment 2022 $'000	Major plant and equipment 2022 $'000	Infrastructure * ** 2022 $'000	Work in progress 2022 $'000	Total 2022 $'000
Gross value	6,023,069	1,108,316	679,290	1,322,862	96,904,142	5,574,785	**111,612,464**
Less: Accumulated depreciation	-	(297,630)	(494,664)	(153,319)	(23,667,132)	-	**(24,612,745)**
Carrying amount at 30 June	**6,023,069**	**810,686**	**184,626**	**1,169,543**	**73,237,010**	**5,574,785**	**86,999,719**
Reconciliation							
Carrying amount at 1 July	5,250,177	764,733	199,372	1,129,823	61,106,934	6,076,782	**74,527,821**
Acquisitions (including upgrades)	204,348	26,192	16,059	-	74	3,650,529	**3,897,202**
Assets received at below fair value	9,676	25	-	-	59,643	2,232	**71,576**
Transfers from/(to) other Queensland Government entities	(19,037)	-	-	-	5,056	-	**(13,981)**
Transfers between classes	-	-	9,712	63,716	4,081,330	(4,154,758)	**-**
Transfers from intangibles	-	-	409	-	-	-	**409**
Disposals	-	(128)	(1,632)	-	(2,989)	-	**(4,749)**
Assets provided to third parties at below fair value	-	-	-	-	(64,742)	-	**(64,742)**
Assets reclassified as held for sale	(14,915)	(1,212)	-	-	-	-	**(16,127)**
Net revaluation increments	592,820	70,026	-	18,539	9,090,077	-	**9,771,462**
Depreciation	-	(48,950)	(39,294)	(42,535)	(1,038,373)	-	**(1,169,152)**
Carrying amount at 30 June	**6,023,069**	**810,686**	**184,626**	**1,169,543**	**73,237,010**	**5,574,785**	**86,999,719**

Fair value reconciliation for land and building assets classified as level 3 – fair value substantially derived from unobservable inputs (refer to the following accounting policy)

	Land 2022 $'000	Buildings 2022 $'000
Carrying amount at 1 July	94,364	506,442
Acquisitions	-	353
Transfer from level 2 to level 3	(2,274)	-
Transfer from level 3 to level 2	(6)	-
Transfers to other Queensland Government entities	(13)	-
Disposals	-	(121)
Assets reclassified as held for sale	(280)	-
Net revaluation increments	13,037	43,956
Depreciation	-	(22,393)
Carrying amount at 30 June	104,828	528,237

* Infrastructure consists of roads with a gross replacement cost of $76.458b and a current replacement cost of $60.770b, structures with a gross replacement cost of $19.612b and a current replacement cost of $11.978b and other infrastructure with a gross replacement cost of $0.834b and a current replacement cost of $0.489b.

** The department has assessed market sensitivity and the fair value movements from the valuation date to 30 June 2022 for its significant assets. Accordingly an additional adjustment of $7.055b has been made to the carrying amount of road assets since the valuation, as a result of significant increases in the market rates of inputs such as raw materials and plant and labour.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

15 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment *	Major plant and equipment	Infrastructure **	Work in progress ***	Total
	2021	2021	2021	2021	2021	2021	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross value	5,250,177	1,039,577	671,440	1,234,092	81,752,936	6,076,782	**96,025,004**
Less: Accumulated depreciation	-	(274,844)	(472,068)	(104,269)	(20,646,002)	-	**(21,497,183)**
Carrying amount at 30 June	**5,250,177**	**764,733**	**199,372**	**1,129,823**	**61,106,934**	**6,076,782**	**74,527,821**
Reconciliation							
Carrying amount at 1 July	4,652,623	851,886	219,170	1,104,194	58,745,687	4,083,868	**69,657,428**
Acquisitions (including upgrades)	58,868	81	31,995	-	-	3,174,622	**3,265,566**
Assets received at below fair value	1,047	-	-	-	-	3,975	**5,022**
Transfers from/(to) other Queensland Government entities	(1,119)	-	-	-	-	-	**(1,119)**
Transfers between classes	1,792	12,808	(10,894)	46,945	1,135,032	(1,185,683)	**-**
Transfers from/(to) intangibles	(139)	-	1,385	-	-	-	**1,246**
Disposals	(846)	(21,099)	(1,527)	-	(2,207)	-	**(25,679)**
Assets provided to third parties at below fair value	-	(5,485)	-	-	(7,921)	-	**(13,406)**
Assets reclassified as held for sale	(23,350)	(851)	-	-	-	-	**(24,201)**
Net revaluation increments	561,301	(21,308)	343	19,244	2,187,417	-	**2,746,997**
Depreciation	-	(51,299)	(41,100)	(40,560)	(951,074)	-	**(1,084,033)**
Carrying amount at 30 June	**5,250,177**	**764,733**	**199,372**	**1,129,823**	**61,106,934**	**6,076,782**	**74,527,821**

Fair value reconciliation for land and building assets classified as level 3 – fair value substantially derived from unobservable inputs (refer to the following accounting policy)

	Land	Buildings
	2021	2021
	$'000	$'000
Carrying amount at 1 July	12,074	564,885
Acquisitions	1	-
Transfer from level 2 to level 3	94,157	33,062
Transfer from level 3 to level 2	(1,463)	(425)
Transfers to other Queensland Government entities	(58)	-
Transfers between classes	4,987	499
Disposals	(62)	(13,958)
Assets provided to third parties at below fair value	-	(5,485)
Net revaluation decrements	(15,272)	(54,169)
Depreciation	-	(17,967)
Carrying amount at 30 June	94,364	506,442

* The heritage and cultural asset class is no longer separately disclosed in the financial statements due to its insignificant value. These assets are carried at cost under the plant and equipment asset class.

** Infrastructure consists of roads with a gross replacement cost of $62.807b and a current replacement cost of $49.262b, structures with a gross replacement cost of $18.195b and a current replacement cost of $11.410b and other infrastructure with a gross replacement cost of $0.751b and a current replacement cost of $0.434b.

*** Comparatives have changed following the reclassification of expenditure associated with departmental cloud computing arrangements due to a change in accounting policy. Refer to Note 1.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy

Recognition threshold

All items of property, plant and equipment are recognised when the cost exceeds the following thresholds:
- Land $1
- Buildings $10,000
- Plant and equipment $5000
- Major plant and equipment $5000
- Infrastructure $10,000

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 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.

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	37
Plant and equipment	Straight-line	10
Major plant and equipment	Straight-line	30
Work in progress	Not depreciated	–

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	24
	Pavements	Straight-line	61
	Formation earthworks	Not depreciated	Indefinite life
	Formation earthworks	Straight-line	27
Structures – bridges, tunnels and major culverts	–	Straight-line	89
Other – mainly marine infrastructure	–	Straight-line	55

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.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

15 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 Resources 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.

Valuation 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, major plant and equipment and infrastructure assets are measured and reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent relevant accumulated depreciation and accumulated impairment.

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

Effective from 1 July 2021, heritage and cultural assets are included in the plant and equipment asset class and are no longer revalued as cost is considered to be fair value.

Road infrastructure assets are valued on an annual basis by suitably qualified departmental officers and external experts. Land, buildings, major plant and equipment and other infrastructure assets are assessed by qualified valuers at least once every five years with appropriate indices being applied in the intervening years.

During 2021–22 fair values within the land, buildings and major plant and equipment assets class were updated using suitable indices.

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.

