

Part B Annual Report 2011–12 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

For the period 1 May 2012 to 30 June 2012

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General Information

These financial statements cover the Department of Science, Information Technology, Innovation and the Arts and its controlled entities. The Department of Science, Information Technology, Innovation and the Arts 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 head office and principal place of business of the department is 100 George Street, BRISBANE QLD 4000.

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

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

Amounts shown in these financial statements may not add to the correct subtotals or totals due to rounding.

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2011–12 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

Statement of Comprehensive Income

For the period 1 May 2012 to 30 June 2012

	Notes	2012 \$'000
Income from continuing operations		
Departmental services revenue	2	95,649
User charges	3	84,987
Grants and other contributions	4	10,914
Other revenue	5	1,290
Total income from continuing operations		192,840
Expenses from continuing operations		
Employee expenses	6	60,591
Supplies and services	8	60,312
Grants and subsidies	9	49,236
Depreciation and amortisation	10	12,989
Impairment losses	11	19,643
Revaluation decrement	12	10,913
Finance/borrowing costs	13	297
Other expenses	14	10,407
Total expenses from continuing operations		224,388
Operating result from continuing operations before income tax		(31,548)
Income tax benefit/(expense)	36	-
Operating result from continuing operations after income tax		(31,548)
Other comprehensive income/(loss)		
Increase in asset revaluation surplus	27	10,150
Total other comprehensive income/(loss)		10,150
Total comprehensive income/(loss)		(21,398)

The accompanying notes form part of these statements.

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2011–12 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

Statement of Financial Position

As at 30 June 2012

	Notes	2012 \$'000
Current assets		
Cash and cash equivalents	15	138,668
Receivables	16	67,843
Inventories	17	9
Other assets	19	15,159
Total current assets		221,679
Non-current assets		
Receivables	16	20,722
Deferred tax assets	18	10,209
Intangible assets	20	119,659
Property, plant and equipment	21	821,561
Other assets	19	1,851
Total non-current assets		974,002
Total assets		1,195,681
Current liabilities		
Payables	22	108,777
Other financial liabilities	23	19,166
Accrued employee benefits	24	8,695
Other liabilities	26	4,675
Total current liabilities		141,313
Non-current liabilities		
Other financial liabilities	23	15,467
Deferred tax liabilities	25	73
Total non-current liabilities		15,540
Total liabilities		156,853
Net assets		1,038,828
Equity		
Contributed equity		1,060,226
Accumulated surplus		(31,548)
Asset revaluation surplus	27	10,150
Total equity		1,038,828

The accompanying notes form part of these statements.

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2011–12 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

Statement of Changes in Equity

For the period 1 May 2012 to 30 June 2012

	Notes	2012 \$'000
Contributed equity		
Balance as at 1 May		-
<i>Transactions with owners as owners:</i>		
Appropriated equity injections		15,664
Appropriated equity withdrawals		(16,330)
Non appropriated equity injections		1,190
Non appropriated equity withdrawals		(17,056)
Net assets received (transferred via machinery-of-government change)	30	1,076,758
Balance as at 30 June		1,060,226
Accumulated surpluses/(deficits)		
Balance as at 1 May		-
Operating result from continuing operations		(31,548)
Balance as at 30 June		(31,548)
Asset revaluation surplus		
Balance as at 1 May		-
<i>Total other comprehensive income</i>		
Increase on revaluation of:		
Land		9,919
Buildings		105
Infrastructure		126
Balance as at 30 June	27	10,150

The accompanying notes form part of these statements.

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Department of Science, Information Technology, Innovation and the Arts

Statement of Cash Flows

For the period 1 May 2012 to 30 June 2012

	Notes	2012 \$'000
Cash flows from operating activities		
<i>Inflows:</i>		
Departmental services revenue		91,893
User charges		115,675
Grants and other contributions		3,393
GST collected from customers		27,029
GST input tax credits from ATO		11,428
Interest receipts		66
Other		244
<i>Outflows:</i>		
Employee expenses		(57,219)
Supplies and services		(55,057)
Grants and subsidies		(11,241)
Finance/borrowing costs		(398)
Insurance premiums		(169)
GST paid to suppliers		(12,934)
GST remitted to ATO		(25,624)
Other		(13,944)
Net cash provided by/(used in) operating activities		73,142
Cash flows from investing activities		
<i>Inflows:</i>		
Sales of property, plant and equipment		600
<i>Outflows:</i>		
Payments for property, plant and equipment		(4,801)
Payments for intangible assets		(100)
Net cash provided by/(used in) investing activities		(4,301)
Cash flows from financing activities		
<i>Inflows:</i>		
Borrowings		2,179
Equity injections		24,993
Transfer of cash and cash equivalents as a result of machinery-of-Government changes	30	72,024
<i>Outflows:</i>		
Borrowing redemptions		(5,700)
Equity withdrawals		(23,669)
Net cash provided by/(used in) financing activities		69,827
Net increase in cash and cash equivalents		138,668
Cash and cash equivalents at beginning of financial year		-
Cash and cash equivalents at end of financial year	15	138,668

The accompanying notes form part of these statements.

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2011–12 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

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

For the period 1 May 2012 to 30 June 2012

	Corporate Administration Agency 2012 \$'000	Arts Queensland 2012 \$'000	CITEC 2012 \$'000	Science Delivery Services 2012 \$'000	Queensland Government Chief Information Office 2012 \$'000	Queensland Chief Scientist 2012 \$'000
Income from continuing operations						
Revenue						
Departmental services revenue	-	22,602	-	10,812	7,781	477
User charges	1,749	2,851	33,335	381	74	-
Grants and other contributions	31	2,380	-	1,824	335	-
Other revenue	6	121	316	24	8	-
Total income from continuing operations	1,786	27,954	33,651	13,041	8,198	477
Expenses from continuing operations						
Employee expenses	1,165	2,763	11,794	6,785	2,134	171
Supplies and services	417	6,819	21,414	4,001	5,309	17
Grants and subsidies	-	11,202	-	549	336	-
Depreciation and amortisation	41	6,991	2,767	1,148	25	-
Impairment losses	-	-	19,782	28	-	-
Revaluation decrement	-	10,913	-	-	-	-
Finance/borrowing costs	-	78	219	-	-	-
Other expenses	72	95	91	117	5	3
Total expenses from continuing operations	1,695	38,861	56,067	12,628	7,809	191
Operating result from continuing operations before income tax	91	(10,907)	(22,416)	413	389	286
Income tax benefit/(expense)	-	-	-	-	-	-
Operating result from continuing operations after income tax	91	(10,907)	(22,416)	413	389	286
Other comprehensive income						
Increase in asset revaluation surplus	-	9,919	-	231	-	-
Total other comprehensive income	-	9,919	-	231	-	-
Total comprehensive income	91	(988)	(22,416)	644	389	286

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Department of Science, Information Technology, Innovation and the Arts

	Queensland State Archives 2012 \$'000	Queensland Shared Services 2012 \$'000	Innovation and Science Development Services 2012 \$'000	Smart Services Queensland 2012 \$'000	General - Not attributed 2012 \$'000	Inter services/ Activity Eliminations 2012 \$'000	TOTAL 2012 \$'000
Income from continuing operations							
Revenue							
Departmental services revenue	2,872	-	44,134	7,278	(307)	-	95,649
User charges	19	47,093	1	4,894	-	(5,410)	84,987
Grants and other contributions	2,395	258	237	3,454	-	-	10,914
Other revenue	-	(140)	954	1	528	(528)	1,290
Total income from continuing operations	5,286	47,211	45,326	15,627	221	(5,938)	192,840
Expenses from continuing operations							
Employee expenses	1,263	24,875	2,224	7,158	259	-	60,591
Supplies and services	1,489	21,620	1,250	3,532	373	(5,929)	60,312
Grants and subsidies	-	-	37,023	126	-	-	49,236
Depreciation and amortisation	35	1,842	1	139	-	-	12,989
Impairment losses	-	(167)	1	(1)	-	-	19,643
Revaluation decrement	-	-	-	-	-	-	10,913
Finance/borrowing costs	-	-	-	-	-	-	297
Other expenses	2,399	107	7,452	45	30	(9)	10,407
Total expenses from continuing operations	5,186	48,277	47,951	10,999	662	(5,938)	224,388
Operating result from continuing operations before income tax	100	(1,066)	(2,625)	4,628	(441)	-	(31,548)
Income tax benefit/(expense)	-	-	-	-	-	-	-
Operating result from continuing operations after income tax	100	(1,066)	(2,625)	4,628	(441)	-	(31,548)
Other comprehensive income							
Increase in asset revaluation surplus	-	-	-	-	-	-	10,150
Total other comprehensive income	-	-	-	-	-	-	10,150
Total comprehensive income	100	(1,066)	(2,625)	4,628	(441)	-	(21,398)

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2011–12 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

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

As at 30 June 2012

	Corporate Administration Agency 2012 \$'000	Arts Queensland 2012 \$'000	CITEC 2012 \$'000	Science Delivery Services 2012 \$'000	Queensland Government Chief Information Office 2012 \$'000	Queensland Chief Scientist 2012 \$'000
Current assets						
Cash and cash equivalents	2,752	8,238	8,147	1,632	-	-
Receivables	949	11,687	22,287	13,784	3,913	477
Inventories	-	9	-	-	-	-
Other assets	464	75	4,956	31	6,917	-
Total current assets	4,165	20,009	35,390	15,447	10,830	477
Non-current assets						
Receivables	-	100	-	-	-	-
Deferred tax assets	-	-	10,209	-	-	-
Intangible assets	310	-	11,116	1,865	626	-
Property, plant and equipment	584	710,267	32,264	65,097	77	4
Other assets	-	-	1,851	-	-	-
Total non-current assets	894	710,367	55,440	66,962	703	4
Total assets	5,059	730,376	90,830	82,409	11,533	481
Current liabilities						
Payables	234	2,766	12,929	1,655	2,983	190
Other financial liabilities	-	8,682	9,796	688	-	-
Accrued employee benefits	217	394	2,005	1,057	-	-
Other liabilities	-	-	4,117	79	6,893	-
Total current liabilities	451	11,842	28,847	3,479	9,876	190
Non-current liabilities						
Other financial liabilities	-	461	15,006	-	-	-
Deferred tax liabilities	-	-	73	-	-	-
Total non-current liabilities	-	461	15,079	-	-	-
Total liabilities	451	12,303	43,926	3,479	9,876	190
Net assets	4,608	718,073	46,904	78,930	1,657	291