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy (continued)
Valuation of property, plant and equipment (continued)

Land

The department’s land was last revalued based on specific appraisal by external valuers and the department's Strategic Property Management unit as at September 2020. The fair value of land was based on recent comparable sales of similar land. Factors such as land restrictions, availability of market information and comparable sales were also taken into consideration during this specific appraisal.

The State Valuation Service has provided an individual factor change per property to determine fair value in 2022. In determining indices, the valuation incorporated market sales data, land valuations issued by the Valuer-General, the location of the department's land, its size, shape, street or road frontage and access and any other significant restrictions.

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 various external valuers and registered valuers from the departments Strategic Property Management unit effective as at September 2020. The fair value of building assets was based on recent comparable sales. Factors such as current building use, availability of market information and building condition were also taken into consideration during this specific appraisal.

The department's buildings were revalued in 2022 based on indexation information provided by various external valuers.

The department's building assets are categorised as a combination of level 2 and level 3 in accordance with AASB 13 *Fair Value Measurement*. Significant buildings not used for residential purposes without an active market have been classified as level 3.

Major plant and equipment

The department's major plant and equipment was last revalued based on specific appraisal by an external valuer as at September 2020.

The valuation method used is current replacement cost as there is no active market existing for such assets. The approach consists of reviewing recent local and international rolling stock contracts adjusted for the relevant producer price index and historical exchange rates.

The department's major plant and equipment was revalued in 2022 based on indexation information provided by an external valuer.

Significant judgement is also used to assess the remaining service potential of the assets, including current condition.

In accordance with AASB 13 *Fair Value Measurement*, major plant and equipment assets are categorised as level 3.

Infrastructure

A full management valuation of the road infrastructure network asset as at 31 March 2022 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.

The valuation involves a resource-based assessment to develop unit rates that provide a sound representation of the cost of replacing the service potential embodied in the asset. This process utilises the following key assumptions and judgements:

- Stereotypical roads – The road network is broken down into stereotypical roads as a way of standardising the complexities involved in road construction.
  The department estimates 13 different road stereotypes 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). Stereotypes range from unformed roads through to major motorways and busways and are further defined by complex category and sub-category mapping (for example, terrain – rolling, level, mountainous).

Department of Transport and Main Roads
Notes to the financial statements 2021–22

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policy (continued)
Valuation of property, plant and equipment (continued)

Infrastructure (continued)

- Project work breakdown structure (WBS) – Each stereotype is supported by a complex breakdown of WBS schedules representing the types of projects that would be undertaken to replace and renew relevant asset components.
  As WBS represent a standardised road construction, assumptions are made on the area used for each WBS. The areas have been determined by a firm of consultant engineers and are reviewed and updated as necessary. There is a small number of derived WBS schedules that are based on other similar WBS instead of their own schedule of work activities.
- Unit rates – The unit rates applied to stereotypical roads are priced by an expert estimating firm using current market rates of inputs such as raw materials, plant and labour to underpin the detailed WBS schedules representing the way in which certain stereotypical roads would be replaced. Inputs are sourced directly from suppliers and subcontractors competing in the marketplace in Queensland.

  The 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 extensive rule set that is 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 determines the current replacement cost of structures on the infrastructure network through an approach that takes into consideration an expert review of actual construction costs and resource rates to replace existing bridges, tunnels and major culverts. This is achieved by referencing past works of similar construction method and moderating for changes in market movements through a combination of market indexation and referencing of recent actual construction costs and resource rates.

Unit rates for the current replacement cost of bridges and tunnels are derived from a combination of the current and prior four years' project costs and other departmental system reports, and market indexation, moderated by internal engineering experts. Unit rates for the current replacement cost of major culverts are derived from resource rates and use of the Expert Estimation tool, moderated by internal engineering experts. These unit rates are then certified by the department's Deputy Chief Engineer (Structures).

The department's other infrastructure was revalued as at September 2020 based on specific appraisal by an external valuer using a costing database similar to the unit rates process used for road infrastructure. During 2022 these asset values were indexed using suitable indices supplied by external valuers.

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

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

As the department is a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise, since property, plant and equipment is carried at fair value or an amount that approximates fair value in rare circumstances.

16 PUBLIC PRIVATE PARTNERSHIPS

SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059

Service concession assets	Gold Coast Light Rail – G:link 2022 $'000	Toowoomba Bypass 2022 $'000	Airportlink M7 2022 $'000	Gateway Motorway 2022 $'000	Logan Motorway 2022 $'000	Port Drive 2022 $'000	Brisbane Airport Rail Link 2022 $'000	Work in progress * 2022 $'000	Total 2022 $'000
Gross value	855,582	1,499,952	6,720,198	3,352,154	1,651,864	48,810	493,813	228,784	**14,851,157**
Less: Accumulated depreciation	(126,563)	(63,423)	(913,410)	(485,701)	(179,137)	(2,241)	(163,230)	-	**(1,933,705)**
Carrying amount at 30 June	**729,019**	**1,436,529**	**5,806,788**	**2,866,453**	**1,472,727**	**46,569**	**330,583**	**228,784**	**12,917,452**
Reconciliation									
Carrying amount at 1 July	650,600	1,313,963	5,334,682	2,439,358	1,775,177	45,622	317,557	-	**11,876,959**
Acquisitions	-	-	-	-	-	-	-	228,784	**228,784**
Net revaluation increments/(decrements) **	100,698	141,198	557,318	454,400	(287,539)	1,456	18,907	-	**986,438**
Depreciation	(22,279)	(18,632)	(85,212)	(27,305)	(14,911)	(509)	(5,881)	-	**(174,729)**
Carrying amount at 30 June	**729,019**	**1,436,529**	**5,806,788**	**2,866,453**	**1,472,727**	**46,569**	**330,583**	**228,784**	**12,917,452**
Liabilities									
Financial liabilities	256,069	404,922	-	-	-	-	-	76,367	**737,358**
Unearned revenue	-	-	4,111,070	1,737,302	1,370,952	41,451	126,719	-	**7,387,494**
Total	**256,069**	**404,922**	**4,111,070**	**1,737,302**	**1,370,952**	**41,451**	**126,719**	**76,367**	**8,124,852**

* Work in progress relates to the Gold Coast Light Rail stage 3 assets.

** The department has assessed market sensitivity and fair value movements from the valuation date to 30 June 2022 for its significant assets. Accordingly an additional adjustment of $329.530m has been made to the carrying amount of the Toowoomba Bypass, AirportLink, Gateway and Logan motorway assets since the valuation, as a result of significant increases in the market rates of inputs such as raw materials, plant and labour.

16 PUBLIC PRIVATE PARTNERSHIPS (continued)

SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059 (continued)

Service concession assets	Gold Coast Light Rail – G:link 2021 $'000	Toowoomba Bypass 2021 $'000	Airportlink M7 2021 $'000	Gateway Motorway 2021 $'000	Logan Motorway 2021 $'000	Port Drive 2021 $'000	Brisbane Airport Rail Link 2021 $'000	Work in progress 2021 $'000	Total 2021 $'000
Gross value	741,279	1,352,856	6,085,425	2,943,032	1,980,490	47,557	465,906	-	**13,616,545**
Less: Accumulated depreciation	(90,679)	(38,893)	(750,743)	(503,674)	(205,313)	(1,935)	(148,349)	-	**(1,739,586)**
Carrying amount at 30 June	**650,600**	**1,313,963**	**5,334,682**	**2,439,358**	**1,775,177**	**45,622**	**317,557**	**-**	**11,876,959**
Reconciliation									
Carrying amount at 1 July	753,451	1,116,267	5,401,408	2,430,539	1,770,778	47,133	320,462	-	**11,840,038**
Net revaluation increments/(decrements)	(80,762)	212,417	16,755	36,190	20,228	(907)	2,770	-	**206,691**
Depreciation	(22,089)	(14,721)	(83,481)	(27,371)	(15,829)	(604)	(5,675)	-	**(169,770)**
Carrying amount at 30 June	**650,600**	**1,313,963**	**5,334,682**	**2,439,358**	**1,775,177**	**45,622**	**317,557**	**-**	**11,876,959**
Liabilities									
Financial liabilities	279,787	414,622	-	-	-	-	-	-	**694,409**
Unearned revenue	-	-	4,228,247	1,796,195	1,417,426	41,927	135,878	-	**7,619,673**
Total	**279,787**	**414,622**	**4,228,247**	**1,796,195**	**1,417,426**	**41,927**	**135,878**	**-**	**8,314,082**

16 PUBLIC PRIVATE PARTNERSHIPS (continued)

SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059 (continued)

Accounting policy

Service concession assets are measured at current replacement cost on initial recognition or reclassification, and are subsequently measured at fair value determined using current replacement cost.

Assets under service concession arrangements were last revalued by suitably qualified and experienced departmental engineers and various external valuers during the 2020–21 financial year. Assets under service concession arrangements consist of major plant and equipment, plant and equipment, buildings and infrastructure asset classes.

During 2021–22, fair values of assets under Gold Coast Light Rail - G:link, Toowoomba Bypass, Airportlink and Brisbane Airport Rail Link were remeasured using suitable indices. A full management valuation as at 31 March 2022 was completed by suitably qualified and experienced departmental engineers and staff for assets under Gateway Motorway, Logan Motorway and Port Drive.

Major plant and equipment, plant and equipment, buildings and infrastructure asset measurement and valuation methodologies are disclosed in Note 15.

The current replacement cost valuation of infrastructure assets undertaken by external valuers takes into consideration the cost of a similar standard asset providing the same functionality in the same location. The new asset is assumed to be constructed to current standards however with no additional functionality.

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

Straight-line depreciation has been applied to all depreciable asset components and the following depreciation rates are applied in each arrangement:

Component	Service concession arrangement	Average useful life
Buildings	Gold Coast Light Rail – G:link	29
Plant and equipment	Gold Coast Light Rail – G:link	29
Major plant and equipment	Gold Coast Light Rail – G:link	33
Infrastructure	Gold Coast Light Rail – G:link	78
	Toowoomba Bypass *	82
	Airportlink M7 *	46
	Gateway Motorway *	78
	Logan Motorway *	67
	Port Drive *	44
	Brisbane Airport Rail Link	46

* Arrangements containing formation earthworks asset components which are non-depreciable.

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. The 7.3km stage two route connects the existing light rail system at Gold Coast University Hospital to heavy rail at Helensvale station. Stage two of the system commenced operations on 18 December 2017.

During the 15 year operations period, at an implicit rate of 9.23%, GoldLinQ is paid monthly performance based payments for operations, maintenance and repayment of the debt finance used to construct the light rail system. The state receives fare-box and advertising revenue generated by the light rail system.

In March 2022 the department entered into a contractual arrangement with GoldLinQ for stage three of the Gold Coast Light Rail system. Early works have been completed and construction on Stage three of the system has commenced. Stage three will extend the light rail from Broadbeach to Burleigh Heads. The 6.7km extension south of the existing tram network will link Helensvale to Burleigh Heads and provide eight additional stations and 5 new light rail vehicles.

Planning has begun for the Gold Coast Light Rail Stage four, a 13km extension south of the light rail Stage three, linking Burleigh Heads to Coolangatta via the Gold Coast Airport.

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

Department of Transport and Main Roads
Notes to the financial statements 2021–22

16 PUBLIC PRIVATE PARTNERSHIPS (continued)

SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059 (continued)

Gold Coast Light Rail – G:link (continued)

The estimated future cash flows excluding GST are detailed below:

	Note	2022 $'000	2021 $'000
Estimated cash flows			
Inflows:			
Not later than one year		17,721	21,996
Later than one year but not later than five years		96,732	94,230
Later than five years but not later than ten years		103,165	128,290
Outflows:			
Not later than one year		(111,650)	(111,048)
Later than one year but not later than five years		(506,474)	(460,676)
Later than five years but not later than ten years		(281,783)	(384,376)
Estimated net cash flow		**(682,289)**	**(711,584)**

	Note	2022 $'000	2021 $'000
Operating statement impact			
Revenue			
Advertising		458	271
Fare revenue	3	11,813	10,890
Expenses			
Depreciation	10	22,279	22,089
Interest	9	24,204	26,193
Service expenses		62,553	60,810
Net impact on operating result		**(96,765)**	**(97,931)**

Toowoomba Bypass

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 bypass opened to traffic in September 2019 and toll collection commenced in December 2019, with Transurban Queensland contracted to provide the tolling collection service on behalf of the department.

The department will make ongoing quarterly service payments over the 25 year operation and maintenance period at an implicit interest rate of 5.32%, which includes repayment of the debt finance used to construct the bypass. Maintenance payments are expensed during the relevant year.

At the expiry of the concession period the department will retain ownership of the road infrastructure.

The estimated future cash flows excluding GST are detailed below:

	2022 $'000	2021 $'000
Estimated cash flows		
Inflows:		
Not later than one year	19,269	17,571
Later than one year but not later than five years	87,467	75,656
Later than five years but not later than ten years	129,186	108,246
Later than ten years	453,455	395,529
Outflows:		
Not later than one year	(46,997)	(47,297)
Later than one year but not later than five years	(202,062)	(198,206)
Later than five years but not later than ten years	(296,108)	(289,753)
Later than ten years	(748,988)	(807,120)
Estimated net cash flow	**(604,778)**	**(745,374)**

Department of Transport and Main Roads
Notes to the financial statements 2021–22

16 PUBLIC PRIVATE PARTNERSHIPS (continued)

SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059 (continued)

Toowoomba Bypass (continued)

	Note	2022 $'000	2021 $'000
Operating statement impact			
Revenue			
Interest rate adjustment		13,496	6,931
Toll revenue	3	19,727	18,748
Expenses			
Depreciation	10	18,632	14,721
Interest	9	21,675	22,176
Service expenses		8,579	24,267
Tolling operations		1,687	1,674
Net impact on operating result		**(17,350)**	**(37,159)**

Airportlink M7

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 a 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.

At the expiry of the concession period, the department will retain ownership of the toll road assets.

	Note	2022 $'000	2021 $'000
Operating statement impact			
Revenue			
Amortisation of unearned revenue		117,181	117,181
Expenses			
Depreciation	10	85,212	83,481
Net impact on operating result		**31,969**	**33,700**

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 including the Gateway Extension 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.

At the expiry of the concession period, the department will retain ownership of the toll road assets.