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	Queensland State Archives 2012 \$'000	Queensland Shared Services 2012 \$'000	Innovation and Science Development Services 2012 \$'000	Smart Services Queensland 2012 \$'000	General - Not attributed 2012 \$'000	Inter services/ Activity Eliminations 2012 \$'000	TOTAL 2012 \$'000
Current assets							
Cash and cash equivalents	2	41,316	-	1,600	74,981	-	138,668
Receivables	1,915	26,404	64,983	9,421	270	(88,247)	67,843
Inventories	-	-	-	-	-	-	9
Other assets	30	2,307	-	379	-	-	15,159
Total current assets	1,947	70,027	64,983	11,400	75,251	(88,247)	221,679
Non-current assets							
Receivables	-	-	20,622	-	-	-	20,722
Deferred tax assets	-	-	-	-	-	-	10,209
Intangible assets	87	95,460	-	10,195	-	-	119,659
Property, plant and equipment	566	4,909	-	7,793	-	-	821,561
Other assets	-	-	-	-	-	-	1,851
Total non-current assets	653	100,369	20,622	17,988	-	-	974,002
Total assets	2,600	170,396	85,605	29,388	75,251	(88,247)	1,195,681
Current liabilities							
Payables	1,664	18,227	68,664	5,573	75,246	(81,354)	108,777
Other financial liabilities	-	-	-	-	-	-	19,166
Accrued employee benefits	-	3,715	-	1,307	-	-	8,695
Other liabilities	-	-	-	34	445	(6,893)	4,675
Total current liabilities	1,664	21,942	68,664	6,914	75,691	(88,247)	141,313
Non current liabilities							
Other financial liabilities	-	-	-	-	-	-	15,467
Deferred tax liabilities	-	-	-	-	-	-	73
Total non-current liabilities	-	-	-	-	-	-	15,540
Total liabilities	1,664	21,942	68,664	6,914	75,691	(88,247)	156,853
Net assets	936	148,454	16,941	22,474	(440)	-	1,038,828

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

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Objectives and principal activities of the department

The Department of Science, Information Technology, Innovation and the Arts brings together science, innovation, information technology and arts into one portfolio to help drive Queensland's economy.

The department's overarching vision is a globally competitive Queensland economy driven by knowledge and creativity. Activity within the department is focussed on delivering six broad objectives:

- Better informed government decision-making through Science
- Increased productivity through an increase in innovation and activity
- Strengthened cultural and economic outcomes for Queenslanders through an innovative and creative arts and cultural sector
- Supporting high performing Queensland Government agencies through the facilitation of efficient standardised shared services
- Strengthened ICT and information management through high quality services and capability
- Connecting Queenslanders to their Government through a one-stop-shop.

The department is supported by two key roles, the Queensland Government Chief Information Officer and the Queensland Chief Scientist, both of whom provide strategic advice and services to the minister, including the implementation of government priorities.

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

- Information, Communication and Technology services by CITEC
- Financial, Procurement, Human Resource Management, Facilities Management, Mail Support Services and Information Systems Support services by Queensland Shared Services and the Corporate Administration Agency

The objectives and principal activities of the department's controlled entities are set out in note 33.

Part B Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

1. Summary of significant accounting policies

(a) Statement of compliance

The Department of Science, Information Technology, Innovation and the Arts and its controlled entities, has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2012, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Department of Science, Information Technology, Innovation and the Arts has applied those requirements applicable to not-for-profit entities, as the Department of Science, Information Technology, Innovation and the Arts is a not-for-profit department.

Except where stated, the historical cost convention is used.

Companies disclosed in the financial statements comply with Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

(b) The reporting entity

As a result of the *Public Service Departmental Arrangements Notice (No.1) 2012*, the Department of Science, Information Technology, Innovation and the Arts was established on 3 April 2012. The following government entities were declared to be part of the department.

- Arts Queensland from the Department of the Premier and Cabinet
- Corporate Administration Agency from the Department of the Premier and Cabinet
- Office of the Chief Scientist from the Department of the Premier and Cabinet
- That part of the Department of Employment, Economic Development and Innovation responsible for (a) science research and development and (b) business innovation and the associated executive support services

- International Collaborations from the Department of Employment, Economic Development and Innovation
- Centre for Information Technology and Communications (CITEC) from the Department of Public Works
- Queensland State Archives from the Department of Public Works

As a result of the *Public Service Departmental Arrangements Notice (No.2) 2012*, the Department of Science, Information Technology, Innovation and the Arts assumed the following additional functions:

- Smart Service Queensland from the Department of Public Works
- Office of the Queensland Government Chief Information Officer from the Department of the Premier and Cabinet
- Environment and Resource Sciences from the Department of Environment and Resource Management
- Queensland Climate Change Centre for Excellence from the Department of Environment and Resource Management
- Queensland Shared Services including CorpTech from the Department of Public Works

However, pursuant to section 80(2) of the *Financial Accountability Act 2009*, for financial statement purposes, the transfer is deemed to have occurred from the first day of the month following the gazettal date, that is, from 1 May 2012.

Although the Department of Science, Information Technology, Innovation and the Arts was created on 3 April, these financial statements include transactions for the period 1 May 2012 to 30 June 2012 only. Transactions for the period 3 April 2012 to 30 April 2012 are recorded in the financial statements of the Department of the Premier and Cabinet, the Department of Housing and Public Works, the Department of State Development, Infrastructure and Planning and the Department of Environment and Heritage Protection in respect to the entities which have transferred in accordance with the respective Public Service Departmental Arrangements Notice.

The consolidated financial statements include the value of all assets, liabilities, equity, revenues and expenses of the Department of Science, Information Technology, Innovation and the Arts.

The department as an economic entity consists of major departmental services, together with corporate and executive services, a commercialised business unit, shared service providers and controlled companies.

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For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

(b) The reporting entity (continued)

In order to provide enhanced disclosure, the department has adopted the principles outlined in Australian Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. This approach is considered appropriate as it reflects the relationship between the department's core business activities and those of its commercialised business units and shared service providers. In the process of reporting on the economic entity, all transactions and balances internal to the economic entity have been eliminated in full.

Major Departmental Services:

- Science Delivery Services
- Innovation and Science Development Services
- Queensland Government Chief Information Office
- Arts Queensland
- Queensland State Archives
- Queensland Chief Scientist
- Smart Service Queensland

The departmental services/major activities undertaken by the department are disclosed in paragraph 1(ae).

Commercialised Business Units

- CITEC

Shared Service Providers

- Corporate Administration Agency
- Queensland Shared Services (including CorpTech)

Controlled companies

- Screen Queensland Pty Ltd (formerly Pacific Film and Television Pty Ltd)
- Aboriginal Centre for the Performing Arts Pty Ltd
- Queensland Music Festival Pty Ltd
- Major Brisbane Festivals Pty Ltd*
- Biopharmaceuticals Australia (Network) Pty Ltd
- CSI Holdings Pty Ltd

**It has been determined that the department does not have control over the financial or operating policies of Major Brisbane Festivals Pty Ltd through voting rights or board membership of the entity. However, due to funding arrangements for the entity, the department has significant influence.*

The transactions and balances in respect of the controlled companies are not considered material and have not been consolidated into the financial

statements. Each controlled company is a reporting entity in its own right and the audited financial statements are included in their respective annual reports. Details of the department's controlled entities are disclosed in note 33.

(c) Administered transactions and balances

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 items, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

Administered transactions and balances are disclosed in note 36. These transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

The principal asset which the department administers relates to loans provided under the Smart State Research Facility Fund with associated activities being the management of these loan arrangements.

The principal expense which the department administers relates to grant payments made to statutory authorities and other commercial entities relating to investments in the arts sector.

(d) Agency transactions and balances

The department, through the CITEC business unit, has commercial arrangements with various state and federal government agencies to perform certain transactions on their behalf.

The department, through Smart Service Queensland, facilitates easier access to responsive government services and information and provides the primary point of contact for Queenslanders to access government services through multiple delivery channels.

The transactions and balances related to these agency arrangements for the period 1 May 2012 to 30 June 2012 are identified separately in note 38 and are not included in these financial statements because the department acts only in a custodial role.

(e) Departmental services revenue/Administered revenue

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

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

(f) User charges

User charges and fees controlled by the department are recognised as revenues when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives.

User charges, taxes, fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to note 36.

(g) Grants and contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them. Where grants that are reciprocal in nature are received, revenue is recognised over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

(h) Cash and cash equivalents

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

(i) Receivables

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

The collectability of receivables is assessed at balance date with provision being made for impairment. All known bad debts were written-off as at 30 June 2012. Increases in the allowance for impairment are based on loss events as disclosed in note 11.

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

The department has provided interest free loans. These loans are initially recognised at their fair value. The difference between the fair value of loans and the amounts given (fair value adjustment on loans) is recorded in the Statement of Comprehensive Income as part of other expenses. Loans are subsequently measured using the effective interest rate method. Effective interest is recorded in the Statement of Comprehensive Income over the period of the loans and recognises any difference between the fair value of loans at inception and the redemption amount. As it is the intention of the borrowers to hold the loans for their full term, the accumulated effective interest recorded in the Statement of Comprehensive Income will, over time, exactly offset the accumulated fair value adjustment on loans.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition, except for training costs which are expensed as incurred.

(k) Work in progress

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

(l) Acquisitions of assets

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

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

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Department of Science, Information Technology, Innovation and the Arts

(l) Acquisitions of assets (continued)

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(m) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings	\$10 000
Infrastructure	\$10 000
Land	\$1
Plant and equipment (including heritage and cultural assets)	\$5 000

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken by the department are included with buildings.

(n) Revaluations of non-current physical and intangible assets

Land, buildings, infrastructure and heritage and cultural assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. In respect of these asset classes, the cost of items acquired during the financial year has been judged by the management of the department to materially represent their fair value at the end of the reporting period.

Where intangible assets have an active market, they are measured at fair value; otherwise they are measured at cost.