	Note	2022 $'000	2021 $'000
Operating statement impact			
Revenue			
Amortisation of unearned revenue		105,365	105,365
Expenses			
Depreciation	10	42,216	43,200
Net impact on operating result		**63,149**	**62,165**

Department of Transport and Main Roads
Notes to the financial statements 2021–22

	Note	2022 $'000	2021 $'000

16 PUBLIC PRIVATE PARTNERSHIPS (continued)

SERVICE CONCESSION ARRANGEMENTS UNDER AASB 1059 (continued)

Port Drive

A Road Franchise Agreement (RFA) was established between the state and Port of Brisbane Pty Ltd in November 2000 to maintain and manage the Port Drive motorway. In 2010, APH Consortium signed a 99 year lease over the port, which included an agreement to fund a major upgrade to the motorway.

The Port Drive motorway is a franchised road, but is not a toll road. The operator obtains indirect benefits of ongoing maintenance of the road infrastructure through increased capacity and access to the port precinct.

At the expiry of the concession period the department will retain ownership of the motorway assets.

	Note	2022 $'000	2021 $'000
Operating statement impact			
Revenue			
Amortisation of unearned revenue		474	474
Expenses			
Depreciation	10	509	604
Net impact on operating result		**(35)**	**(130)**

Brisbane Airport Rail Link (Airtrain)

In 1998, the state entered into a 35 year concession arrangement with Airtrain Citylink Limited 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 operate phase of the agreement after the 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.

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

	Note	2022 $'000	2021 $'000
Operating statement impact			
Revenue			
Amortisation of unearned revenue		9,160	9,160
Expenses			
Depreciation	10	5,881	5,675
Net impact on operating result		**3,279**	**3,485**

PUBLIC PRIVATE PARTNERSHIPS OUTSIDE OF THE SCOPE OF AASB 1059

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 at an implicit rate of 12.21%. The arrangement involves the department paying the consortium a series of availability payments over the concession period. The project was refinanced from July 2021 to a floating interest rate. The interest rates for 2021–22 ranged from 5.90% to 6.12%. Alstom acquired Bombardier Transportation in January 2021.

In June 2016 the maintenance centre was accepted by the department and a lease asset and lease liability was recognised. All 75 train sets were accepted and recognised by December 2019.

Upon the application of AASB 1059 *Service Concession Arrangements: Grantors*, the NGR public private partnership was assessed and determined to be out of scope of the accounting standard, as the provider of the assets does not operate or manage the passenger train services provided by the train sets. Accordingly, the department accounts for the arrangement as an outsourced service contract with the payment stream representing availability payments and borrowing repayments.

The train sets are recognised as major plant and equipment assets, while the maintenance centre, associated rail infrastructure and technical equipment are classified as buildings, infrastructure, plant and equipment and work in progress respectively in Note 15.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

16 PUBLIC PRIVATE PARTNERSHIPS (continued)

PUBLIC PRIVATE PARTNERSHIPS OUTSIDE OF THE SCOPE OF AASB 1059 (continued)

New Generation Rollingstock (NGR) (continued)

	Note	2022 $'000	2021 $'000
Assets			
Buildings		174,818	166,022
Major plant and equipment		1,149,491	1,111,413
Infrastructure		41,184	37,394
Plant and equipment		11,531	13,488
Work in progress		46,199	67,581
Closing balance		**1,423,223**	**1,395,898**
Liabilities			
Financial liabilities	18	554,873	557,974
Total		**554,873**	**557,974**

In March 2019, an amendment deed was signed by NGR Project Company Pty Ltd to rectify the trains in accordance with the *Disability Standards for Accessible Public Transport 2002 (Cth)*. Rectification of the trains is expected to be completed by 2024. Rectification works have been completed for fifteen trains in 2021–22, with a total of 18 units upgraded to date under this agreement. Refer to Note 19.

Ownership of the train sets and maintenance centre resides with the department during the period of the arrangement.

The estimated future cash flows excluding GST are detailed below:

	Note	2022 $'000	2021 $'000
Estimated cash flows			
Inflows:			
Not later than one year		-	-
Later than one year but not later than five years		-	-
Later than five years but not later than ten years		-	-
Later than ten years		-	-
Outflows:			
Not later than one year		(46,764)	(98,656)
Later than one year but not later than five years		(356,386)	(666,892)
Later than five years but not later than ten years		(812,509)	(723,933)
Later than ten years		(2,512,194)	(2,385,094)
Estimated net cash flow		**(3,727,853)**	**(3,874,575)**
Operating statement impact			
Expenses			
Depreciation	10	49,659	47,718
Interest	9	33,228	69,418
Service expenses		46,048	45,516
Net impact on operating result		**(128,935)**	**(162,652)**

17 PAYABLES

	Note	2022 $'000	2021 $'000
Current			
Grants and subsidies payable		75,092	42,890
Trade creditors		575,496	608,343
Other		32,649	35,934
Total		**683,237**	**687,167**

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.

Department of Transport and Main Roads
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18 BORROWINGS

	2022 $'000	2021 $'000
Current		
Lease liabilities	96	238
Financial liabilities – Service concession arrangements	36,775	33,417
New Generation Rollingstock arrangement	3,501	3,061
Total	**40,372**	**36,716**
Non-current		
Lease liabilities	3,274	3,229
Financial liabilities – Service concession arrangements	700,583	660,992
New Generation Rollingstock arrangement	551,372	554,913
Total	**1,255,229**	**1,219,134**

19 PROVISIONS

	2022 $'000	2021 $'000
Current		
Property resumptions	182,203	148,582
New Generation Rollingstock rectification works	46,515	46,515
Total	**228,718**	**195,097**
Non-current		
Property resumptions	122,271	151,027
New Generation Rollingstock rectification works	59,539	87,447
Total	**181,810**	**238,474**

Movements in provision for property resumptions

	2022 $'000	2021 $'000
Current		
Opening balance	148,582	161,065
Restatement of provision	6,009	7,787
Additional provision recognised	11,686	31,926
Reduction in provision as a result of payments	(29,857)	(41,897)
Reclassification from/(to) non-current provision	45,783	(10,299)
Closing balance	182,203	148,582
Non-current		
Opening balance	151,027	120,605
Restatement of provision	(9,584)	(15,850)
Additional provision recognised	27,269	40,630
Reduction in provision as a result of payments	(658)	(4,657)
Reclassification (to)/from current provision	(45,783)	10,299
Closing balance	122,271	151,027

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.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

19 PROVISIONS (continued)

Movements in provision for New Generation Rollingstock rectification works

	2022 $'000	2021 $'000
Current		
Opening balance	46,515	67,375
Reduction in provision as a result of payments	(27,908)	(67,375)
Reclassification from/(to) non-current provision	27,908	46,515
Closing balance	46,515	46,515
Non-current		
Opening balance	87,447	133,962
Reclassification (to)/from current provision	(27,908)	(46,515)
Closing balance	59,539	87,447

Provision for New Generation Rollingstock rectification works

The department undertook a review of the New Generation Rollingstock (NGR) train sets' compliance with the disability legislation and functional requirements in June 2017 and it was identified that the train sets required rectification works to be undertaken to ensure compliance with the *Disability Standards for Accessible Public Transport 2002 (Cth)*. In 2018 the Minister for Transport and Main Roads committed to working with the disability sector to modify the trains. Rectification works are scheduled to be completed by 2024. This gives rise to a constructive obligation as there is an expectation that the department will honour this commitment. The department recognises a provision to account for the remainder of the rectification works it expects to pay for NGR train sets based on the variation deed entered into with the vendor.

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.