Plant and equipment is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*.

Non-current physical assets measured at fair value are comprehensively re-valued at least once every five years, with interim valuations using appropriate indices being otherwise performed on an annual basis where there has been a material variation in the index.

Fair value for infrastructure assets is assessed on a depreciated replacement cost approach due to the lack of market sales for such assets.

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 asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of the remaining useful life.

Materiality concepts under AASB 1031 are considered in determining whether the difference between the carrying amount and the fair value of an asset is material.

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

The revaluation process undertaken during the period 1 May 2012 to 30 June 2012 is outlined in note 21.

(o) Intangible assets

Intangible assets with a cost or other value greater than or equal to \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the department, less any anticipated residual value.

The residual value is zero for all the department's intangible assets.

It has been determined that there is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Purchased software

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

Internally generated software

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

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Department of Science, Information Technology, Innovation and the Arts

Costs associated with the development of computer software have been capitalised and are amortised on a straight line basis over the period of the expected benefit to the department, generally five years.

However, where appropriate, the useful lives of certain assets have been determined on an individual basis.

(p) Amortisation and depreciation of intangible assets and property, plant and equipment

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

All intangible assets of the department have finite useful lives and are amortised on a straight line basis.

All property, plant and equipment, with the exception of Screen Queensland's plant and equipment, is depreciated on a straight-line basis so as to allocate the net cost or re-valued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department. Screen Queensland's plant and equipment is depreciated on a diminishing value basis resulting in a decreasing charge over the useful life of the assets. Screen Queensland's financial statements are not consolidated within the departmental financial statements and therefore this alternative method used has no impact on the financial statements of the economic entity.

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

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

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

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

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the

unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

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

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

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

Class Depreciation rates

Land:	nil
Buildings:	Determined on an individual basis in accordance with useful life – range 1.5% to 10%
Infrastructure assets:	From 2% to 33% in accordance with useful life of components
Plant and equipment	2%-50%

Intangible assets

Amortisation rates

Software purchased:	4.3% to 67%
Software internally generated:	6.3% to 33%

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

(q) Impairment of non-current assets

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

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

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

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

(q) Impairment of non-current assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also note 11.

(r) Leases

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

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

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

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

(s) Payables

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

(t) Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

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

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

All other disclosures relating to the measurement basis and financial risk management of financial instruments held by the department are included in note 34.

(u) Employee benefits

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

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

Wages, salaries and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

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For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

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

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

Annual leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs).

The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

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

Controlled companies of the department are not required to participate in the ALCS. These entities recognise annual leave due but unpaid at reporting date. For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity. Balances and transactions of the controlled companies are not considered material and have not been consolidated into the financial statements.

Long service leave

Under the Queensland Government's long service leave scheme, a levy is made on the department to

cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the department's financial statements, the liability being held on a whole of Government basis and reported in the financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Controlled companies do not participate in the Queensland Government long service leave scheme. These entities recognise a provision for long service leave when it is probable that settlement will be required and it is capable of being measured reliably. The provision is based on the present value of the estimated future cash outflows to be made resulting from employee services provided to the reporting date, calculated using rates attached to Commonwealth bonds of similar maturity. Balances and transactions of controlled companies are not considered material and have not been consolidated into the financial statements.

Superannuation

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

Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper.

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

Controlled companies do not participate in the whole-of-Government arrangements for superannuation. Contributions are made on behalf of employees to several defined benefit and defined contribution superannuation plans. Contributions are expensed as they are made. The department has no legal or constructive obligation to fund any deficit.

Contributions paid meet or exceed the requirements of the Superannuation Guarantee Levy. Balances and transactions of controlled companies are not considered material and have not been consolidated into the financial statements.

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Notes to and forming part of the financial statements

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Department of Science, Information Technology, Innovation and the Arts

(u) Employee benefits (continued)

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade. Refer to note 7 for the disclosures on key executive management personnel and remuneration.

For the controlled companies no executives are employed under the *Public Service Act 2008*.

(v) Taxation

The department's activities are exempt from all forms of Commonwealth taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Department. As such, input tax credits receivable and GST payable from/to the Australian Taxation Office are recognised and accrued.

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

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

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

(w) Finance/borrowing costs

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

Finance costs include:

- Interest on bank overdrafts and short term and long term borrowings
- Finance lease charges

- Amortisation of discounts or premiums relating to borrowings
- Ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

(x) Insurance

With the exception of non-current physical assets at CITEC, which are commercially insured, the department's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the department pays premiums to Workcover Queensland in respect of its obligations for employee compensation.

(y) Services received free of charge or for nominal value

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

(z) Contributed equity

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

(aa) Issuance of financial statements

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

(ab) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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

- Valuation of property, plant and equipment - Note 21
- Contingencies - Note 32
- Impairment - Notes 11,16,20 and 21

The Australian Government passed its Clean Energy Act in November 2011 with a start date of 1 July 2012. The legislation will result in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

The flexible market-based price phase of the carbon pricing mechanism will commence on 1 July 2015. It will be preceded by a three year period during which the price of permits will be fixed at \$23 per tonne or carbon dioxide equivalent in year one, \$24.15 in year two and \$25.40 in year three.

Section 4.3.4 of Queensland Treasury and Trade's report on 'Carbon Price Impacts for Queensland' dated August 2011 indicates that, for non-residential construction activities, costs may increase by between 0.7 per cent and 0.8 per cent over the period 2012-13 to 2015-16.

On this basis and other information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on the department's critical accounting estimates, assumptions and management judgements.

(ac) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

As the economic entity was established for financial reporting purposes effective 1 May 2012, no comparative information has been reported.

(ad) New and Revised Accounting Standards

The department did not voluntarily change any of its accounting policies during 1 May 2012 to 30 June 2012. Australian accounting standard changes applicable for the first time during 1 May 2012 to 30 June 2012 have had minimal effect on the department's financial statements, as explained below.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual

Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] became effective from reporting periods beginning on or after 1 January 2011. Given the department's existing financial instruments, there was only a minor impact on the department's financial instruments note (refer note 34), in relation to disclosures about credit risk.

That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the department's receivables as at 30 June 2012 receivables are not included in the credit risk disclosure in this year's financial statements.

As the department held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets during the reporting periods presented in these financial statements, there were no other changes required to the department's financial instruments note arising from the amendments to *AASB 7 Financial Instruments: Disclosures*.

AASB 1054 Australian Additional Disclosures became effective from reporting periods beginning on or after 1 July 2011. Given the department's previous disclosure practices, AASB 1054 had minimal impact on the department. One of the footnotes to note 14 Other Expenses, regarding audit fees, has been slightly amended to identify the department's auditor and clarify the nature of the work performed by the auditor.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113] also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the department from this amending standard was the deletion from AASB 101 Presentation of Financial Statements of the requirement for disclosure of commitments. However, Treasury's Minimum Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the department's commitments note (refer note 31).

The department is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the department has not applied any

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For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

(ad) New and Revised Accounting Standards (continued)

Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The department applies standards and interpretations in accordance with their respective commencement dates.

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

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] applies from reporting periods beginning on or after 1 July 2012. The only impact for the department will be that, in the Statement of Comprehensive Income, items within the “Other Comprehensive Income” section will need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of “fair value”, as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the department’s assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

The department has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don’t comply, changes will be necessary. While the department is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the department’s property, plant and equipment as from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not “observable” outside the department, the amount of information to be disclosed will be relatively greater.

AASB 9 Financial Instruments (December 2010) and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value.

Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department’s conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, it is not expected that any of the department’s financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the department’s financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in notes 1(t) and 35). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the department’s current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

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The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 127 (revised) *Separate Financial Statements*
- AASB 128 (revised) *Investments in Associates and Joint Ventures* and
- AASB 2011 -7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*.

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the department is not yet in a position to reliably determine the future implications of these new and revised standards for the department's financial statements.

AASB 10 redefines and clarifies the concept of control of another entity, which is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, subject to any not-for-profit modifications yet to be made to AASB 10, the department will need to re-assess the nature of its relationships with other entities, including entities that aren't currently consolidated.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the department will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the department will be required to make as from its 2013-14 financial statements will depend on the department's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the department's circumstances, the only implications for the department are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". However, as the department is a member of the Queensland Government central schemes for annual leave and long service leave, this change in criterion has no impact on the department's financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The department contributes only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on the department.

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2"). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

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(ad) New and Revised Accounting Standards (continued)

Details of which disclosures in standards and interpretations are not required under tier 2 reporting are set out in amending standards AASB 2010-2, AASB 2011-2, AASB 2011-6 and AASB 2011-11 (which also apply from reporting periods beginning on or after 1 July 2013).

However, Treasury's Minimum Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the department may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the department, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of tier 1 reporting by all Queensland Government departments and statutory bodies that are consolidated into the whole-of-Government financial statements. Queensland Treasury and Trade's policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the department.

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

(ae) Services/major activities of the department

The identity and purpose of each service/major activity undertaken by the department for the period 1 May 2012 to 30 June 2012 is summarised below.

Science Delivery Services provides the scientific evidence that underpins legislative and government policy development to ensure government decision-making and planning is founded on sound, practical science.

The division assists its clients in the delivery of scientific services in the areas of water (freshwater and marine), land and vegetation, climate variability, air quality and biodiversity. Scientific services include data collection and analysis of scientific information, advice and assessments; and the collection, maintenance and storage of fundamental datasets.

Science Delivery's capabilities also support the Government's Policy Commitment – Science and

Innovation for Economic Success, through the provision of scientific services and support to the Department of Agriculture, Fisheries and Forestry for the Queensland Agricultural Land Audit.

Innovation and Science Development Services focuses on increasing productivity by enabling businesses and government to operate competitively in a global environment by encouraging and supporting innovation.

The division provides innovation and science policy leadership across Government, as well as providing advice and services support to industry and research institutions on enabling technologies and intellectual property.

Queensland Government ICT Services is a critical government service provider consisting of four business areas — CITEC; Smart Service Queensland; Queensland State Archives and ICT Strategic Procurement.

The group maintains a centre of excellence for ICT skills and technologies and provides quality ICT services to assist the Government to operate effectively and efficiently. Services include solutions architecture and infrastructure engineering, archiving and information management, ICT procurement, multi-channel service delivery, disaster recovery capability and service management security.

Through these services, and in close cooperation with the Queensland Government Chief Information Officer, the Government ICT group supports the department to meet the intent of the Government's commitments by ensuring a consistent approach to IT systems and applications across Government, enabling effective and efficient delivery of frontline services.

The division is also responsible for the core operations for the Queensland Government. It keeps all the Government's technology services running securely 24/7/365, keeps Queenslanders connected to key Queensland Government services 24/7/365 and securely manages Queensland's largest record collection.

- **CITEC's** core business is to deliver consolidated ICT infrastructure services for the Queensland Government, covering data centre, network and infrastructure services and solution integration services. CITEC also delivers information brokerage services through CITEC Confirm.
- **Smart Service Queensland's** core business is to be the 'one-stop-shop' for Queenslanders to access government agencies and services 24/7/365 via phone, in person or online.

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

- Smart Service delivers over 260 services on behalf of all agencies through three fully redundant call centre sites, whole-of-Government websites including www.qld.gov.au, 79 Queensland Government Agent Programs and three Queensland Government Service Centres.
- **Queensland State Archives** is established under section 21 of the *Public Records Act 2002* as the state's archives and records management authority and is the custodian of the state's largest and most significant documentary heritage collection. Queensland State Archives manages, preserves and facilitates public access to the permanent public records of Queensland. As the lead agency for government recordkeeping, Queensland State Archives is also responsible for the development and implementation of a whole-of-Government recordkeeping policy framework for approximately 600 public authorities.
- The **ICT Strategic Procurement unit** was established to become the Queensland Government Centre of Excellence in ICT procurement matters. The group is responsible for the preparation and management of contracts, and other arrangements that support the implementation of ICT strategies.
- providing direction for strategy development, legal and governance advice, marketing and corporate communications, cultural infrastructure planning and strategy and policy development, performance measurement, corporate planning and reporting
- overseeing management responsibilities for the Cultural Centre and other State Government owned arts infrastructure.

The **Corporate Administration Agency** provides corporate services including HR consultancy, payroll and recruitment, financial management, procurement and information management for Arts Queensland and its statutory bodies.

The **Queensland Government Chief Information Office** (QGCIO) provides unbiased, independent quality advice to the Minister for Science, Information Technology, Innovation and the Arts on Information and Communication Technology (ICT) issues from a whole-of-Government perspective.

This advice is informed by extensive risk based analysis on the performance of information technology and information systems across government. The QGCIO also develops policy and standards to ensure consistency across the Queensland Government to mitigate risks.

The QGCIO provides:

- investment assurance on operations, systems, initiatives and business-as-usual optimisation
- governance processes and architectures, and encourages cross-jurisdictional relations
- long-term strategy for information technology and information systems (transformation)
- policy and standards as the authority for a consistent approach and performance targets
- advice, analysis and intervention on emerging day-to-day issues
- enhanced workforce capability through the ICT Graduate Program, and
- the ability to conduct a due diligence check on the status of ICT management across all departments.

The **Queensland Chief Scientist** provides leadership in science policy development and implementation supported by the department and provides high level, strategic advice to the Queensland Government on the role of science, research and innovation in meeting Queensland's economic challenges. The Chief Scientist also provides advice on maximising opportunities from the Government's investment in research and development.

Queensland Shared Services (QSS) was established as a rest-of-Government shared service provider on 1 July 2011 and facilitates a range of corporate services. These services include finance, procurement, human resource (HR) management, facilities management and mail support services to the majority of Queensland Government agencies (excluding Queensland Health (QH) and the Department of Education, Training and Employment (DETE)) and statutory authorities.

QSS also supports the DETE finance system solution, DETE training HR system solution, QH finance system solution and the QH HR rostering and payroll technology solution. Around 160,000 public servants are paid each fortnight by QSS, representing approximately 94 per cent of the sector.

Arts Queensland is building a strong arts and cultural sector for Queensland by advising and supporting the Minister for the Arts in setting the Government's strategic policy direction for arts and culture.

The division delivers the Government's mandate for arts and culture by:

- identifying strategic priorities for the design and delivery of programs, and management and administration of grant programs, fellowships and bursaries

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

(ae) Services/major activities of the department (continued)

The Queensland Chief Scientist acts as an ambassador for Queensland science, fostering cooperation and collaboration amongst the government, research,

industry and community sectors; raising Queensland's profile as a state characterised by world class research and investment opportunities; and engaging the community in better understanding the importance of science, research and innovation in the state's future economic, social and environmental wellbeing.

2. Reconciliation of payments from consolidated fund to departmental services revenue recognised in Statement of Comprehensive Income

	2012 \$'000
Budgeted output appropriation revenue	-
Transfers from/(to) other departments	
Former Department of Employment, Economic Development and Innovation	94,252
Former Department of Public Works	13,254
Former Department of Environment and Resource Management	15,688
Department of the Premier and Cabinet	37,911
Transfers from/(to) other headings	(31,286)
Less: Lapsed appropriations	(39,768)
Total departmental services receipts	90,051
Plus: Opening balance of departmental services revenue payable (transferred as at 1 May)	2,618
Plus: Closing balance of departmental services revenue receivable	2,980
Departmental services revenue recognised in Statement of Comprehensive Income	95,649

Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity

Budgeted equity adjustment appropriation	-
Transfers from/(to) other departments	
Former Department of Employment, Economic Development and Innovation	(10,471)
Former Department of Public Works	2,537
Department of the Premier and Cabinet	(8,875)
Transfers from/(to) other headings	32,473
Less: Closing balance of equity payable	(16,330)
Equity adjustment recognised in contributed equity	(666)

3. User charges

Information, communication and technology services	33,420
Services rendered by shared service provider	48,263
Other	3,304
Total	84,987

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For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

	2012 \$'000
4. Grants and other contributions	
Queensland Government grants and contributions	2,850
Commonwealth grants and contributions	1,075
Industry grants and contributions	578
Assets received at below fair value	3,636
Services provided at below fair value	2,395
Other	380
Total	10,914

5. Other revenue

Interest revenue	1,127
Procurement commissions	202
Miscellaneous revenue	(39)
Total	1,290

6. Employee expenses

Employee benefits	
Wages and salaries	45,970
Annual leave levy *	4,403
Employer superannuation contributions *	5,543
Long service leave levy *	1,023
Voluntary separation payments**	151
Other employee benefits	22
Total employee benefits	57,112
Employee related expenses:	
Workers' compensation premium *	221
Payroll tax *	2,719
Other employee related expenses	539
Total employee related expenses	3,479
Total employee expenses	60,591

* Refer to 1(u)

The number of employees includes both full-time employees and part-time employees measured on a full-time equivalent basis as at 30 June.

**The department's commercialised business unit, CITEC paid voluntary separation payments under its voluntary separation payment program during 1 May 2012 to 30 June 2012. The obligations under this program were settled by 30 June 2012 and were funded internally.

	No.
Number of employees:	3,659

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

7. Key executive management personnel and remuneration

a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency from 1 May 2012 to 30 June 2012. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

		Current Incumbents	
Position	Responsibilities	Contract classification and appointment authority	Date appointment to position (Date resigned from position)
Director-General	The Director-General is responsible for the efficient, effective and economic administration of the agency.	CE03-5 <i>Public Service Act 2008</i>	3 April 2012
Queensland Government Chief Information Officer	The Chief Information Officer is responsible for ICT governance, investment assurance, information systems and information technology strategy, policy and standards and the Queensland Government Enterprise Architecture.	CE03-6 S122 contract	3 April 2012
Queensland Chief Scientist	The Queensland Chief Scientist is responsible for providing high-level, strategic advice to the State Government on the role of science, research and innovation in achieving the State Government's priorities.	CE01-Chief Scientist S122 contract	3 April 2012
Deputy Director-General, Government ICT Division	The Deputy Director-General, Government ICT Division is responsible for information and communication technology service delivery within the Queensland Government.	SES4-2 S122 contract	3 April 2012
Assistant Director-General, Corporate and Shared Services Division	The Assistant Director-General, Corporate and Shared Services Division is responsible for ensuring high quality, integrated service delivery to Government in corporate services and procurement.	SES3-5 <i>Public Service Act 2008</i>	23 July 2012 (acting May and June)
Chief Finance Officer	The Chief Finance Officer is responsible for providing overall stewardship of the Department's finances and assuring tight financial integration and accountability to enable the Department to meet corporate governance and statutory compliance requirements.	SES2-2 S122 contract	1 July 2012 (acting May and June)

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointment to position (Date resigned from position)
Assistant Director-General, Science Delivery Division	The Assistant Director-General, Science Delivery Division is responsible for improving the use of science to inform policy and decision-making both within the department and elsewhere in government and the community.	SES3-1 <i>Public Service Act 2008</i>	5 June 2012 (acting May and June)
Deputy Director-General, Innovation and Science Development Division	The Deputy Director-General, Innovation and Science Development is responsible for business innovation services, innovation policy, industry ICT and the digital economy, design industries, commercial evaluation, science policy and investment, and science development.	SES4-1 <i>Public Service Act 2008</i>	5 June 2012 (acting May and June)
Deputy Director-General, Arts Division	The Deputy Director-General, Arts Division is responsible for strengthening Queensland's arts and cultural sector by promoting a diverse and dynamic creative culture; supporting partnerships and collaboration; and capitalising on Queensland's unique strengths and characteristics.	SES2-3 <i>Public Service Act 2008</i>	3 April 2012 (resigned 30 June 2012)

b) Remuneration

Remuneration policy for the department's key executive 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 executive management personnel are specified in employment contracts.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits which include:
 - Base consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - Nonmonetary benefits consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

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Notes to and forming part of the financial statements

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Department of Science, Information Technology, Innovation and the Arts

7. Key executive management personnel and remuneration (continued)

- Long term employee benefits include long service leave accrued.
- Post-employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and nonmonetary benefits, long term employee benefits and post-employment benefits.