20 ACCRUED EMPLOYEE BENEFITS

	2022 $'000	2021 $'000
Current		
Annual leave levy payable	18,078	19,056
Long service leave levy payable	5,078	4,457
Salaries and wages outstanding	6,087	5,340
Other	2,616	2,378
Total	**31,859**	**31,231**

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.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

20 ACCRUED EMPLOYEE BENEFITS (continued)

Accounting policy (continued)

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.

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. The former QSuper defined benefit categories are now administered by Australian Retirement Trust.

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.

21 OTHER LIABILITIES

	2022 $'000	2021 $'000
Current		
Advance payments by Queensland Reconstruction Authority *	29,286	25,761
Advance payments by Australian Rail Track Corporation **	103,740	67,524
go card deposits held	43,940	44,150
go card stored value – unearned revenue ***	51,005	49,416
Other	6,223	4,267
Total	**234,194**	**191,118**

* Advance payments received from Queensland Reconstruction Authority for projects relating to natural disasters.

** Land acquisition payments received from the Australian Rail Track Corporation (ARTC) for the Inland Rail project.

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

Department of Transport and Main Roads
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22 INCOME TAX EQUIVALENTS

Income tax equivalent expense

	2022 $'000	2021 $'000
Current tax equivalents	9,500	5,840
Deferred tax equivalent expense relating to temporary differences	556	2,090
Under provision in previous years	6,204	-
Income tax equivalent expense attributable to profit from ordinary activities	**16,260**	**7,930**

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

	2022 $'000	2021 $'000
Accounting profit before tax	33,580	26,437
Prima facie tax at applicable rate of 30%	10,074	7,930
Adjustments for non-temporary differences and excluded temporary differences:		
Other non-deductible expenses	(18)	-
Under provision in previous years	6,204	-
Income tax equivalent expense attributable to profit from ordinary activities	**16,260**	**7,930**

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

	2022 $'000	2021 $'000
Deferred tax assets opening balance	3,852	5,942
Decrease in deferred tax assets	(556)	(2,090)
Deferred tax assets at 30 June	**3,296**	**3,852**

Proof of deferred tax assets

	2022 $'000	2021 $'000
Deferred tax assets:		
Property, plant and equipment	3,153	3,734
Other items	143	118
Net deferred tax assets at 30 June	**3,296**	**3,852**

Reconciliation of current tax (receivable)/payable

	2022 $'000	2021 $'000
Opening balance	(2,486)	473
Net movements	1,185	(2,959)
Current tax receivable at 30 June	**(1,301)**	**(2,486)**

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).

The RoadTek business unit 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, in the ordinary course of business.

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.

Department of Transport and Main Roads
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23 COMMITMENTS FOR EXPENDITURE

Commitments inclusive of non-recoverable GST input tax credits are payable as follows:

Refer to Note 16 for commitments related to service concession arrangements.

	2022 $'000	2021 $'000
Property, plant and equipment commitments *		
Not later than one year	1,242,285	575,229
Later than one year and not later than five years	2,761,947	3,047,635
Later than five years	-	-
Total	**4,004,232**	**3,622,864**
Grants and subsidies commitments **		
Not later than one year	580,511	525,038
Later than one year and not later than five years	1,427,412	1,123,278
Later than five years	32,500	-
Total	**2,040,423**	**1,648,316**
Other commitments ***		
Not later than one year	4,135,391	3,840,719
Later than one year and not later than five years	9,488,934	2,196,961
Later than five years	3,485,431	3,076,671
Total	**17,109,756**	**9,114,351**

* Increase relates mainly to upgrade programs on various sections of the Bruce Highway and Pacific Motorway.

** Increase mainly due to $200.0m for the Brisbane Metro project.

*** Increase in 2022 relates mainly to the renewal of the transport service contract with Queensland Rail for the provision of rail services.

24 CONTINGENCIES

Contingent liabilities

At balance date the department has been named as defendant in four cases and 76 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 a majority of these cases to $10,000.

25 INVESTMENT IN SUBSIDIARY

Transmax Pty Ltd

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

The department exercises control over Transmax through 100 percent ownership of all its issued shares. This investment is recognised at cost and is valued at $5.601m (2021: $5.601m). The amount of the investment and transactions relating to Transmax are not material to these financial statements, and the department has elected not to prepare consolidated financial statements in accordance with AASB 127 *Separate Financial Statements*.

The department engaged Transmax for the provision of software licencing, technical support and related professional services to the value of $23.240m (2021: $16.700m) GST inclusive during the financial year.

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

Department of Transport and Main Roads
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26 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.

CATEGORISATION OF FINANCIAL INSTRUMENTS

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

	Note	2022 $'000	2021 $'000
Financial assets			
Cash		245,430	344,348
Financial assets at amortised cost:			
Receivables	12	229,987	226,069
Total		**475,417**	**570,417**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	17	683,237	687,167
Lease liabilities	18	3,370	3,467
Service concession arrangements	18	737,358	694,409
New Generation Rollingstock arrangement	18	554,873	557,974
Total		**1,978,838**	**1,943,017**

FINANCIAL RISK MANAGEMENT

The department's activities have the potential to 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 possible 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.

Refer to Note 12 for receivables credit risk ageing analysis.

LIQUIDITY RISK

The department manages liquidity risk through regular fortnightly appropriation payments from the Consolidated Fund. This strategy reduces the exposure to liquidity risk by ensuring the department has sufficient funds available to meet its obligations when they fall due.

Department of Transport and Main Roads
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26 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
2022					
Payables	17	683,237	-	-	**683,237**
Lease liabilities		185	924	3,492	**4,601**
Service concession arrangements		155,483	324,932	621,218	**1,101,633**
New Generation Rollingstock arrangement		35,870	181,619	1,346,314	**1,563,803**
Total		**874,775**	**507,475**	**1,971,024**	**3,353,274**
2021					
Payables	17	687,167	-	-	687,167
Lease liabilities		326	709	3,701	4,736
Service concession arrangements		79,296	322,831	703,210	1,105,337
New Generation Rollingstock arrangement		71,099	284,545	1,419,809	1,775,453
Total		**837,888**	**608,085**	**2,126,720**	**3,572,693**

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

INTEREST RATE SENSITIVITY ANALYSIS

The department is exposed to interest rate risk through floating interest rate components for the Toowoomba Bypass and New Generation Rollingstock public private partnerships.

The following interest rate sensitivity analysis depicts the outcome on net income if the interest rates would change by +/-1 percent from the year-end rates applicable to the department's financial liabilities. The department would have a surplus/(deficit) and equity increase/(decrease) of $9.598m.

Financial liabilities	Carrying amount	Interest rate risk -1% Profit $'000	-1% Equity $'000	1% Profit $'000	1% Equity $'000
2022					
Toowoomba Bypass	404,922	(4,049)	(4,049)	4,049	4,049
New Generation Rollingstock arrangement	554,873	(5,549)	(5,549)	5,549	5,549
Potential impact		**(9,598)**	**(9,598)**	**9,598**	**9,598**
2021					
Toowoomba Bypass	414,622	(4,146)	(4,146)	4,146	4,146
New Generation Rollingstock arrangement	557,974	(5,580)	(5,580)	5,580	5,580
Potential impact		**(9,726)**	**(9,726)**	**9,726**	**9,726**

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.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

27 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 department also performs the following certain agency transactions which are not recognised in the department's financial statements:

	2022 $'000	2021 $'000
Agency		
Licensed Compulsory Third Party (CTP) insurers – premiums	1,061,188	1,078,286
Motor Accident Insurance Commission – levy	130,547	127,523
National Injury Insurance Agency Queensland – levy	505,164	433,886
Queensland Revenue Office – stamp duty, fines and penalties	779,967	662,196
National Heavy Vehicle Regulator – registration fee	46,125	43,680
Total	**2,522,991**	**2,345,571**

Administered revenue is recognised upon receipt.