1 May 2012 to 30 June 2012	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
Position	Base \$'000	Non Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Director General	55	5	1	7	-	68
Queensland Government Chief Information Officer	53	5	1	7	-	66
Queensland Government Chief Scientist	45	4	1	6	-	56
Deputy Director-General Government ICT Division	33	4	1	4	-	42
Assistant Director- General, Corporate and Shared Services Division	30	4	1	4	-	39
Chief Finance Officer	23	3	1	3	-	30
Assistant Director- General, Science Delivery Division	25	3	1	3	-	32
Deputy Director- General, Innovation and Science Development Division	40	5	1	7	-	53
Deputy Director- General, Arts Division	35	-	1	4	243	283
Total Remuneration	339	33	9	45	243	669

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

Although the Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, the remuneration in respect to the key executive management referred to above is for the period beginning 1 May 2012 to 30 June 2012. Remuneration paid to key executive management for the period 3 April 2012 to 30 April 2012 are recorded in the following financial statements:

Department of Housing and Public Works	Deputy Director-General Government ICT Division
Department of the Premier and Cabinet	Queensland Government Chief Information Officer Queensland Government Chief Scientist
Department of Justice and Attorney-General	Director-General

C) Performance payments

No performance bonuses were paid or were payable in the period 1 May 2012 to 30 June 2012.

	2012 \$'000
8. Supplies and services	
Information, communication and technology service delivery expense	29,212
Arts and culture service delivery expense	6,469
Science and innovation related service delivery expense	5,268
Shared service provider delivery expense	17,502
Other	1,861
Total	60,312
9. Grants and subsidies	
Arts and culture	11,202
Science and innovation	37,262
Information, communication and technology	462
Other contributions	310
Total	49,236

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

2012
\$'000

10. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

Buildings	6,381
Infrastructure assets	50
Plant and equipment	3,559
Software purchased	177
Software internally generated	2,822
Total	12,989

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

Intangibles	504
Plant and equipment	1,653

11. Impairment losses

Intangible assets	19,079
Impairment losses on prepaid assets	205
Impairment losses on trade receivables	359
Total	19,643

Refer to note 20 for details of the recognised impairment loss for intangible assets.

12. Revaluation decrement

Buildings	10,913
Total	10,913

The decrement, not being a reversal of a previous revaluation increment in respect of the same class of assets, has been recognised as an expense in the Statement of Comprehensive Income. Refer Note 21.

13. Finance/borrowing costs

Interest expense	284
Finance charges relating to finance leases	9
Administration charges	4
Total	297

The department does not capitalise finance/borrowing costs. Refer to note 1(w) for further information.

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

	2012 \$'000
14. Other expenses	
Loan – fair value adjustment *	7,441
Insurance premiums – QGIF	92
Insurance premiums – Other **	83
Bad debts written off	13
External audit fees ***	40
Bank charges / merchant fees	75
Losses from disposal of non-current assets	47
Write-down of assets	90
Write-down of inventory	35
<i>Losses:</i>	
Public moneys	4
Performance penalties	39
Services provided at below fair value	2,395
Other	53
Total	10,407

* The department provides loans to universities and research institutions under the Innovation Building Fund. These loans have been adjusted to fair value as calculated by Queensland Treasury Corporation as at 30 June 2012.

** The Under Treasurer's approval has been obtained for entering into the insurance contracts.

*** Projected audit fees for the period 1 May 2012 to 30 June 2012 payable to the Queensland Audit Office are \$170,000. Adjustments relating to audit fees payable by the Queensland Shared Services and CITEC, prior to the department being established are included in the amount disclosed for the period 1 May 2012 to 30 June 2012. There are no non-audit services included in this amount.

15. Cash and cash equivalents

Current

Imprest accounts	50
Cash at bank	138,618
Total	138,668

CITEC continues to earn interest on its deposits with the Commonwealth Bank. Interest earned on cash held with the Commonwealth Bank earned 3.26% between 1 May 2012 and 30 June 2012.

Departmental bank accounts grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balances accrues to the Consolidated Fund.

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

	2012
	\$'000
16. Receivables	
<i>Current</i>	
Trade debtors	34,190
Less: allowance for impairment loss*	(802)
Net trade debtors	33,388
Advances	243
Less: Allowance for impairment loss*	(200)
Net advances	43
Annual leave reimbursements	5,080
Long service leave reimbursements	526
Departmental services revenue receivable	2,980
Accrued revenue	15,102
Interest receivable	156
Loans receivable	8,413
Other	2,155
Total	67,843
<i>Non-current</i>	
Loan receivable**	20,722
Total	20,722
* Movements in the allowance for impairment loss	
Transfer of balance as at 1 May due to machinery-of-Government changes	(657)
Amounts written off during the year	13
Amounts recovered during the year	1
(Increase)/decrease in allowance recognised in the operating result	(359)
Balance at 30 June	(1,002)

**This amount includes loans of \$20.622 million at fair value provided under the Innovation Building Fund with a cost value of \$76.007 million.

17. Inventories

Current

Supplies and consumables – at cost	9
Total	9

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

	2012 \$'000
18. Tax Assets	
<i>Non-current</i>	
Deferred tax asset	10,209
Total	10,209

19. Other assets	
<i>Current</i>	
Prepayments	15,364
Less: Allowance for impairment loss	(205)
Total	15,159

*Impairment of prepayments relate to service contracts associated with the IDES capital asset base.

<i>Non-current</i>	
Prepayments	1,851
Total	1,851

20. Intangible assets	
Software purchased:	
At cost	147,753
Less: Accumulated amortisation	(141,102)
Less: Accumulated impairment losses	(4,342)
Total	2,309

Software internally generated:	
At cost	258,242
Less: Accumulated amortisation	(108,063)
Less: Accumulated impairment losses	(36,634)
Total	113,545

Carrying amount of intangible assets under development at cost	3,805
Total	119,659

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

Reconciliations

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

Intangible assets reconciliation	Software purchased	Software internally generated	Intangibles under development at cost	Total
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Net assets received via machinery-of-Government changes as at 1 May	6,135	130,912	3,713	140,760
Acquisitions	693	273	321	1,287
Disposals	-	(311)	-	(311)
Impairment losses recognised*	(4,342)	(14,736)	-	(19,078)
Transfers between classes	-	229	(229)	-
Amortisation**	(177)	(2,822)	-	(2,999)
Carrying amount at 30 June	2,309	113,545	3,805	119,659

The original cost of fully amortised intangible assets still in use with a written down value of nil is \$103.605 million. The majority of these assets relate to legacy computer software held by Queensland Shared Services pending review or replacement.

*Impairment losses are shown as separate line items in the Statement of Comprehensive Income.

**Amortisation of intangible assets is included in the line item "Depreciation and Amortisation in the Statement of Comprehensive Income".

21. Property, plant and equipment

Land:	212,891
At fair value	212,891
Buildings:	
At fair value	912,275
Less: Accumulated depreciation	(406,371)
Total	505,904
Heritage and cultural assets:	
At fair value	98
Less: Accumulated depreciation	-
Total	98
Infrastructure assets:	
At fair value	13,624
Less: Accumulated depreciation	(3,738)
Total	9,886

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

Plant and equipment:	
At cost	167,844
Less: Accumulated depreciation	(84,176)
Total	83,668
Capital works in progress:	
At cost	9,114
Total	9,114
Total	821,561

Reconciliations

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

Property, plant and equipment reconciliation	Land	Buildings	Heritage and cultural assets	Infrastructure Assets	Plant and equipment	Capital works in progress	Total
	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000	2012 \$'000
Net assets received via machinery-of-Government changes as at 1 May	202,972	511,254	98	9,878	77,991	22,217	824,410
Revaluation increments/ (decrements)	9,919	(10,809)	-	127	-	-	(763)
Acquisitions	-	-	-	-	6,306	2,255	8,561
Disposals	-	-	-	-	(647)	-	(647)
Transfers between classes	-	11,840	-	(69)	3,577	(15,358)	(10)
Depreciation*	-	(6,381)	-	(50)	(3,559)	-	(9,990)
Carrying amount at 30 June	212,891	505,904	98	9,886	83,668	9,114	821,561

The original cost of fully depreciated property, plant and equipment still in use with a written down value of nil is \$16.320 million. The majority of these assets relate to computer hardware still in productive use held by Queensland Shared Services and CITEC.

*Depreciation of property, plant and equipment is included in the line item "Depreciation and Amortisation in the Statement of Comprehensive Income."

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

21. Property, plant and equipment (continued)

Re-valuation of property, plant and equipment process

To ensure the carrying amounts of the department's land, buildings, infrastructure, heritage and cultural assets reflect their fair value, in accordance with the Department of Treasury and Trade's *Non-Current Asset Accounting Policies for the Queensland Public Sector* it is the department's policy to revalue its land, buildings, infrastructure, heritage and cultural assets, and major plant and equipment asset classes on an annual basis.

The annual valuation process for a class of land, buildings, infrastructure, heritage and cultural assets, carried at fair value may incorporate either one or both of the following methodologies:-

- Appraisals undertaken by an independent professional valuer or internal expert.
- Use of appropriate and relevant indices.

All land, buildings, infrastructure, heritage and cultural assets of the department must be re-valued by an independent professional valuer or internal expert at least once every five years.

In respect to those assets controlled by the major departmental service, Science Delivery Services, assets are re-valued using a rolling revaluation program. An index is applied to the assets not comprehensively valued in the current financial year. The index applied is based on market value movements for the current financial year.

As detailed in note 30, property, plant and equipment assets were transferred to the Department of Science, Information Technology, Innovation and the Arts on 1 May 2012 following machinery-of-Government changes. In accordance with Queensland Treasury and Trade's issued Accounting Policy Guideline 9 *Accounting for Contributions by Owners*, equity balances, including asset revaluation surpluses, were not transferred to the Department of Science, Information Technology, Innovation and the Arts.

Consequently any revaluation decrements associated with valuations carried out after the departmental transfer, are recorded as an expense in the Statement of Comprehensive Income, as there are no prior year revaluation reserves against which to record the decrement. Any revaluation increments associated with valuations carried out after the departmental transfer have been used to create a new asset revaluation reserve in the Statement of Financial Position for the department.

Plant and equipment is valued at cost as prescribed in the Department of Treasury and Trade's *Non Current Asset Accounting Policies for the Queensland Public Sector*.

Land

Arts Queensland appointed the Australian Valuation Office to complete revaluation of land as at 30 June 2012. Land is valued at market price with reference to sales of large redevelopment sites in inner Brisbane. The result of the 30 June 2012 revaluation of land was a revaluation increment of \$9.9 million, which has resulted in an increment to the asset revaluation reserve.

Heritage and Cultural Assets

Heritage and cultural assets include works of art. These assets have not been subject to an official revaluation or indexation, as management consider the values to be immaterial.

Buildings

Buildings consist of non-residential properties (major commercial and other commercial properties).

Arts Queensland appointed the Australian Valuation Office to complete revaluations of buildings as at 30 June 2012. Buildings are valued on a written down basis, reflecting current replacement cost, current conditions rating and remaining effective life. The result of the 30 June 2012 revaluation of buildings was a revaluation decrement of \$10.9 million, which has been reflected in the Statement of Comprehensive Income.

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Notes to and forming part of the financial statements

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Department of Science, Information Technology, Innovation and the Arts

22. Payables	2012 \$'000
<i>Current</i>	
Trade creditors and accruals	106,900
Grants and subsidies	796
Payroll tax	953
GST payable	4,231
Less: GST receivable	(4,166)
Net GST payable	65
Other	63
Total	108,777

23. Other financial liabilities

<i>Current</i>	
Finance lease liability (see note 31)	1,073
Promissory note	688
Queensland Treasury Corporation borrowings	17,045
Total	19,166
 <i>Non-Current</i>	
Queensland Treasury Corporation borrowings	15,467
Total	15,467

No assets have been pledged as security for the borrowings.

All borrowings are in \$AUD denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current reporting period.

Repayment dates vary from 31 July 2012 to 19 May 2021. The interest rate on borrowings range from 4.25% to 8.74%.

The fair value of the department's borrowings at 30 June, as notified by Queensland Treasury Corporation was \$33.499 million. This represents the value of the debt if the department repaid the debt at balance date. As it is the intention of the department to hold its borrowings for their full term, no adjustment provision is made to these accounts. At 30 June 2012, overdraft facilities with the Commonwealth Bank with limits ranging from nil to \$10 million were in place under the Queensland Treasury and Trade's cash management incentives regime.

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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

24. Accrued employee benefits 2012 \$'000

Current

Annual leave levy payable	6,731
Long service leave levy payable	1,415
Salaries, wages and other related expenses	515
Other	34
Total	8,695

25. Tax liabilities

Non-current	
Deferred tax liability	73
Total	73

26. Other liabilities

Current

Unearned revenue	3,226
Prepaid deposits	912
Other	537
Total	4,675

27. Asset revaluation surplus by class

Balance at 1 May	-
Increment on revaluation of:	
Land	9,919
Buildings	105
Infrastructure	126
Balance at 30 June *	10,150

* Closing balance of asset revaluation surplus by class:

Land	9,919
Buildings	105
Infrastructure	126
Total	10,150

The asset revaluation surplus represents the net effect of upwards revaluations of assets to fair value. Refer note 21 for further information relating to the departments asset revaluation process.

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Notes to and forming part of the financial statements

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Department of Science, Information Technology, Innovation and the Arts

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

2012
\$'000

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents – refer note 15	138,668
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(b) Reconciliation of operating result to net cash from operating activities

Operating result from continuing operations before income tax	(31,548)
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Less: Income tax benefit/(expense)	-
	(31,548)

Non-cash items:

Depreciation and amortisation expense	12,989
Contributed assets	(3,454)
Doubtful debts written off or provided for	153
Loss on sale or disposal of non-current assets	47
Debt forgiveness on loans	6,391
Fair value and notional interest adjustment on loans	7,205
Assets and liabilities assumed/relinquished	(258)
Assets transferred to expense	14
Revaluation decrement	10,913
Impairment loss	19,284

Change in assets and liabilities:

(Increase)/decrease in net receivables	(91,278)
(Increase)/decrease in inventories	37
(Increase)/decrease in interest receivable	(108)
(Increase)/decrease in prepayments	(4,938)
(Increase)/decrease in other assets	(433)
Increase/(decrease) in unearned revenue	(791)
Increase/(decrease) in accrued employee benefits	472
Increase/(decrease) in payables	148,422
Increase/(decrease) in interest payable	(99)
Increase/(decrease) in other liabilities	2,360
Increase/(decrease) in GST receivable	(2,699)
Increase/(decrease) in GST payable	461

Net cash from operating activities	73,142
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Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

29. Non-cash financing and investing activities

Assets and liabilities received by the department as a result of non-reciprocal transfers are recognised in Note 4 - Grants and other contributions.

Assets and liabilities received or transferred by the department as a result of machinery-of-Government transfers are set out in notes 1(b) and note 30.

30. Machinery-of-Government transfers

As a result of the restructuring of administrative arrangements during the year, the department has gained certain assets and liabilities as follows:

(a) Transfer of Arts Queensland

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for Arts Queensland was transferred from the Department of the Premier and Cabinet.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	10,794
Receivables	12,396
Other	75
Other non-current receivables	100
Property, plant and equipment	716,651
<i>Liabilities</i>	
Payables	(5,805)
Other current financial liabilities	(8,247)
Accrued employee benefits	(112)
Other non-current financial liabilities	(717)
Net assets transferred	725,135

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to Arts Queensland, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of the Premier and Cabinet for the period from 1 July 2011 to 30 April 2012 that were attributed to Arts Queensland totalled \$110.022 million and \$110.104 million respectively.

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(b) Transfer of Corporate Administration Agency

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for the Corporate Administration Agency was transferred from the Department of the Premier and Cabinet.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	4,392
Receivables	806
Other	31
Intangible assets	324
Property, plant and equipment	413
 <i>Liabilities</i>	
Payables	(1,101)
Accrued employee benefits	(209)
Other liabilities	(139)
Net assets transferred	4,517

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to the Corporate Administration Agency, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of the Premier and Cabinet for the period from 1 July 2011 to 30 April 2012 that were attributed to the Corporate Administration Agency totalled \$8.200 million and \$8.401 million respectively.

(c) Transfer of the Office of the Chief Scientist

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for the Office of the Chief Scientist was transferred from the Department of the Premier and Cabinet.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Property, plant and equipment	4
Net assets transferred	4

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to the Office of the Chief Scientist, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of the Premier and Cabinet for the period from 1 July 2011 to 30 April 2012 in respect to the Chief Scientist Office totalled \$0.846 million and \$0.846 million respectively.

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(d) Transfer of Queensland Government Chief Information Office

As a result of the *Public Service Departmental Arrangements Notice (No. 2) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for the Queensland Government Chief Information Office was transferred from the Department of the Premier and Cabinet.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	1
Property, plant and equipment	80
<i>Liabilities</i>	
Payables	(12)
Net assets transferred	69

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to the Queensland Government Chief Information Office, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of the Housing for the period from 1 July 2011 to 31 November 2011 and the Department of the Premier and Cabinet for the period 1 December 2011 to 30 April 2012 that were attributed to the Queensland Government Chief Information Office totalled in sum to \$22.681 million and \$22.681 million respectively.

(e) Transfer of Queensland State Archives

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for the Queensland State Archives was transferred from the former Department of Public Works.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	1
Other	30
Intangible assets	106
Property, plant and equipment	596
Net assets transferred	733

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to the Queensland State Archives, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of Housing and Public Works for the period from 1 July 2011 to 30 April 2012 in respect to the Queensland State Archives totalled \$12.475 million and \$12.475 million respectively.

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(f) Transfer of Smart Service Queensland

As a result of the *Public Service Departmental Arrangements Notice (No. 2) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for Smart Services Queensland was transferred from the former Department of Public Works.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	5,804
Receivables	6,942
Other	543
Intangible assets	10,003
Property, Plant and Equipment	4,227
 <i>Liabilities</i>	
Payables	(3,168)
Accrued Employee Benefits	(1,259)
Other	(2,655)
Net assets transferred	20,437

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to the Smart Service Queensland, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of Housing and Public Works for the period from 1 July 2011 to 30 April 2012 in respect to the Smart Service Queensland totalled \$59.016 million and \$59.016 million respectively.

(g) Transfer of Queensland Shared Service

As a result of the *Public Service Departmental Arrangements Notice (No. 2) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for Queensland Shared Services was transferred from the former Department of Public Works.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	32,839
Receivables	53,120
Other	2,640
Intangible assets	97,180
Property, plant and equipment	4,820
 <i>Liabilities</i>	
Payables	(16,877)
Accrued employee benefits	(3,855)
Other	(5,466)
Net assets transferred	164,401

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(g) Transfer of Queensland Shared Service (Continued)

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to Queensland Shared Service, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of Housing and Public Works for the period from 1 July 2011 to 30 April 2012 in respect to Queensland Shared Service totalled \$221.152 million and \$223.974 million respectively.

(h) Transfer of the Centre for Information, Communication and Technology (CITEC)

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for the Centre for Information, Technology and Communications (CITEC) was transferred from the former Department of Public Works.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	5,965
Receivables	25,193
Other	8,531
Intangible assets	30,508
Property, plant and equipment	32,198
Tax assets	10,209
<i>Liabilities</i>	
Payables	(10,329)
Accrued employee benefits	(1,857)
Other financial liabilities	(28,501)
Other	(3,711)
Tax liabilities	(73)
Net assets transferred	68,133

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to CITEC, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of Housing and Public Works for the period from 1 July 2011 to 30 April 2012 in respect to CITEC totalled \$170.086 million and \$149.286 million respectively.

(i) Transfer of Science Delivery Services

As a result of the *Public Service Departmental Arrangements Notice (No. 2) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for Environment and Resource Sciences and the Queensland Climate Change Centre for Excellence was transferred from the former Department of Environment and Resource Management.

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Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Cash	12,229
Receivables	1,955
Inventories	46
Other	46
Intangible assets	1,770
Property, plant and equipment	65,421
 <i>Liabilities</i>	
Payables	(1,299)
Accrued employee benefits	(1,115)
Other financial liabilities	(688)
Other	(80)
Net assets transferred	78,285

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to Science Delivery Services, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of Environment and Heritage Protection for the period from 1 July 2011 to 30 April 2012 in respect to Science Delivery Services have not been attributed as a major departmental service by the Department of Environment and Heritage Protection in their financial statements and therefore these amounts have not been disclosed.