Following the Fines and penalty debt administration machinery-of-government change, from 1 February 2022 Penalty Infringement Notices and Traffic Offence Notices collected by the department are then transferred to the Queensland Revenue Office within Queensland Treasury, with the exception of the recently enacted mobile phone use and seat belt use-based fines. Refer to Note 30.

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, with the exception of land assets which relate to the Transport Infrastructure Management and Delivery departmental service area.

	2022 $'000	2021 $'000
Administered income		
Appropriation revenue	77,841	66,244
Grants and other contributions	11,397	2,935
User charges, fees and fines *	2,909,272	2,858,172
Other	9,812	9,377
Total income	**3,008,322**	**2,936,728**
Administered expenses		
Grants and subsidies	86,385	66,348
Impairment losses on trade receivables	27	8
Transfers of administered revenue to government	2,919,052	2,867,542
Other	505	-
Total expenses	**3,005,969**	**2,933,898**
OPERATING RESULT FOR THE YEAR	**2,353**	**2,830**
* User charges, fees and fines includes:		
Fines and forfeiture	107,853	191,327
Motor vehicle registration	2,108,230	2,020,279
Transport and traffic fees	532,758	487,381
Other registration	83,059	82,063
Other regulatory fees	76,348	76,095
Other	1,024	1,027
Total	2,909,272	2,858,172

Department of Transport and Main Roads
Notes to the financial statements 2021–22

27 SCHEDULE OF ADMINISTERED ITEMS (continued)

	2022 $'000	2021 $'000
Administered assets		
Current		
Cash	19,849	22,337
Receivables	157,984	66,005
Total current assets	**177,833**	**88,342**
Non-current		
Land	123,279	110,692
Total non-current assets	**123,279**	**110,692**
Total assets	**301,112**	**199,034**
Administered liabilities		
Current		
Payables *	171,480	81,921
Unearned revenue	6,119	6,187
Total liabilities	**177,599**	**88,108**
NET ADMINISTERED ASSETS	**123,513**	**110,926**
Administered equity		
Contributed equity	9,939	10,414
Accumulated deficit	(75,868)	(78,221)
Asset revaluation surplus	189,442	178,733
TOTAL ADMINISTERED EQUITY	**123,513**	**110,926**

* Includes $127.101m of payables in 2022 relating to grant funding for the Cross River Rail Delivery Authority.

28 ADMINISTERED APPROPRIATIONS

Reconciliation of payments from Consolidated Fund to administered income		
Budgeted administered appropriation revenue	44,930	41,621
Transfers to other headings	(33,950)	-
Lapsed administered appropriation	-	(750)
Total administered revenue	10,980	40,871
Transfer of appropriation receivable from other department *	(34,867)	-
Less: Opening balance of administered revenue receivable	(25,373)	-
Plus: Closing balance of administered revenue receivable	127,101	25,373
Administered income recognised in Note 27	**77,841**	**66,244**

Reconciliation of payments from Consolidated Fund to administered equity adjustment		
Budgeted administered equity adjustment appropriation	1,544,448	547,318
Transfers to other headings	(55,594)	(304,026)
Lapsed administered equity adjustment	-	(105,000)
Total administered equity adjustment receipts	1,488,854	138,292
Plus: Opening balance of administered equity adjustment payable	1,000	-
Less: Closing balance of administered equity adjustment payable	-	(1,000)
Administered equity adjustment recognised in contributed equity	**1,489,854**	**137,292**

* Relates to the transfer of funding arrangements for the Cross River Rail Delivery Authority from the Department of Tourism, Innovation and Sport in November 2020.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

29 BUDGETARY REPORTING

STATEMENT OF COMPREHENSIVE INCOME	Original budget 2022 $'000	Actual result 2022 $'000	Variance 2022 $'000
Income			
Appropriation revenue	5,946,653	5,927,541	(19,112)
User charges and fees	730,375	703,281	(27,094)
Grants and other contributions	205,257	216,753	11,496
Service concession arrangements revenue	215,330	232,180	16,850
Other revenue	16,615	50,448	33,833
Total revenue	**7,114,230**	**7,130,203**	**15,973**
Gains on disposal of assets	3,730	3,127	(603)
Total income	**7,117,960**	**7,133,330**	**15,370**
Expenses			
Employee expenses	613,189	650,326	37,137
Supplies and services	4,097,974	4,250,502	152,528
Grants and subsidies	766,490	812,378	45,888
Finance and borrowing costs	114,414	79,971	(34,443)
Impairment losses	1,670	1,162	(508)
Depreciation and amortisation	1,264,448	1,355,679	91,231
Other expenses	18,506	28,131	9,625
Total expenses	**6,876,691**	**7,178,149**	**301,458**
Operating result before income tax equivalent expense	**241,269**	**(44,819)**	**(286,088)**
Income tax equivalent expense	7,313	16,260	8,947
OPERATING RESULT FOR THE YEAR	**233,956**	**(61,079)**	**(295,035)**
Items not reclassified to operating result			
Increase in asset revaluation surplus	-	10,757,900	10,757,900
Total other comprehensive income	**-**	**10,757,900**	**10,757,900**
TOTAL COMPREHENSIVE INCOME	**233,956**	**10,696,821**	**10,462,865**

Explanation of major variances

Other revenue

Variance of $33.833m to budget is explained by the following:

- $13.496m for the recognition of additional revenue for Toowoomba Bypass to reflect the floating rate component due to refinancing of borrowings
- $10.738m reflects debt recovery and overdue interest charges from a departmental customer
- $4.0m higher than anticipated contributions received from developers
- $3.536m reflects unspent funding returned from the Queensland Rural and Industry Development Authority for financial assistance for the Taxi and Limousine Industry.

Employee expenses

Variance of $37.137m mainly reflects:

- $24.280m due to lower than budgeted employee costs being charged to capital programs leading to these costs being reported in the Statement of comprehensive income
- $6.362m higher than anticipated due to increases for enterprise bargaining pay rises and no disadvantage payments for the Defined Benefit superannuation scheme as a result of wage deferral decisions after the budget was published.

Finance and borrowing costs

Variance of ($34.443m) mainly reflects a reduction of $35.306m in the base rate adjustment payment for New Generation Rollingstock when refinancing occurred in July 2021.

Increase in asset revaluation surplus

Variance of $10.758b mainly consists of a revaluation increment in infrastructure assets as a result of the annual revaluation for 2021–22. A budget was not allocated due to the unavailability of reliable measures for future movement in replacement costs of existing and new infrastructure assets.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

29 BUDGETARY REPORTING (continued)

STATEMENT OF FINANCIAL POSITION	**Original 2022**	**Actual 2022**	**Variance 2022**
Assets			
Current assets			
Cash	112,889	245,430	132,541
Receivables	130,049	226,713	96,664
Inventories	14,798	17,936	3,138
Prepayments	125,737	93,791	(31,946)
Non-current assets classified as held for sale	2,587	2,824	237
Total current assets	**386,060**	**586,694**	**200,634**
Non-current assets			
Receivables	3,285	3,274	(11)
Prepayments	60,425	144,427	84,002
Intangible assets	90,959	90,176	(783)
Property, plant and equipment	74,827,611	86,999,719	12,172,108
Service concession assets	11,125,952	12,917,452	1,791,500
Deferred tax assets	5,171	3,296	(1,875)
Right-of-use assets	62	2	(60)
Investment in subsidiary	5,601	5,601	-
Total non-current assets	**86,119,066**	**100,163,947**	**14,044,881**
Total assets	**86,505,126**	**100,750,641**	**14,245,515**
Liabilities			
Current liabilities			
Payables	555,324	683,237	127,913
Borrowings	41,473	40,372	(1,101)
Provisions	213,161	228,718	15,557
Accrued employee benefits	73,184	31,859	(41,325)
Unearned revenue – Service concession arrangements	215,330	232,180	16,850
Other	152,312	234,194	81,882
Total current liabilities	**1,250,784**	**1,450,560**	**199,776**
Non-current liabilities			
Borrowings	1,180,838	1,255,229	74,391
Provisions	152,236	181,810	29,574
Unearned revenue – Service concession arrangements	6,821,951	7,155,314	333,363
Total non-current liabilities	**8,155,025**	**8,592,353**	**437,328**
Total liabilities	**9,405,809**	**10,042,913**	**637,104**
NET ASSETS	**77,099,317**	**90,707,728**	**13,608,411**
TOTAL EQUITY	**77,099,317**	**90,707,728**	**13,608,411**

Explanation of major variances

Cash
Variance of $132.541m reflects a higher than anticipated opening balance of $242.430m 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 ($109.889m) as disclosed in the Statement of cash flows.

Receivables – current
Variance of $96.664m reflects higher than anticipated reimbursements of $67.233m from Queensland Rail for park and ride facilities, and the recognition of Queensland Reconstruction Authority accrued grant revenue of $22.399m for natural disaster events.

Prepayments – current
Variance of ($31.946m) mainly comprises of ($48.847m) from a reduction in New Generation Rollingstock accessibility rectification prepayments, offset by a $13.657m increase for software and data agreement prepayments after a revision of the accounting treatment for intangible assets.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

29 BUDGETARY REPORTING (continued)

STATEMENT OF FINANCIAL POSITION (continued)

Explanation of major variances (continued)

Prepayments – non-current
Variance of $84.002m mainly reflects the recognition of additional milestone payments of $81.330m as a prepayment for New Generation Rollingstock accessibility rectification works.

Property, plant and equipment
The variance of $12.172b is mainly due to the timing differences to obtain reliable measures for road infrastructure valuations to enable budget allocations. Actual asset revaluation increments were not able to be determined at the time of budget development.

Service concession assets
The variance of $1.792b is mainly due to the timing differences of $0.986b to obtain reliable measures for service concession asset valuations to enable budget allocations. Asset revaluation increments were not able to be determined at the time of budget development. Variance also includes the initial recognition of assets related to the Logan Enhancement Project after the published budget amounting to $0.512b.

Payables
Variance of $127.913m is primarily due to higher than anticipated capital program delivery.

Accrued employee benefits
Variance of ($41.325m) primarily reflects lower than anticipated outstanding salaries and wages of ($29.763m), which includes back pay for the 2019–20 enterprise bargaining pay rise that was paid in 2020–21.

Other Liabilities – current
Variance of $81.882m mainly comprises:
- $47.406m higher than anticipated land acquisition payments received from the Australian Rail Track Corporation for the Inland Rail project
- $29.286m reflects advance payments from the Queensland Reconstruction Authority for expenditure incurred on works related to natural disaster events.

Provisions – non-current
Variance of $29.574m reflects an increase in the provision of $27.908m to account for accessibility modifications to be made to New Generation Rollingstock train sets in future years.

Total equity
Variance of $13.608b is mainly due to timing differences to obtain reliable measures for asset revaluation increments which were not able to be determined at the time of budget development.

STATEMENT OF CASH FLOWS	**Original budget 2022 $'000**	**Actual result 2022 $'000**	**Variance 2022 $'000**
Cash flows from operating activities			
Inflows:			
Service appropriation receipts	5,946,653	5,944,558	(2,095)
User charges and fees	732,053	670,648	(61,405)
Grants and other contributions	203,142	145,177	(57,965)
GST input tax credits from ATO	676,499	853,228	176,729
GST collected from customers	67,011	67,297	286
Other	16,615	51,967	35,352
Outflows:			
Employee expenses	(613,086)	(653,361)	(40,275)
Supplies and services	(4,091,593)	(4,180,982)	(89,389)
Grants and subsidies	(766,490)	(702,273)	64,217
Finance and borrowing costs	(114,414)	(76,487)	37,927
GST paid to suppliers	(677,710)	(840,708)	(162,998)
GST remitted to ATO	(63,086)	(68,322)	(5,236)
Income tax equivalent paid	(7,607)	(14,519)	(6,912)
Other	(14,042)	(22,940)	(8,898)
Net cash provided by operating activities	**1,293,945**	**1,173,283**	**(120,662)**

Department of Transport and Main Roads
Notes to the financial statements 2021–22

29 BUDGETARY REPORTING (continued)

STATEMENT OF CASH FLOWS (continued)	Original budget 2022 $'000	Actual result 2022 $'000	Variance 2022 $'000
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment	24,788	18,878	(5,910)
Outflows:			
Payments for property, plant and equipment	(3,671,169)	(4,077,969)	(406,800)
Payments for intangibles	(18,557)	(17,912)	645
Net cash used in investing activities	**(3,664,938)**	**(4,077,003)**	**(412,065)**
Cash flows from financing activities			
Inflows:			
Equity injections	3,568,807	4,032,675	463,868
Outflows:			
Equity withdrawals	(1,149,483)	(1,191,386)	(41,903)
Borrowing redemptions	(37,360)	(36,487)	873
Net cash provided by financing activities	**2,381,964**	**2,804,802**	**422,838**
Net increase/(decrease) in cash	10,971	(98,918)	(109,889)
Cash – opening balance	101,918	344,348	242,430
CASH – CLOSING BALANCE	**112,889**	**245,430**	**132,541**

Explanation of major variances

Grants and other contributions

Variance of ($57.965m) mainly reflects:

- $72.313m lower than budgeted reimbursements by the Queensland Reconstruction Authority due to timing

Offset by:

- $9.0m higher than budget due to unforeseen grant funding received from local governments for Gold Coast Light Rail – Stage 3 and Yorkey's Landside Project.

GST input tax credits from ATO

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

Other operating activities inflows

Variance of $35.352m to budget is explained by the following:

- $13.496m for the recognition of additional revenue for the Toowoomba Bypass project to reflect the floating rate component due to refinancing of borrowings
- $10.738m reflects debt recovery and overdue interest charges from a departmental vendor
- $4.000m higher than anticipated contributions received from developers
- $3.536m reflects unspent funding returned from Queensland Rural and Industry Development Authority for financial assistance for the Taxi and Limousine Industry.

Finance and borrowing costs

Variance of $37.927m mainly reflects a reduction of $38.121m in the base rate adjustment payment for New Generation Rollingstock when refinancing occurred in July 2021.

GST paid to suppliers

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

Payments for property, plant and equipment

Variance of ($406.800m) mainly comprises:

- $291.473m accelerated capital program in line with updated delivery schedules
- $68.965m for European Train Control System relating to the Rollingstock Expansion Project
- $46.362m for Coomera Connector Stage 1 in line with the detailed business case, including provision for Best Practice Industry Condition payments.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

29 BUDGETARY REPORTING (continued)

STATEMENT OF CASH FLOWS (continued)

Explanation of major variances (continued)

Equity injections
Variance of $463.868m mainly comprises:
- $406.725m for accelerated Queensland and Australian Government funding to align with capital program delivery
- $150.0m cash injection to supplement working capital due to COVID-19 impacts
- $46.362m increase in funding for Coomera Connector Stage 1 in line with business case including provision for Best Practice Industry Condition payments

Offset by:
- $65.900m decreased funding for Gold Coast Light Rail Stage 3 to align with project delivery
- $44.634m decreased funding for Roads of Strategic Importance Initiative to align with project delivery.

SCHEDULE OF ADMINISTERED ITEMS	**Original budget 2022 $'000**	**Actual result 2022 $'000**	**Variance 2022 $'000**
Administered income			
Administered appropriation	109,746	77,841	(31,905)
Grants and other contributions	-	11,397	11,397
User charges, fees and fines	2,862,837	2,909,272	46,435
Other	9,233	9,812	579
Total income	**2,981,816**	**3,008,322**	**26,506**
Administered expenses			
Grants and subsidies	109,746	86,385	(23,361)
Impairment losses on trade receivables	-	27	27
Transfers of administered revenue to government	2,872,070	2,919,052	46,982
Other	-	505	505
Total expenses	**2,981,816**	**3,005,969**	**24,153**
OPERATING RESULT FOR THE YEAR	**-**	**2,353**	**2,353**
Administered assets			
Current			
Cash	21,774	19,849	(1,925)
Receivables	150,759	157,984	7,225
Total current assets	**172,533**	**177,833**	**5,300**
Non-current			
Land	272,090	123,279	(148,811)
Total non-current assets	**272,090**	**123,279**	**(148,811)**
Total assets	**444,623**	**301,112**	**(143,511)**
Administered liabilities			
Current			
Payables	166,378	171,480	5,102
Unearned revenue	5,921	6,119	198
Total liabilities	**172,299**	**177,599**	**5,300**
NET ADMINISTERED ASSETS	**272,324**	**123,513**	**(148,811)**
TOTAL ADMINISTERED EQUITY	**272,324**	**123,513**	**(148,811)**

29 BUDGETARY REPORTING (continued)

SCHEDULE OF ADMINISTERED ITEMS (continued)

Explanation of major variances

Administered item appropriation
Variance of ($31.905m) mainly reflects the deferral of funding to 2022–23 for the Mount Isa to Townsville Rail Line of ($33.500m).

Grants and other contributions
Variance of $11.397m mainly reflects Ferny Grove railway station carpark lots valued at $10.325m received from Queensland Rail.

Grants and subsidies
Variance of ($23.361m) largely reflects the deferral of funding to 2022–23 for the Mount Isa to Townsville Rail Line of ($33.500m) offset by $8.450m for Ferny Grove railway station carpark lots provided below fair value from Queensland Rail.

Land
Variance of ($148.811m) mainly consists of prior year adjustments relating to administered land disposals and transfers due to sublease arrangements and road dedications.

Equity
Variance of ($148.811m) mainly consists of prior year adjustments relating to administered land disposals and transfers due to sublease arrangements and road dedications.

30 EVENTS AFTER THE BALANCE DATE

In July 2022 stage two of the Public Service Departmental Arrangements Notice (No.1) 2022, was signed to transfer the fines and penalty debt administration functions of the department associated with mobile phone and seatbelt offences to the Queensland Revenue Office within Queensland Treasury, effective from 30 November 2022.

Department of Transport and Main Roads
Notes to the financial statements 2021–22

MANAGEMENT CERTIFICATE OF THE DEPARTMENT OF TRANSPORT AND MAIN ROADS for the year ended 30 June 2022

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 38 of the *Financial and Performance Management Standard 2019* 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; and

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Transport and Main Roads for the financial year ended 30 June 2022 and of the financial position of the department at the end of that year.

The Director-General, as the Accountable Officer of the Department, acknowledges responsibility under sections 7 and 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

Nick Shaw FCPA
Chief Finance Officer

23 August 2022

Neil Scales OBE
Director-General

23 August 2022

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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 2022, 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 2019* 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 2022, 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 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 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 for 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.

Queensland Audit Office
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Valuation of infrastructure assets ($73.237 billion) and estimating depreciation expense ($1.038 billion)

Refer to note 15 in the financial report

Key audit matter	How my audit addressed the key audit matter
The fair value measurement of infrastructure assets is based on current replacement cost (cost approach). The valuations are dependent on certain key assumptions that require significant management judgement including for the following: • componentising the assets into the significant parts that have different useful lives. • classifying assets into categories that have similar replacement costs. • estimating the gross replacement cost for each combination of asset component and category to develop unit rates for the modern equivalent asset. • estimating the remaining useful life of each asset.	My procedures included, but were not limited to: • assessing the reasonableness of the methods and accounting principles used in the cost approach and depreciation expense estimates • evaluating the qualifications, competence, capability, and objectivity of the internal subject matter experts involved in developing and approving internally generated unit rates • examining a sample of the input data used in the unit pricing model for relevance, completeness, and accuracy • examining a sample of unit rates and evaluating the reasonableness of key assumptions and relevance, completeness, and accuracy of supporting documentation • examining a sample of asset valuation movements since the last revaluation date and corroborating the changes with other available information • examining the reasonableness of the funding available used as input for the remaining useful lives and relevance of supporting documentation for the estimates • testing the mathematical accuracy of the infrastructure valuation and depreciation models.

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Recognition and measurement of *service concession assets ($12.917 billion), borrowings – financial liabilities on service concession arrangements ($737.358 million) and other liabilities on service concession arrangement ($7.387 billion)*

Refer to note 16 and note 18 in the financial report

Key audit matter	How my audit addressed the key audit matter
AASB 1059 *Service Concession Arrangements: Grantors* involves a high degree of complexity and certain key assumptions that require significant management judgement including the following: • estimating the recognition and measurement of the service concession asset at current replacement cost in accordance with the cost approach described in AASB 13 Fair Value Measurement: - componentising the assets into the significant parts that have different useful lives. - classifying assets into categories that have similar replacement costs. - estimating the gross replacement cost for each combination of component and asset category to develop unit rates for the modern equivalent asset. - estimating the remaining useful life of each asset. • classifying and measuring the service concession liabilities as a financial liability or unearned revenue depending on how the operator is compensated.	My procedures included, but were not limited to: • assessing the appropriateness of the recognition and accounting measurement principles used to determine the value and classification of service concession assets, unearned revenue and financial liabilities on service concession arrangements. • evaluating the qualifications, competence, capability and objectivity of the internal and external subject matter experts involved in developing the current replacement cost valuations for service concession assets • examining the measurement estimates of service concession assets, unearned revenue and financial liabilities on service concession arrangements and evaluating a sample of supporting documentation for reasonableness, relevance, completeness and accuracy. • testing the mathematical accuracy of the models used to calculate the service concession assets, unearned revenue estimates and financial liabilities including depreciation, interest and service payments.

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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 2019* 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. This is not done for the purpose of expressing an opinion on the effectiveness of the department's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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.

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- 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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2022:

a) I received all the information and explanations I required.

b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and *the Financial and Performance Management Standard 2019*. The applicable requirements include those for keeping financial records that correctly record and explain the department's transactions and account balances to enable the preparation of a true and fair financial report.

25 August 2022

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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