(j) Transfer of Innovation and Science Development Services

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility for that part of the former Department of Employment, Economic Development and Innovation responsible for science, research and development and business innovation and the associated executive support services and international collaborations was transferred from the former Department of Employment, Economic Development and Innovation.

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Receivables	15,044
Net assets transferred	15,044

The increase in net assets has been accounted for as an increase in contributed equity as disclosed in the Statement of Changes in Equity. Expenses and revenues attributed to CITEC, reported in the Statement of Comprehensive Income by Major Departmental Services, CBUs and SSPs relate to the period 1 May 2012 to 30 June 2012.

Expenses and revenues recognised by the Department of State Development, Infrastructure and Planning for the period from 1 July 2011 to 30 April 2012 in respect to Science Delivery Services have not been attributed as a major departmental service by the Department of State Development, Infrastructure and Planning in their financial statements and therefore these amounts have not been disclosed.

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(j) Transfer of Innovation and Science Development Services (Continued)

Administered on a whole-of-Government basis

Assets and Liabilities transferred:	\$'000
<i>Assets</i>	
Receivables	54,759
Net assets transferred	54,759

The net assets transferred, as reported above, were agreed by the Director-General of the Department of State Development, Infrastructure and Planning and the Acting Director-General of the Department of Science, Information Technology, Innovation and the Arts. There are immaterial balances that are subject to further negotiation between these departments that will be transferred on finalisation of the negotiations.

(k) Total machinery-of-Government transfers

Total economic entity net assets transferred (excluding administered)*	1,076,758
Total economic entity net assets transferred – Administered	54,759

*refer to Statement of Changes in Equity.

(l) Other machinery-of-Government transfers

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility of the following entities were transferred to the Department of Science, Information Technology, Innovation and the Arts.

Entities:

Screen Queensland Pty Ltd (formerly Pacific Film and Television Pty Ltd)
 Aboriginal Centre for the Performing Arts Pty Ltd
 Queensland Music Festival Pty Ltd
 Major Brisbane Festivals Pty Ltd
 Biopharmaceuticals Australia (Network) Pty Ltd
 CSI Holdings Pty Ltd

Transferred from:

Department of the Premier and Cabinet
 Department of the Premier and Cabinet
 Department of the Premier and Cabinet
 Department of the Premier and Cabinet
 Former Department of Employment,
 Economic Development and Innovation
 Former Department of Public Works

Assets and liabilities of the above transferred entities would not materially affect the reported financial position and operating result of the economic entity - refer Note 1(b)

The department does not have control over the financial or operating policies though voting rights or board membership of the Major Brisbane Festivals Pty Ltd.

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Department of Science, Information Technology, Innovation and the Arts

31. Commitments for expenditure 2012 \$'000

(a) Finance lease liabilities

Lease liabilities recognised in the Statement of Financial Position

Total current	1,073
Total	1,073

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

Not later than one year	1,207
Less: Anticipated input tax credits	(110)
Less: Future finance charges	(24)
Total	1,073

(b) Non-cancellable operating lease commitments 2012 \$'000

Commitments under non-cancellable operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	33,062
Later than one year and not later than five years	62,345
Later than five years	16,497
Total	111,904

Operating leases primarily are entered into as a means of acquiring access to office accommodation and storage facilities. For these, rental payments are usually able to be varied based on CPI or conditions detailed in the lease. Most leases contain renewal clauses but no purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

(c) Expenditure commitments

Material classes of expenditure commitments inclusive of anticipated GST, contracted for at reporting date, but not recognised in the accounts as payable are as follows

Payable:	
Land and buildings	17,015
Plant and equipment	1,505
Grants & subsidies	107,783
Operational expenditure	78,465
Software	404
Total	205,172

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(c) Expenditure commitments (Continued)

Payable:	
Not later than one year	156,187
Later than one year and not later than five years	48,966
Later than five years	19
Total	205,172

32. Contingencies

(a) Guarantees and indemnities

The department has been a party to several indemnity capped procurement arrangements. These contracts are primarily with suppliers of software and scientific equipment with liability and indemnity caps of various levels up to \$383,000. The contracts are short term in nature and are performance milestone based.

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

	2012
	\$'000
Australian Securities and Investment Commission	550
State of Victoria	242
State of New South Wales	850
State of Western Australia	328
Sydney Water Corporation	100
Insolvency and Trustee Service Australia	127
Total	2,197

The above guarantees and arrangements are not recognised as liabilities in the Statement of Financial Position.

(b) Litigation in progress

An indemnity against legal costs has been provided to an employee in respect of a formal complaint initiating a prosecution served by the Board of Professional Engineers and potential investigations to be undertaken in relation to the Queensland Floods Commission of Inquiry. The estimated contingent liability in respect of legal representation costs for both these matters totals \$165,000. In the event that the matter progresses to a full trial and a successful prosecution is reached, the employee will be required to repay all legal fees incurred by the State under the indemnity.

The Department of Science, Information, Technology and the Arts is part of the the Queensland Government Insurance Fund (QGIF). Under the QGIF, the department would be able to claim back, less a \$10,000 deductible, the amount paid to successful litigants.

33. Controlled entities

The following entities were 100 percent controlled by the department during the period 1 May 2012 to 30 June 2012.

Name of Controlled Entity	Audit Arrangements
Aboriginal Centre for the Performing Arts Pty Ltd	Auditor-General of Queensland
Queensland Music Festival Pty Ltd	Auditor-General of Queensland

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Screen Queensland Pty Ltd
Biopharmaceuticals Australia (Network) Pty Ltd
CSI Holdings Pty Ltd

Auditor-General of Queensland
Auditor-General of Queensland
Auditor-General of Queensland

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility of the above entities have been transferred to the department – refer note 30(k).

(a) Aboriginal Centre for Performing Arts Pty Ltd

Aboriginal Centre for the Performing Arts Pty Ltd (ACPA) is a registered training company that delivers accredited training to Indigenous and Non-Indigenous persons in various performing arts courses.

The assets, liabilities, revenue and expenses of ACPA have not been consolidated in the financial statements as they would not materially affect the reported financial position and operating result of the Economic Entity.

The share capital of ACPA consists of 2 ordinary shares of \$1 each, fully paid, and held by the State of Queensland.

Audited financial statements are yet to be completed in respect of ACPA during the period in which the department had control of the entity.

(b) Queensland Music Festival Pty Ltd

Queensland Music Festival Pty Ltd (QMF) was established and incorporated in the State of Queensland as a non profit company “to produce and promote a biennial Queensland festival of music which achieves both international excellence and accessibility for Queenslanders from all walks of life”.

The assets, liabilities, revenue and expenses of QMF have not been consolidated in the financial statements as they would not materially affect the reported financial position and operating result of the Economic Entity.

The share capital of QMF consists of 2 ordinary shares of \$1 each, fully paid, and are held by the State of Queensland.

Audited financial statements are yet to be completed in respect to QMF during the period in which the department had control of the entity.

(c) Screen Queensland Pty Ltd

Screen Queensland Pty Ltd (SQ) is a company, incorporated in the State of Queensland, limited by shares held beneficially by the State of Queensland. Its principal activities during the course of the year were the facilitation of the development, promotion and enhancement of the film production industry, and film culture and presentation of film and film-related events in Queensland.

The assets, liabilities, revenue and expenses of SQ have not been consolidated in the financial statements as they would not materially affect the reported financial position and operating result of the Economic Entity.

The share capital of SQ consists of one fully paid share to the value of \$10 and is held by the State of Queensland.

A summary of the latest audited financial transactions and balances for SQ is shown on page 65.

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33. Controlled entities (Continued)

(d) Biopharmaceuticals Australia (Network) Pty Ltd

Biopharmaceuticals Australia (Network) Pty Ltd (BP) was established to oversee the staged development of a contract biopharmaceutical manufacturing facility and to undertake business development activities to support the operations of the facility. It forms part of the Queensland Government's 10 year Biotechnology Strategic Plan, creating synergy with Australia's world-class biomedical research activity.

The assets, liabilities, revenue and expenses of BP have not been consolidated in the financial statements as they would not materially affect the reported financial position and operating result of the Economic Entity.

The share capital of BP consists of one fully paid share to the value of \$1 and is held by the State of Queensland.

A summary of the latest audited financial transactions and balances is shown on page 65.

(e) CSI Holdings Pty Ltd

CSI Holdings Pty Ltd (CSI) was a company established by the Queensland Government in 1995-1996 as a controlled entity of CITEC, which is a fully commercialised business of the Queensland Government. CSI was a vehicle for holding investments and shareholdings in businesses incidental to CITEC's approved core business and for enabling work within the Commonwealth Government markets.

In 2008, the Queensland Government Boards, Committees and Statutory Authorities review recommended that CSI maintains a status quo position, with the company to be wound up on the expiry or termination of all existing contractual undertakings. The remaining commercial contracts expired late 2011 and the company was formally de-registered on 6 June 2012.

There were no transactions or balances held prior to deregistration of the company during the period in which the department had control of the entity.

(f) Major Brisbane Festivals Pty Ltd

As a result of the *Public Service Departmental Arrangements Notice (No. 1) 2012*, dated 3 April 2012 with financial effect from 1 May 2012, the responsibility of Major Brisbane Festivals Pty Ltd (MBF) has been transferred to the department – refer note 30(k).

MBF incorporating Brisbane Festival is jointly owned by the State of Queensland and Brisbane City Council and aims to position Brisbane as a key festival destination.

The department and the Brisbane City Council each hold 50 per cent of the shares of the MBF. It has been determined that the department does not have control over the financial or operating policies through voting rights or board membership of the entity. However, due to funding arrangements for the entity, the department has significant influence.

The share capital of MBF consists of 2 ordinary shares of \$1 each, fully paid. One share is held by the State of Queensland and one is held by the Brisbane City Council.

Equity accounting has not been applied as the transactions of the entity are not material.

Audited financial statements are yet to be completed in respect of MBF during the period in which the department had control of the entity.

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Summary of latest audited financial statements	2012	2012
1 May 2012 to 30 June 2012	\$'000	\$'000
	BP	SQ
Revenue	845	294
Expenses	(300)	(1,871)
Net surplus/(deficit)	545	(1,577)
Assets	4,780	19,606
Liabilities	(2,453)	(11,941)
Net assets	2,327	7,665

34. Financial instruments	Note	2012
		\$'000

(a) Categorisation of financial instruments

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

Financial assets

Cash and cash equivalents	15	138,668
Receivables	16	88,565
Total		227,233

Financial liabilities

Financial liabilities measured at amortised cost:

Payables	22	108,777
Promissory note	23	688
Financial liabilities – finance lease liability	23	1,073
Financial liabilities – Queensland Treasury Corporation Loans	23	32,872
Total		143,410

(b) Financial risk management

The department's activities expose it to a variety of financial risks, namely interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed by the respective finance areas of the department under policies approved by the department. The department provides written principles for overall risk management, as well as policies covering specific areas.

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(b) Financial risk management (Continued)

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

Risk Exposure	Measurement method
Credit risk	Ageing analysis, earnings at risk
Liquidity Risk	Sensitivity analysis
Market Risk	Interest rate sensitivity analysis

(c) Credit risk exposure

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

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The carrying amount of receivable's represent the maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

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

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

The method for calculating any allowance for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. These economic and geographic changes form part of the department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

The recognised impairment loss is \$19.643 million for the current year. The impairment loss is due mainly to the discontinuation of the Identity, Directory and Email Service (IDES) within CITEC and the associated impairment of the IDES related capital asset base.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

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

	2012
	\$'000
Financial assets past due but not impaired	
Receivables	
Less than 30 days	15,019
Overdue 31-60 days	1,236
Overdue 61-90 days	671
Overdue more than 90 days	765
Total	17,691
Impaired financial assets	
Receivables	
Not overdue	100
Less than 30 days	396
Overdue 31-60 days	-
Overdue 61-90 days	1
Overdue more than 90 days	505
Total	1,002

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(d) Liquidity risk

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

The department is exposed to liquidity risk in respect of its payables, borrowings from Queensland Treasury Corporation and promissory notes.

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

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

	Note	2012 \$'000
Financial Liabilities		
Payables	22	
Less than 1 year		108,777
Total		108,777
Queensland Treasury Corporation Borrowings		
Less than 1 year		17,405
1 to 5 years		15,467
Total		32,872
Promissory notes		
Less than 1 year		688
Total		688
Lease liability		
Less than 1 year		1,073
Total		1,072
Total financial liabilities		
Less than 1 year		127,943
1 to 5 years		15,467
Total		143,410

(e) Market Risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation and cash deposited in interest bearing accounts.

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34. Financial instruments (Continued)

(f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome on profit and loss if interest rates would change by +/-1% from the year end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase of \$155,821. This is mainly attributable to the interest earned on cash deposits by the commercialised business units exceeding the department's exposure to variable interest rates on its borrowings from Queensland Treasury Corporation.

	2012
	\$'000
Financial instruments	
Cash	
Carrying amount*	8,147
Interest rate risk:	
-1% Profit	(81)
-1% Equity	(81)
+1% Profit	81
+1% Equity	81
Borrowings	
Carrying amount**	23,729
Interest rate risk:	
-1% Profit	237
-1% Equity	237
+1% Profit	(237)
+1% Equity	(237)
Overall effect on profit and equity	
Interest rate risk:	
-1% Profit	156
-1% Equity	156
+1% Profit	(156)
+1% Equity	(156)

Note:

*The cash carrying amount includes only interest bearing cash amounts held by the CITEC commercialised business unit with the Commonwealth Bank.

**The borrowings carrying amount includes only the variable interest rate loans from the Queensland Treasury Corporation.

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

(g) Fair value

The fair value of borrowings is determined by reference to published price quotations in an active market and reflects the value of the debt if the department had repaid it in full at balance date. It is calculated using discounted cash flow analysis and the effective interest rate (refer note 23) and is disclosed below:

	2012 \$'000
Financial liabilities	
Carrying amount	
Financial liabilities at amortised cost	
Queensland Treasury Corporation borrowings	32,872
Promissory notes	688
Total	33,560
Fair value	
Financial liabilities at market value	
Queensland Treasury Corporation borrowings	33,498
Promissory notes	714
Total	34,212

35. Taxation equivalents

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

	2012 \$'000
Balance Sheet approach	
Major components of income tax expense for the period 1 May 2012 to 30 June 2012:	
Income tax expense	
<i>Current income tax</i>	
Current income tax expense	-
(Under)/over provision in prior years	-
<i>Deferred income tax</i>	
(Decrease)/increase in deferred tax asset (Refer AA below)	-
Under/(over) provision in prior years	-
Decrease/(increase) in deferred tax liability (Refer BB below)	-
Income tax expense reported in Statement of Comprehensive Income	
Reconciliation of income tax expense to prima facie tax payable for the year ended 30 June 2012 is as follows:	
Operating result from continuing operations before income tax of commercialised business units subject to Tax Equivalents Regime:	(22,416)
Indicative tax expense at 30%	(6,725)
<i>Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:</i>	
Effect of unused tax losses & deductible temporary differences not recognised	6,725
<i>Tax effect of amounts which are (deductible)/assessable in calculating taxable income:</i>	
Fully rebateable franked dividends	-
Income tax equivalent expense reported in Statement of Comprehensive Income	-

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

35. Taxation equivalents (continued)

	2012
	\$'000
AA – Deferred tax asset	
<i>The balance comprises temporary differences attributable to:</i>	
<i>Amounts recognised in Statement of Comprehensive Income</i>	
Receivables	4
Payables	1
Property, plant and equipment	676
Accrued employee benefits	2
Tax losses carried forward	9,526
Deferred tax assets taken to account	10,209
Deferred tax assets not recognised	
Income tax losses	7,444
Assets & other	5,505
Total	12,949

CITEC is carrying Deferred Tax Assets (DTA) of \$10,209,386 including unused tax losses of \$9,526,319 which were recognised on the basis of a 4-year profit projection performed as at 30 June 2012. The projection supports CITEC generating sufficient taxable income by 2016 to fully utilise these assets.

The DTA and temporary differences of \$12,948,807 in 2011-12 (which includes tax losses of \$7,443,691) were not brought to account as the utilisation of the 2011-12 tax losses is not assured, based on current budget projections.

This DTA and temporary differences will be brought to account when it is certain that further tax profits will arise to enable these tax losses to be utilised.

BB – Deferred tax liabilities

The balance comprises temporary differences attributable to:
Amounts recognised in Statement of Comprehensive Income

Interest receivables	73
Deferred tax liabilities taken to account	73

36. Schedule of administered items

Administered revenues

Administered item appropriation	40,691
Other	749
Total administered revenue	41,440

Administered expenses

Employee expenses	3,533
Supplies and services	1,945
Grants and subsidies	32,658
Finance/borrowing costs	166
Total administered expense	38,302

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

	2012 \$'000
Net operating surplus	3,138
Administered current assets	
Cash and cash equivalents	3,281
Receivables	1,100
Loan receivables	3,163
Total administered current assets	7,544
Administered non-current assets	
Loan receivables*	54,377
Total administered non-current assets	54,377
Total administered assets	61,921
Administered current liabilities	
Payables	719
QTC Borrowings	3,163
Total administered current liabilities	3,882
Net assets	58,039
Equity	
Contributed equity	54,901
Retained surpluses	3,138
Total equity	58,039
*Loans are provided under the Smart State Research Facility Fund and the University of Queensland Brain Institute with a cost value of \$182.800 million at 30 June 2012.	
Administered grants and subsidies	
Queensland Art Gallery	8,387
Queensland Museum	5,071
State Library of Queensland	13,429
Queensland Performing Arts Trust	2,676
Queensland Theatre Company	650
Screen Queensland	2,445
Total	32,658
Administered loans	
University of Queensland Brain Institute	4,659
Smart State Research Facility Fund	45,319
Queensland Centre for Advanced Technologies	4,399
Screen Queensland	3,163
Total	57,540

Part B

Notes to and forming part of the financial statements

For the period 1 May 2012 to 30 June 2012

Department of Science, Information Technology, Innovation and the Arts

37. Reconciliation of payments from consolidated fund to administered item appropriation

	2012
	\$'000
Transfers from/(to) other departments	
Former Department of Public Works	8,871
Department of Premier and Cabinet	32,550
Transfers from/(to) other headings	(730)
Total administered revenue recognised	40,691

38. Agency transactions

a) CITEC

Balance at 1 May	2,952
Collections during the period	493,289
Distributions according to clients instructions during the period	(476,931)
Balance at 30 June	19,310

Fees received for the provision of these services are included in user charges.
For further information refer note 1(d).

(b) Smart Service Queensland

Balance at 1 May	2
Collections during the period	49
Distributions to principals during reporting period	(51)
Balance at 30 June	-

For further information refer note 1(d).

39. Events occurring after balance date

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

Certificate of the Department of Science, Information Technology, Innovation and the Arts

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Science, Information Technology, Innovation and the Arts for the period 1 May 2012 to 30 June 2012 and of the financial position of the department at the end of that period.



Rita McLucas CA
Chief Finance Officer
28 September 2012



Andrew Spina
Acting Director-General
28 September 2012

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Report

I have audited the accompanying financial report of the Department of Science, Information Technology, Innovation and the Arts and its controlled entities, which comprises the statement of financial position and statement of assets and liabilities by major departmental services, CBUs and SSPs as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services, CBUs and SSPs for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Chief Finance Officer and the Acting Director-General.

The Accountable Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

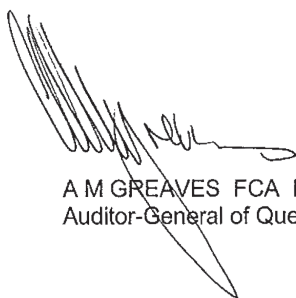
In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Science, Information Technology, Innovation and the Arts and its controlled entities. for the period 1 May 2012 to 30 June 2012 and of the financial position as at the end of that period.

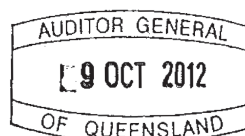
Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of the Department of Science, Information Technology, Innovation and the Arts and its controlled entities. for the period ended 30 June 2012. Where the financial report is included on the department's website the Accountable Officer is responsible for the integrity of the department's website and I have not been engaged to report on the integrity of the department's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



A M GREAVES FCA FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane