FINANCIALS

Department of Transport and Main Roads Financial Statements as at 30 June 2017

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Department of Transport and Main Roads
Financial statements for the reporting period 1 July 2016 to 30 June 2017

Foreword

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

1 William Street
Brisbane Qld 4000

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

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

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

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

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

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Department of Transport and Main Roads
Statement of comprehensive income
for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Income from continuing operations			
Appropriation revenue	2	4,771,712	4,905,845
User charges and fees	3	732,173	768,792
Grants and other contributions	4	232,607	159,173
Other revenue		35,808	20,629
Total revenue		**5,772,300**	**5,854,439**
Gains on disposal and revaluation of assets	5	3,859	1,711,555
Total income from continuing operations		**5,776,159**	**7,565,994**
Expenses from continuing operations			
Employee expenses	6	536,993	504,590
Supplies and services	8	3,223,836	3,298,645
Grants and subsidies	9	608,718	725,124
Depreciation and amortisation	14, 15	1,004,108	904,964
Finance and borrowing costs	10	97,367	85,888
Impairment losses	12	2,277	984
Other expenses	11	109,083	18,305
Total expenses from continuing operations		**5,582,382**	**5,538,500**
Operating result from continuing operations before income tax equivalent expense		**193,777**	**2,027,494**
Income tax equivalent expense	22	14,343	9,781
Operating result for the year		**179,434**	**2,017,713**
Items not reclassified to operating result			
Increase/(decrease) in asset revaluation surplus		(3,411,991)	10,446,909
Total other comprehensive income/(loss)		**(3,411,991)**	**10,446,909**
Total comprehensive income/(loss)		**(3,232,557)**	**12,464,622**

The accompanying notes form part of these statements.

Department of Transport and Main Roads
Statement of financial position
as at 30 June 2017

	Note	2017 $'000	2016 $'000
Assets			
Current assets			
Cash		364,335	191,807
Receivables	12	191,997	323,209
Inventories		10,556	10,243
Prepayments	13	27,871	15,523
Non-current assets classified as held for sale		15,492	1,694
Total current assets		**610,251**	**542,476**
Non-current assets			
Prepayments	13	344,587	2,526
Other financial assets	27	601	601
Intangible assets	14	94,744	92,312
Property, plant and equipment	15	66,673,596	68,798,903
Deferred tax assets	22	7,571	6,980
Total non-current assets		**67,121,099**	**68,901,322**
Total assets		**67,731,350**	**69,443,798**
Liabilities			
Current liabilities			
Payables	16	560,413	433,823
Interest bearing liabilities	17	82,294	97,832
Provisions	18	187,794	238,604
Accrued employee benefits	19	36,123	32,778
Unearned revenue	20	45,418	42,509
Current tax liabilities	22	3,519	798
Other	21	35,970	34,023
Total current liabilities		**951,531**	**880,367**
Non-current liabilities			
Interest bearing liabilities	17	1,156,267	1,215,170
Provisions	18	78,164	34,872
Accrued employee benefits	19	5,402	5,255
Other	21	51	85
Total non-current liabilities		**1,239,884**	**1,255,382**
Total liabilities		**2,191,415**	**2,135,749**
Net assets		**65,539,935**	**67,308,049**
Equity			
Contributed equity		55,743,366	54,278,923
Accumulated surplus/(deficit)		1,846,255	1,666,821
Asset revaluation surplus		7,950,314	11,362,305
Total equity		**65,539,935**	**67,308,049**

The accompanying notes form part of these statements.

Department of Transport and Main Roads

Statement of comprehensive income by major departmental services
for the year ended 30 June 2017

	Transport system investment planning and programming		Transport infrastructure management and delivery		Transport safety and regulation	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Income from continuing operations						
Appropriation revenue	90,188	95,612	1,935,892	2,220,338	9,390	41,632
User charges and fees	45,899	47,246	63,542	93,645	229,175	213,983
Grants and other contributions	11,067	1,049	178,209	108,802	2,985	6,191
Other revenue	802	289	46,277	33,742	1,043	1,382
Total revenue	**147,956**	**144,196**	**2,223,920**	**2,456,527**	**242,593**	**263,188**
Gains on disposal and revaluation of assets	1,949	3,390	508	1,707,106	39	35
Total income from continuing operations	**149,905**	**147,586**	**2,224,428**	**4,163,633**	**242,632**	**263,223**
Expenses from continuing operations						
Employee expenses	66,927	59,078	145,778	132,157	64,354	62,644
Supplies and services	66,172	73,854	572,115	676,596	155,769	145,679
Grants and subsidies	12,172	8,546	374,243	445,924	5,919	42,131
Depreciation and amortisation	3,209	4,478	915,995	837,073	9,031	6,772
Finance and borrowing costs	-	-	39,520	50,960	5,442	5,540
Impairment losses	120	1,470	2,114	2,020	46	(2,637)
Other expenses	1,305	160	10,922	11,216	2,071	3,094
Total expenses from continuing operations	**149,905**	**147,586**	**2,060,687**	**2,155,946**	**242,632**	**263,223**
Operating result from continuing operations before income tax equivalent expense	**-**	**-**	**163,741**	**2,007,687**	**-**	**-**
Income tax equivalent expense	-	-	-	-	-	-
Operating result for the year	**-**	**-**	**163,741**	**2,007,687**	**-**	**-**
Items not reclassified to operating result						
Increase/(decrease) in asset revaluation surplus	4,596	(13,221)	(3,446,715)	10,444,145	3,250	21,890
Total other comprehensive income/(loss)	**4,596**	**(13,221)**	**(3,446,715)**	**10,444,145**	**3,250**	**21,890**
Total comprehensive income/(loss)	**4,596**	**(13,221)**	**(3,282,974)**	**12,451,832**	**3,250**	**21,890**

Customer experience		Passenger transport services		Transport infrastructure construction and maintenance		Inter-departmental services eliminations		Total	
2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
362,875	352,624	2,373,367	2,195,639	-	-	-	-	**4,771,712**	4,905,845
3,437	3,450	367,188	388,644	628,419	456,914	(605,487)	(435,090)	**732,173**	768,792
58	12	40,249	43,115	39	4	-	-	**232,607**	159,173
60	864	8,588	396	2,601	2,904	(23,563)	(18,948)	**35,808**	20,629
366,430	**356,950**	**2,789,392**	**2,627,794**	**631,059**	**459,822**	**(629,050)**	**(454,038)**	**5,772,300**	**5,854,439**
94	-	415	-	854	1,024	-	-	**3,859**	1,711,555
366,524	**356,950**	**2,789,807**	**2,627,794**	**631,913**	**460,846**	**(629,050)**	**(454,038)**	**5,776,159**	**7,565,994**
161,898	157,138	74,933	70,718	118,563	107,686	(95,460)	(84,831)	**536,993**	504,590
160,232	154,945	2,330,623	2,297,764	448,952	300,159	(510,027)	(350,352)	**3,223,836**	3,298,645
6	9	216,378	228,511	-	3	-	-	**608,718**	725,124
13,069	12,495	51,359	29,121	11,445	15,025	-	-	**1,004,108**	904,964
30,690	31,810	23,516	-	1,486	1,526	(3,287)	(3,948)	**97,367**	85,888
(32)	56	39	30	23	45	(33)	-	**2,277**	984
661	497	92,959	1,650	21,408	16,595	(20,243)	(14,907)	**109,083**	18,305
366,524	**356,950**	**2,789,807**	**2,627,794**	**601,877**	**441,039**	**(629,050)**	**(454,038)**	**5,582,382**	**5,538,500**
-	**-**	**-**	**-**	**30,036**	**19,807**	**-**	**-**	**193,777**	**2,027,494**
-	-	-	-	14,343	9,781	-	-	**14,343**	**9,781**
-	**-**	**-**	**-**	**15,693**	**10,026**	**-**	**-**	**179,434**	**2,017,713**
384	4	26,485	(5,906)	9	(3)	-	-	**(3,411,991)**	**10,446,909**
384	**4**	**26,485**	**(5,906)**	**9**	**(3)**	**-**	**-**	**(3,411,991)**	**10,446,909**
384	**4**	**26,485**	**(5,906)**	**15,702**	**10,023**	**-**	**-**	**(3,232,557)**	**12,464,622**

Department of Transport and Main Roads

Statement of assets and liabilities by major departmental services as at 30 June 2017

	Transport system investment planning and programming		Transport infrastructure management and delivery		Transport safety and regulation	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets						
Current assets						
Cash	9,371	3,288	50,814	19,456	15,492	5,175
Receivables	11,458	17,221	57,130	83,773	46,256	78,536
Inventories	-	-	506	771	243	257
Prepayments	1,494	1,292	16,050	4,584	4,520	4,529
Non-current assets classified as held for sale	15,128	1,341	135	149	16	32
Total current assets	**37,451**	**23,142**	**124,635**	**108,733**	**66,527**	**88,529**
Non-current assets						
Prepayments	14	24	343,814	696	69	60
Other financial assets	-	-	601	601	-	-
Intangible assets	40,397	28,012	5,694	6,054	8,682	7,480
Property, plant and equipment	81,554	69,791	65,594,844	67,753,301	101,614	97,939
Deferred tax assets	-	-	-	-	-	-
Total non-current assets	**121,965**	**97,827**	**65,944,953**	**67,760,652**	**110,365**	**105,479**
Total assets	**159,416**	**120,969**	**66,069,588**	**67,869,385**	**176,892**	**194,008**
Liabilities						
Current liabilities						
Payables	26,081	26,545	317,559	207,089	21,016	16,410
Interest bearing liabilities	2,952	1,875	64,288	83,047	-	-
Provisions	-	-	187,794	238,604	-	-
Accrued employee benefits	4,132	3,591	9,318	8,464	3,973	3,804
Unearned revenue	702	265	2,282	1,490	-	173
Current tax liabilities	-	-	-	-	-	-
Other	1	2	13	35	1	4
Total current liabilities	**33,868**	**32,278**	**581,254**	**538,729**	**24,990**	**20,391**
Non-current liabilities						
Interest bearing liabilities	88,447	91,423	556,095	621,066	-	-
Provisions	-	-	78,164	34,872	-	-
Accrued employee benefits	-	-	5,402	5,255	-	-
Other	1	2	19	34	2	4
Total non-current liabilities	**88,448**	**91,425**	**639,680**	**661,227**	**2**	**4**
Total liabilities	**122,316**	**123,703**	**1,220,934**	**1,199,956**	**24,992**	**20,395**

Customer experience		Passenger transport services		Transport infrastructure construction and maintenance		Inter-departmental services eliminations		Total	
2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
22,506	7,727	174,201	58,590	91,951	97,571	-	-	**364,335**	**191,807**
705	1,529	82,518	153,160	91,706	55,415	(97,776)	(66,425)	**191,997**	**323,209**
143	133	2,485	1,816	48,371	23,454	(41,192)	(16,188)	**10,556**	**10,243**
430	552	4,841	4,768	536	541	-	(743)	**27,871**	**15,523**
25	21	188	151	-	-	-	-	**15,492**	**1,694**
23,809	**9,962**	**264,233**	**218,485**	**232,564**	**176,981**	**(138,968)**	**(83,356)**	**610,251**	**542,476**
34	59	656	944	-	-	-	743	**344,587**	**2,526**
-	-	-	-	-	-	-	-	**601**	**601**
34,680	43,382	5,291	7,384	-	-	-	-	**94,744**	**92,312**
15,845	18,914	838,224	813,375	41,515	45,583	-	-	**66,673,596**	**68,798,903**
-	-	-	-	7,571	6,980	-	-	**7,571**	**6,980**
50,559	**62,355**	**844,171**	**821,703**	**49,086**	**52,563**	**-**	**743**	**67,121,099**	**68,901,322**
74,368	**72,317**	**1,108,404**	**1,040,188**	**281,650**	**229,544**	**(138,968)**	**(82,613)**	**67,731,350**	**69,443,798**
14,370	11,903	227,976	194,859	73,379	40,630	(119,968)	(63,613)	**560,413**	**433,823**
-	-	15,054	12,910	19,000	19,000	(19,000)	(19,000)	**82,294**	**97,832**
-	-	-	-	-	-	-	-	**187,794**	**238,604**
9,998	9,554	4,626	4,225	4,076	3,140	-	-	**36,123**	**32,778**
12	13	42,422	40,568	-	-	-	-	**45,418**	**42,509**
-	-	-	-	3,519	798	-	-	**3,519**	**798**
2	6	35,953	33,976	-	-	-	-	**35,970**	**34,023**
24,382	**21,476**	**326,031**	**286,538**	**99,974**	**63,568**	**(138,968)**	**(82,613)**	**951,531**	**880,367**
-	-	511,725	502,681	-	-	-	-	**1,156,267**	**1,215,170**
-	-	-	-	-	-	-	-	**78,164**	**34,872**
-	-	-	-	-	-	-	-	**5,402**	**5,255**
3	5	26	40	-	-	-	-	**51**	**85**
3	**5**	**511,751**	**502,721**	**-**	**-**	**-**	**-**	**1,239,884**	**1,255,382**
24,385	**21,481**	**837,782**	**789,259**	**99,974**	**63,568**	**(138,968)**	**(82,613)**	**2,191,415**	**2,135,749**

Department of Transport and Main Roads
Statement of changes in equity
for the year ended 30 June 2017

	2017 $'000	2016 $'000
Contributed equity		
Opening balance	54,278,923	53,800,521
Transactions with owners as owners:		
Appropriated equity injections. Refer to Note 2.	1,517,552	547,298
Net asset transfer from/(to) other Queensland Government entities	(51,611)	(65,895)
Net assets received/(transferred) via Machinery-of-Government changes	(1,498)	(3,001)
Closing balance	**55,743,366**	**54,278,923**
Accumulated surplus/(deficit)		
Opening balance	1,666,821	(350,892)
Operating result *	179,434	2,017,713
Closing balance	**1,846,255**	**1,666,821**
Asset revaluation surplus **		
Opening balance *	11,362,305	915,396
Increase/(decrease) in asset revaluation surplus. Refer to Note 15.	(3,411,991)	10,446,909
Closing balance	**7,950,314**	**11,362,305**
Total equity	**65,539,935**	**67,308,049**

* Comparatives have changed mainly due to the events outlined in Note 8, Note 9, Note 15 and Note 31.

** The closing balance of Asset revaluation surplus comprises:

	2017 $'000	2016 $'000
Land	1,432,260	1,332,027
Buildings	60,173	38,449
Heritage and cultural	1,825	1,670
Leased assets	28,715	3,329
Infrastructure	6,427,341	9,986,830
Closing balance	**7,950,314**	**11,362,305**

The accompanying notes form part of these statements.

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

Department of Transport and Main Roads
Statement of cash flows
for the year ended 30 June 2017

	2017 $'000	2016 $'000
Cash flows from operating activities		
Inflows:		
Service appropriation receipts	4,955,116	4,802,329
User charges and fees	736,981	770,423
Grants and other contributions	133,752	153,886
GST input tax credits from ATO	688,282	567,436
GST collected from customers	65,227	85,303
Other	35,856	21,591
Outflows:		
Employee expenses	(533,129)	(499,734)
Supplies and services	(3,161,242)	(3,301,372)
Grants and subsidies	(588,434)	(708,076)
Finance and borrowing costs	(76,047)	(86,015)
GST paid to suppliers	(689,405)	(579,529)
GST remitted to ATO	(64,317)	(98,148)
Income tax equivalent paid	(12,213)	(8,226)
Other	(104,603)	(12,683)
Net cash provided by/(used in) operating activities	**1,385,824**	**1,107,185**
Cash flows from investing activities		
Inflows:		
Sales of property, plant and equipment	53,255	27,257
Outflows:		
Payments for property, plant and equipment	(2,311,142)	(1,532,219)
Payments for intangibles	(19,810)	(26,064)
Net cash provided by/(used in) investing activities	**(2,277,697)**	**(1,531,026)**
Cash flows from financing activities		
Inflows:		
Equity injections	2,338,718	1,365,464
Outflows:		
Equity withdrawals	(821,166)	(820,287)
Borrowing redemptions	(83,434)	(79,848)
Finance lease payments	(368,219)	(70,789)
Machinery-of-Government transfers	(1,498)	(3,001)
Net cash provided by/(used in) financing activities	**1,064,401**	**391,539**
Net increase/(decrease) in cash	172,528	(32,302)
Cash at beginning of financial year	191,807	224,109
Cash at end of financial year	**364,335**	**191,807**

The accompanying notes form part of these statements.

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

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

Department of Transport and Main Roads
Reconciliation of cash flows from operating activities
for the year ended 30 June 2017

	2017 $'000	2016 $'000
Operating result	179,434	2,017,713
Non-cash items included in operating result		
Goods, services and assets received at below fair value	(42,280)	(5,287)
Gains on disposal and revaluation of assets	(3,859)	(1,711,555)
Goods, services and assets provided at below fair value	17,991	16,920
Depreciation and amortisation	1,004,108	904,964
Loss on disposed assets	4,480	5,623
Change in assets and liabilities:		
(Increase)/decrease in receivables	131,212	(122,407)
(Increase)/decrease in inventories	(313)	34
(Increase)/decrease in prepayments	1,654	8,357
Increase/(decrease) in deferred income tax equivalents	(591)	185
Increase/(decrease) in payables	61,614	(16,988)
Increase/(decrease) in accrued employee benefits	3,492	3,860
Increase/(decrease) in unearned revenue	2,909	(903)
Increase/(decrease) in current tax liabilities	2,721	798
Increase/(decrease) in other liabilities	23,252	5,871
Net cash from operating activities	**1,385,824**	**1,107,185**

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17

1 Accounting policies and basis for financial statements preparation

Refer to individual notes for specific accounting policies.

(a) Statement of compliance

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

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

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

(b) The reporting entity

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

The department's controlled entity, Transmax Pty Ltd, is not considered material and therefore not consolidated in these financial statements. Refer to Note 27.

The objectives of the department are:

- customer centric services that deliver a quality customer experience
- an integrated transport network that supports economic prosperity and is sustainable into the future
- safety and regulatory services that improve community safety and efficiency
- a sustainable, cost effective transport network accessible to everyone
- an integrated passenger transport network that allows fair access to all.

Departmental services and principal activities

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

Transport system investment planning and programming

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

Transport infrastructure management and delivery

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

Transport safety and regulation

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

Customer experience

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

Passenger transport services

The objective of this service area is to lead and shape Queensland's passenger transport system by providing an integrated passenger transport network that allows fair access to all.

Transport infrastructure construction and maintenance (RoadTek)

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

(c) Trust transactions and balances

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

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

(d) Accounting estimates and judgements

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

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

- Note 14 Intangible assets
- Note 15 Property, plant and equipment
- Note 18 Provisions.

(e) Currency, rounding and comparatives

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

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

(f) New and revised accounting standards

Early adopted in 2016–17
No Australian Accounting Standards have been early adopted for 2016–17.

Effective for the first time in 2016–17
The only Australian Accounting Standard that became effective for the first time in 2016–17 is AASB 124 *Related Party Disclosures* . This standard requires disclosures about key management personnel remuneration expenses and other related party transactions. This has not had any material impact on the department's financial statements.

New Australian Accounting Standards issued but not yet effective
Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the department for the financial reporting period ending 30 June 2017 in accordance with Queensland Treasury mandated policy. The department is continuing its assessment of the impact of these pronouncements on future financial statements.

2 Appropriations

	2017 $'000	2016 $'000
Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in Statement of comprehensive income		
Budgeted appropriation revenue	5,218,430	4,601,502
Lapsed appropriation revenue	(263,314)	-
Unforeseen expenditure	-	200,827
Total appropriation receipts	4,955,116	4,802,329
Less: Opening balance of appropriation revenue receivable	(210,660)	(107,144)
Plus: Closing balance of appropriation revenue receivable	27,256	210,660
Appropriation revenue recognised in Statement of comprehensive income	**4,771,712**	**4,905,845**
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	1,411,276	1,202,977
Lapsed equity adjustment	-	(657,800)
Unforeseen expenditure	106,276	-
Equity adjustment receipts	1,517,552	545,177
Plus: Opening balance of equity adjustment payable	-	2,121
Less: Closing balance of equity adjustment payable	-	-
Equity adjustment recognised in contributed equity	**1,517,552**	**547,298**

Appropriations are provided by Queensland Treasury under the Appropriation Act and are recognised as revenue when received.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

3 User charges and fees

	2017 $'000	2016 $'000
Compulsory third party administration fees	31,359	30,071
Fare revenue	355,689	377,494
Merchant fees collected	4,359	3,977
Personalised plates sales	42,688	40,765
Pilotage	91,396	84,935
Property rental	34,178	31,369
Recoverable works	51,324	78,435
Registration fee surcharge	19,656	18,570
Services rendered *	51,092	71,018
Other	50,432	32,158
Total	**732,173**	**768,792**

* Services rendered includes construction contract revenue of $0.216m (2016: $3.093m).

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

4 Grants and other contributions

	2017 $'000	2016 $'000
Goods, services and assets received at below fair value	42,280	5,287
Grant from Department of Tourism, Major Events, Small Business and the Commonwealth Games *	10,996	-
Grants from Queensland Reconstruction Authority **	48,364	84,922
Grants from QIC Limited ***	87,428	12,480
Grant from City of Gold Coast ****	-	10,000
Subsidies from Department of Education and Training for students with disabilities	36,749	35,957
Other	6,790	10,527
Total	**232,607**	**159,173**

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

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

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

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

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

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

Contributed physical assets are recognised at their fair value.

5 Gains on disposal and revaluation of assets

	2017 $'000	2016 $'000
Gains on disposal - property, plant and equipment	3,859	4,482
Revaluation decrement reversals - property, plant and equipment *	-	1,707,073
Total	**3,859**	**1,711,555**

* Refer to Note 15.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

6 Employee expenses

	2017 $'000	2016 $'000
Employee benefits		
Annual leave levy	40,588	36,494
Employer superannuation contributions	51,366	47,693
Long service leave levy	9,347	8,584
Wages and salaries	419,541	394,333
Other employee benefits	2,406	2,825
Employee related expenses		
Workers' compensation premium	2,616	2,802
Other employee related expenses	11,129	11,859
Total	**536,993**	**504,590**

The department's total employee expenditure was $736.876m in 2017 (2016: $699.485m). Of this $199.883m (2016: $194.895m) was capitalised to construction work in progress leaving $536.993m reported as employee expenses.

Number of full-time equivalent employees	**7,192**	**7,032**

Refer to Note 19 for the policies related to employee entitlements.

7 Key management personnel and remuneration expenses

(a) Key management personnel

From 2016–17 the department's responsible Ministers are identified as part of the department's key management personnel, consistent with additional guidance included in the revised version of AASB 124 *Related Party Disclosures*. Those Ministers are the:

- Deputy Premier, Minister for Transport and the Minister for Infrastructure and Planning
- Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply.

The following details for non-Ministerial key management personnel include those positions that form the department's Executive Leadership Team (ELT) that had authority and responsibility for planning, directing and controlling the activities of the department during 2016–17. Further information on these positions can be found in the Annual Report under the section titled Governance.

(b) Remuneration expenses

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016–17, which are published as part of Queensland Treasury's Report on State Finances.

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

7 Key management personnel and remuneration expenses (continued)

(b) Remuneration expenses (continued)

Remuneration expenses for key management personnel comprise the following components:

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

1 July 2016 – 30 June 2017

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General *	332	49	-	**381**
Acting Director-General (28.10.2016 – 02.04.2017)	165	19	-	**184**
Deputy Director-General (Customer Services, Safety and Regulation)	189	24	-	**213**
Acting Deputy Director-General (Customer Services, Safety and Regulation) (14.11.2016 – 02.04.2017)	94	12	-	**106**
Deputy Director-General (Infrastructure Management and Delivery)	268	32	-	**300**
Deputy Director-General (Policy, Planning and Investment) (Transferred in February 2017) **	115	14	-	**129**
Acting Deputy Director-General (Policy, Planning and Investment) (28.01.2017 – 30.06.2017)	121	12	-	**133**
Deputy Director-General (TransLink) (Exited in February 2017)	209	20	189	**418**
Deputy Director-General (TransLink) (Appointed in February 2017)	151	19	-	**170**
Deputy Director-General (Corporate) (Exited in October 2016)	105	9	31	**145**
Acting Deputy Director-General (Corporate) (31.10.2016 – 20.05.2017)	142	16	-	**158**
Deputy Director-General (Corporate) (Appointed in May 2017)	26	3	-	**29**
Chief Operations Officer	247	26	-	**273**
Acting Chief Operations Officer (01.07.2016 – 31.08.2016)	45	5	-	**50**

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

7 Key management personnel and remuneration expenses (continued)

(b) Remuneration expenses (continued)

1 July 2015 – 30 June 2016

Position	Short term employee expenses $'000	Long term and post employment expenses $'000	Termination benefits $'000	Total expenses $'000
Director-General	521	74	-	**595**
Deputy Director-General (Customer Services, Safety and Regulation) (Exited in December 2015)	156	18	-	**174**
Deputy Director-General (Customer Services, Safety and Regulation) (Appointed in January 2016)	117	14	-	**131**
Deputy Director-General (Infrastructure Management and Delivery) (Transferred in January 2016) *	141	18	-	**159**
Deputy Director-General (Infrastructure Management and Delivery) (Appointed in January 2016)	117	14	-	**131**
Deputy Director-General (Policy, Planning and Investment)	268	32	-	**300**
Acting Deputy Director-General (TransLink) (01.07.2015 – 22.01.2016)	140	16	-	**156**
Deputy Director-General (TransLink) (Appointed in January 2016)	108	14	-	**122**
Deputy Director-General (Corporate) (Appointed in September 2015)	198	25	-	**223**
Chief Operations Officer	237	26	-	**263**
Acting Chief Operations Officer (25.05.2016 – 30.06.2016)	26	3	-	**29**
Chief Finance Officer **	60	7	-	**67**

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

** The position of Chief Finance Officer ceased to be a member of the ELT effective from September 2015.

(c) Performance payments

In 2017 none of the non-Ministerial key management personnel remuneration packages provide for performance or bonus payments.

During 2016 the Deputy Director-General (TransLink) received a payment of $43,222 which related to the achievement of performance criteria during 2014–15.

(d) Transactions with related parties of key management personnel

There are no related party transactions for non-Ministerial key management personnel during 2017, other than domestic transactions that form part of the usual course of business, which are not required to be reported as related party disclosures.

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

8 Supplies and services

	2017 $'000	2016 $'000
Administration	62,144	48,403
Contractors	343,843	533,740
Information and communication technology	40,772	42,740
Operating lease rentals	65,967	62,488
Queensland Government services	22,829	24,196
Queensland Rail operator service charges *	1,582,583	1,570,218
Other transport service operator charges	729,472	711,733
Repairs and maintenance	300,977	217,515
Utilities	45,125	43,758
Other	30,124	43,854
Total	**3,223,836**	**3,298,645**

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

The department's total supplies and services expenditure was $5.532b in 2017 (2016: $4.885b). Of this $2.308b (2016: $1.586b) was capitalised to construction work in progress leaving $3.224b reported as supplies and services.

Comparatives have changed by $34.887m following a restatement of operating costs previously reported as property, plant and equipment. Refer to Note 31.

9 Grants and subsidies

	2017 $'000	2016 $'000
National Heavy Vehicle Regulator *	-	38,530
Public transport	58,660	62,103
Resources transferred to third parties	17,991	16,920
School transport	146,672	146,489
Transport Infrastructure Development Scheme (TIDS)	67,030	66,468
Transport infrastructure **	316,811	393,111
Other	1,554	1,503
Total	**608,718**	**725,124**

* Grants to the National Heavy Vehicle Regulator (NHVR) for 2017 are nil due to a change to the NHVR funding agreement, with industry now directly contributing to the NHVR.

** Comparatives have changed by $268.423m following a restatement of expenditure on third party assets relating to the Moreton Bay Rail Link project. Refer to Notes 15 and 31.

10 Finance and borrowing costs

	2017 $'000	2016 $'000
Administration charges	787	864
Finance lease charges	54,206	31,810
Interest *	42,374	53,214
Total	**97,367**	**85,888**

* The departments borrowings from Queensland Treasury Corporation, including key terms and conditions, are disclosed in Note 17.

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

No borrowing costs are capitalised into qualifying assets.

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

11 Other expenses

	2017 $'000	2016 $'000
External audit fees *	1,155	890
Fees, permits and other charges	1,590	1,094
Insurance premiums	8,621	8,783
Loss on disposal of property, plant and equipment	3,866	4,780
Losses:		
Public monies	343	11
Public property	35	396
Special payments:		
Ex gratia payments **	90,928	19
Court awarded damages	-	62
Compensation claims	1,380	630
Other	1,165	1,640
Total	**109,083**	**18,305**

* Total audit fees quoted by the Queensland Audit Office relating to the 2016–17 financial statements are $0.650m. Actual fees paid relating to the 2015–16 audit were $0.731m.

** The Queensland Government have committed to an industry adjustment assistance package to support taxi and limousine licence holders. Payments totalling $90.450m have been made in relation to this initiative. These have been classified as ex gratia payments as the department is not obliged to make the payments under any legally enforceable contract.

The department's total other expenses was $121.861m in 2017 (2016: $31.045m). Of this $12.778m (2016: $12.740m) was capitalised to construction work in progress leaving $109.083m reported as other expenses.

Insurance

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

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

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

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

12 Receivables

	2017 $'000	2016 $'000
Current		
Trade debtors	89,269	36,764
Other debtors	5,902	5,089
Less: Allowance for impairment loss *	(6,534)	(5,615)
	88,637	36,238
GST receivable	70,988	69,865
GST payable	(7,667)	(6,757)
	63,321	63,108
Annual leave reimbursements	10,225	10,830
Appropriation revenue receivable	27,256	210,660
Long service leave reimbursements	2,478	2,245
Other	80	128
	40,039	223,863
Total	**191,997**	**323,209**

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

12 Receivables (continued)

*** Movements in the allowance for impaired receivables**

	2017 $'000	2016 $'000
Opening balance	5,615	6,032
Increase/(decrease) in allowance recognised in the operating result	2,277	984
Amounts written off during the year	(1,368)	(1,491)
Amounts recovered during the year previously written off	10	90
Closing balance **	**6,534**	**5,615**

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

Receivables credit risk – ageing analysis

Past due but not impaired	Overdue				
	Less than 30 days $'000	30-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
2017					
Trade debtors	1,316	87	141	1,496	**3,040**
2016					
Trade debtors	1,475	298	213	1,240	**3,226**

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

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

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

13 Prepayments

	2017 $'000	2016 $'000
Current		
Insurance	365	371
Pilotage	3,787	3,787
Software and data agreements	9,026	9,930
Gold Coast Light Rail Stage 2 lease arrangement *	13,408	-
Other	1,285	1,435
Total	**27,871**	**15,523**
Non-current		
Insurance	214	311
Software and data agreements	975	1,472
Toowoomba Second Range Crossing lease arrangement *	343,398	743
Total	**344,587**	**2,526**

* Lease prepayments made in advance of the commencement of operations in 2018. Refer to Note 24 for details of lease arrangements.

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

14 Intangible assets

	Software purchased	Software internally generated *	Software work in progress	Other	Total
	2017 $'000	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Gross value	18,223	254,214	40,800	4,386	**317,623**
Less: Accumulated amortisation	(11,658)	(210,917)	-	(304)	**(222,879)**
	6,565	**43,297**	**40,800**	**4,082**	**94,744**
Reconciliation					
Opening balance	4,937	54,062	29,230	4,083	**92,312**
Acquisitions (including upgrades)	156	-	19,654	-	**19,810**
Transfers between classes	1,259	3,451	(4,710)	-	**-**
Transfers from/(to) property, plant and equipment	1,600	-	(3,374)	-	**(1,774)**
Disposals	(9)	-	-	-	**(9)**
Amortisation	(1,378)	(14,216)	-	(1)	**(15,595)**
Closing balance	**6,565**	**43,297**	**40,800**	**4,082**	**94,744**

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

* The department holds an internally generated software asset being the New Queensland Drivers Licence software that has a carrying amount of $22.541m (2016: $30.020m) and a remaining amortisation period of 4 years.

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

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

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

Class	Amortisation method	Average useful life
Intangibles – purchased	Straight-line	4
Intangibles – internally generated	Straight-line	12
Intangibles – work in progress	Not amortised	–
Intangibles – other	Straight-line Not amortised	14 Indefinite life

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment

	Land 2017 $'000	Buildings 2017 $'000	Heritage and cultural 2017 $'000	Plant and equipment 2017 $'000	Leased assets 2017 $'000	Infrastructure * 2017 $'000	Work in progress 2017 $'000	Total 2017 $'000
Gross value	4,420,633	876,214	6,903	547,490	807,042	73,900,033	2,734,492	**83,292,807**
Less: Accumulated depreciation	-	(173,943)	-	(378,822)	(55,179)	(16,011,267)	-	**(16,619,211)**
	4,420,633	**702,271**	**6,903**	**168,668**	**751,863**	**57,888,766**	**2,734,492**	**66,673,596**
Reconciliation								
Opening balance	4,513,426	609,903	6,748	194,645	735,738	59,955,351	2,783,092	**68,798,903**
Acquisitions (including upgrades)	16,651	470	-	14,684	-	-	2,349,232	**2,381,037**
Assets received at below fair value	2,938	-	-	364	-	21,267	4,640	**29,209**
Transfers from/(to) other Queensland Government entities	(53,677)	-	-	-	-	2,066	-	**(51,611)**
Transfers between classes	(90,913)	113,760	-	5,864	14,871	2,356,685	(2,400,267)	**-**
Transfers from/(to) intangibles	-	-	-	3,315	-	59	(1,600)	**1,774**
Transfers from/(to) managed items	-	-	-	(19)	-	-	-	**(19)**
Disposals	(957)	(4,924)	-	(2,719)	-	(876)	-	**(9,476)**
Assets provided to third parties below fair value	(46)	-	-	(88)	-	(7,699)	-	**(7,833)**
Assets reclassified as held for sale	(67,022)	(257)	-	-	-	-	-	**(67,279)**
Projects written off	-	-	-	-	-	-	(605)	**(605)**
Net revaluation increments/(decrements)	100,233	21,724	155	-	25,386	(3,559,489)	-	**(3,411,991)**
Depreciation	-	(38,405)	-	(47,378)	(24,132)	(878,598)	-	**(988,513)**
Closing balance	**4,420,633**	**702,271**	**6,903**	**168,668**	**751,863**	**57,888,766**	**2,734,492**	**66,673,596**

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

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

* Infrastructure consists of roads $46.154b, structures $11.138b and other infrastructure $0.597b. Refer to Note 31 for details of the revaluation decrement for infrastructure assets.

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Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment (continued)

	Land	Buildings	Heritage and cultural	Plant and equipment	Leased assets	Infrastructure *	Work in progress	Total
	2016 $'000	**2016 $'000**	**2016 $'000**	**2016 $'000**	**2016 $'000**	**2016 $'000**	**2016 $'000**	**2016 $'000**
Gross value	4,513,426	805,237	6,748	548,664	764,861	78,395,734	2,783,092	**87,817,762**
Less: Accumulated depreciation	-	(195,334)	-	(354,019)	(29,123)	(18,440,383)	-	**(19,018,859)**
	4,513,426	**609,903**	**6,748**	**194,645**	**735,738**	**59,955,351**	**2,783,092**	**68,798,903**
Reconciliation								
Opening balance	4,108,238	595,036	5,460	231,427	504,063	46,929,748	3,509,965	**55,883,937**
Acquisitions (including upgrades)	97,304	508	300	7,966	237,226	-	1,403,111	**1,746,415**
Assets received at below fair value	1,063	22	-	989	-	3,210	-	**5,284**
Transfers from/(to) other Queensland Government entities	(74,920)	-	-	-	-	9,025	-	**(65,895)**
Transfers between classes	(28,441)	23,055	-	6,541	-	2,128,001	(2,129,156)	**-**
Transfers from/(to) intangibles	-	-	-	2,222	-	-	-	**2,222**
Transfers from/(to) managed items	-	-	-	(35)	-	-	-	**(35)**
Disposals	(2,924)	(808)	(7)	(3,789)	-	(1,927)	-	**(9,455)**
Assets provided to third parties below fair value. Refer to Note 9.	(7,568)	-	-	(3)	-	(9,349)	-	**(16,920)**
Assets reclassified as held for sale	(11,118)	-	-	-	-	-	-	**(11,118)**
Projects written off	-	-	-	-	-	-	(828)	**(828)**
Revaluation decrement reversals recognised in operating result. Refer to Note 5.	-	-	-	-	5,938	1,701,135	-	**1,707,073**
Net revaluation increments/(decrements)	431,792	23,963	995	-	3,329	9,986,830	-	**10,446,909**
Depreciation	-	(31,873)	-	(50,673)	(14,818)	(791,322)	-	**(888,686)**
Closing balance	**4,513,426**	**609,903**	**6,748**	**194,645**	**735,738**	**59,955,351**	**2,783,092**	**68,798,903**

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

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

* Infrastructure consists of roads $48.707b, structures $11.032b and other infrastructure $0.216b.

Comparatives have changed due to the correction of an overstatement in the value of formation earthworks of ($3.330b) as disclosed in Note 31, and an adjustment of ($52.086m) to correct a revaluation write-back, and ($303.310m) to recognise expenditure on third party assets and other operational costs.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment (continued)

Recognition thresholds

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

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

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

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

Acquisitions

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

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

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

Depreciation

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

Class	Depreciation method	Average useful life
Land	Not depreciated	Indefinite life
Buildings	Straight-line	42
Heritage and cultural	Cultural and preservation policies – not depreciated	Indefinite life
Plant and equipment	Straight-line	9
Work in progress	Not depreciated	–

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

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

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

Component	Sub-component	Depreciation method	Average useful life
Roads	Surfaces	Straight-line	21
	Pavements	Straight-line	75
	Formation earthworks	Not depreciated	Indefinite life
	Formation earthworks	Straight-line	76
Structures – bridges, tunnels and major culverts	–	Straight-line	92
Other – mainly marine infrastructure	–	Straight-line	38

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

Land under roads

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment (continued)

Non-current assets classified as held for sale

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

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

Fair value measurement

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

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

Revaluation of property, plant and equipment

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

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

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

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

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

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

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

Land

The department's land was last revalued based on specific appraisals by registered valuers from the department's Strategic Property Management unit and various external valuers effective June 2016. During 2016–17 the fair values were updated using appropriate indices obtained from the Department of Natural Resources and Mines - State Valuation Service.

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

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

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

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

Buildings

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment (continued)

Buildings (continued)

During 2016–17 the fair values of residential buildings were updated using the Cordell Housing Price Index supplied by the State Valuation Service. This index is specific to Queensland house price movements and is based on observable inputs that are developed using publicly available information on market transactions. The State Valuation Service have provided an assurance of their robustness, validity and appropriateness for application to residential buildings.

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

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

Heritage and cultural

The department's heritage collection was subject to specific appraisal by Waterhouse Property in March 2017. As there is no active market for the department's heritage assets, their fair value is determined by estimating the cost to reproduce the items with the features and materials of the original items, with adjustments made to take into account the items' heritage restrictions and characteristics.

The department’s artwork was revalued based on specific appraisal by MacAulay Partners in March 2017. The fair value of the artwork was based on sales data on similar artwork by the respective artists. Factors such as condition, size and medium of artwork were also taken into consideration during this specific appraisal.

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

Infrastructure

A full management valuation of the road infrastructure network asset as at 30 June 2017 was completed by suitably qualified and experienced departmental engineers and staff. The valuation methodology adopted to calculate fair value is based on the cost to acquire the service potential embodied in an asset and adjusted to reflect the asset’s present condition, functionality, technological and economic obsolescence. This is the estimated cost to replace an asset with an appropriate modern equivalent using current construction materials and standards, adjusted for changes in utility and production capacity.

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

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

Componentisation of the road assets includes:

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

Road stereotypes are assigned to each road segment. The department's 13 different stereotypes are based on the road segments' complexity in relation to the number and width of traffic lanes, standard of construction (based on date), number of carriageways, age of construction, and location (rural or urban). The stereotypes range from unformed roads through to major motorways and busways and are further defined by variables such as:

Category	Sub-category	Description
Costing regions	South East, Central Coast, Southern Inland, Central Inland, Tropical North	Five SmartCost (database of unit rates) geographical regions.
Terrain	Level, rolling, mountainous	Level average gradient of terrain is less than 5%. Rolling average gradient of terrain is greater than 5% but less than 15%. Mountainous average gradient of terrain is greater than 15%.
Environment	Wet or dry	Wet environment is more than 800mm average annual rainfall. Dry environment is less than 800mm average annual rainfall.
Soil type	Reactive or non-reactive	Reactive soils are typically clay-type soils. Non-reactive soils are typically sand or sandy loam type soils.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment (continued)

Infrastructure (continued)

Category	Sub-category	Description
Surface type	Unsealed, concrete, chip seal, asphalt	All unpaved roads and unsealed roads are assumed to have no seal layer. For concrete roads: • Stereotypes 2 to 9 are valued using a flexible pavement with asphalt surfacing as the reference asset. • Stereotypes 10 to 13 are valued using a rigid concrete pavement as the reference asset. All costs associated with replacing the service capacity are incorporated in the surface component.

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

Project type	Description
Chip reseal	• Sprayed bituminous chip seals are the predominant surface type on road stereotypes 2 to 5, due to ease of application and maintenance under lower traffic volumes. • Chip resealing schedules assumed length is 10km.
Asphalt resurface	• Asphalt surfaces are the predominant surface type on road stereotypes 6 to 13. These are typically urban or high traffic roads and are often delivered as night works to minimise disruption to traffic. • Level and rolling terrain standard length is 5km. • Mountainous standard length is 3km.
Rehabilitation	• Pavement rehabilitation works fully renews the service potential of the road pavement and replaces the surfacing. The surface type assumed in the rehabilitation project is chip seal for stereotypes 2 to 5 and asphalt for stereotypes 6 to 13. • Level and rolling terrain standard length is 5km. • Mountainous standard length is 3km.
Reconstruction	• The cost to fully replace the service capacity of the existing road in that location given substantial existing infrastructure and existing road user demand. The department assumes that this is the most appropriate means of fully replacing the service capacity of road stereotypes 5 to 13. • The surface type assumed in the reconstruction project is chip seal for stereotype 5 and asphalt for stereotypes 6 to 13. • Level and rolling terrain standard length is 5km. • Mountainous standard length is 3km.
New construction	• The cost to fully replace the service capacity of the existing road in that location given little existing infrastructure and low road user demand. The department assumes that this is the most appropriate means of fully replacing the service capacity of road stereotypes 1 to 4. • The surface type assumed in the new construction project is chip seal. • Level and rolling terrain standard length is 5km. • Mountainous standard length is 3km.

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

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

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

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

The total amount for each WBS for each project type is calculated and lump sum items are then added to the total.

The total amount for each WBS is then divided by the assumed area for each WBS. The areas have been determined by a firm of consultant engineers and are reviewed and updated as necessary.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

15 Property, plant and equipment (continued)

Infrastructure (continued)

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

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

Of the large number of WBS schedules there is a small number of derived WBS that are based on other similar WBS instead of their own schedule of work activities. These WBS represent only 0.07% of the network length and therefore the impact on the materiality of the valuation is insignificant.

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

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

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

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

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

During 2016–17 the fair values of marine infrastructure assets were updated using an appropriate Building Price Index provided by Gray Robinson Cottrell (GRC) Pty Ltd, Quantity Surveyors.

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

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

16 Payables

	2017 $'000	2016 $'000
Current		
Grants and subsidies payable	34,925	32,632
Trade creditors	519,434	395,696
Other	6,054	5,495
Total	**560,413**	**433,823**

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

17 Interest bearing liabilities

	2017 $'000	2016 $'000
Current		
Queensland Treasury Corporation borrowings	67,240	84,922
Lease liabilities	15,054	12,910
Total	**82,294**	**97,832**
Non-current		
Queensland Treasury Corporation borrowings	644,541	712,489
Lease liabilities	511,726	502,681
Total	**1,156,267**	**1,215,170**

Principal and interest repayments of Queensland Treasury Corporation borrowings are made quarterly in arrears at rates ranging from 2.11% to 7.45% (2016: 2.5% to 9.02%). Repayment dates vary from 15 December 2017 to 15 June 2032.

The department has an overdraft facility with the Commonwealth Bank of Australia with an approved limit of $200m (2016: $200m). There is no interest charged on this overdraft facility.

Refer to Note 23 for lease information.

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

Financial liabilities	**Fair value 2017 $'000**	**Fair value 2016 $'000**
Queensland Treasury Corporation borrowings	749,310	863,335

18 Provisions

	2017 $'000	2016 $'000
Current		
Property resumptions	187,794	238,604
Total	**187,794**	**238,604**
Non-current		
Property resumptions	78,164	34,872
Total	**78,164**	**34,872**

Movements in provisions

	2017 $'000	2016 $'000
Current		
Opening balance	238,604	200,172
Restatement of provision	15,880	2,487
Additional provision recognised	26,034	38,570
Reduction in provision as a result of payments	(51,592)	(56,657)
Reclassification from/(to) non-current provision	(41,132)	54,032
Closing balance	**187,794**	**238,604**
Non-current		
Opening balance	34,872	80,939
Restatement of provision	(1,530)	(1,187)
Additional provision recognised	11,160	12,941
Reduction in provision as a result of payments	(7,470)	(3,789)
Reclassification (to)/from current provision	41,132	(54,032)
Closing balance	**78,164**	**34,872**

Provision for property resumptions

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

18 Provisions (continued)

Provision for property resumptions (continued)

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

19 Accrued employee benefits

	2017 $'000	2016 $'000
Current		
Annual leave levy payable	14,788	15,245
Long service leave levy payable	3,426	3,359
Resignation benefit	318	321
Salaries and wages outstanding	15,795	12,485
Other	1,796	1,368
Total	**36,123**	**32,778**
Non-current		
Resignation benefit	5,402	5,255
Total	**5,402**	**5,255**

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

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

Resignation benefit
Employees employed under the *Civil Construction, Operations and Maintenance General Award - State 2016* are entitled to a pro-rata benefit not exceeding eight weeks of their wage on resignation from the department.

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

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

Superannuation
Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department’s obligation is limited to its contribution to QSuper.

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

20 Unearned revenue

	2017 $'000	2016 $'000
Current		
go card stored value *	41,641	39,724
Other	3,777	2,785
Total	**45,418**	**42,509**

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

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

21 Other liabilities

	2017 $'000	2016 $'000
Current		
go card deposits held	35,936	33,934
Lease incentives	34	89
Total	**35,970**	**34,023**
Non-current		
Lease incentives	51	85
Total	**51**	**85**

22 Income tax equivalents

(a) Income tax equivalent expense

	2017 $'000	2016 $'000
Current tax equivalents	14,925	9,587
Deferred tax equivalent expense/(income) relating to temporary differences	(591)	185
Under/(over) provision in previous years	9	9
Income tax equivalent expense attributable to profit from ordinary activities	**14,343**	**9,781**

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

	2017 $'000	2016 $'000
Accounting profit before tax	47,778	32,605
Prima facie tax at applicable rate of 30%	14,333	9,782
Adjustments for non-temporary differences and excluded temporary differences:		
Deductible expenses	-	(10)
Other non-deductible expenses	1	-
Under/(over) provision in previous years	9	9
Income tax equivalent expense attributable to profit from ordinary activities	**14,343**	**9,781**

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

	2017 $'000	2016 $'000
Deferred tax assets opening balance	6,980	7,165
Increase/(decrease) in deferred tax assets	591	(185)
Deferred tax assets at 30 June	**7,571**	**6,980**

(d) Proof of deferred tax assets

	2017 $'000	2016 $'000
Deferred tax assets:		
Property, plant and equipment	7,156	6,882
Other items	415	98
Net deferred tax assets at 30 June	**7,571**	**6,980**

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

	2017 $'000	2016 $'000
Opening balance	798	(572)
Net movements	2,721	1,370
Current tax payable/(receivable) at 30 June	**3,519**	**798**

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

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

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

23 Leases

Finance lease – leases as lessee

Gold Coast Light Rail – G:link
The Gold Coast Light Rail (stage one) service concession arrangement has been recognised as a finance lease in accordance with AASB 117 *Leases* with a lease term of 15 years and an implicit interest rate of 9.22%. Refer to Note 17 and Note 24. Stage two of the Gold Coast Light Rail system will be recognised as a finance lease when operational in April 2018.

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

	2017 $'000	2016 $'000
Minimum lease payable		
Not later than one year	43,756	43,017
Later than one year and not later than five years	175,787	174,621
Later than five years	325,454	370,377
Minimum future lease payable	544,997	588,015
Less: future finance charges	(218,960)	(249,651)
Total minimum future lease payable	**326,037**	**338,364**
Present value of minimum lease payable		
Not later than one year	14,291	12,327
Later than one year and not later than five years	72,744	65,255
Later than five years	239,002	260,782
Present value of total minimum future lease payable	**326,037**	**338,364**

New Generation Rollingstock (NGR)
The NGR service concession will be recognised in full as a finance lease in accordance with AASB 117 *Leases* with a term of 32 years and an implicit interest rate of 11.90%. In 2016 the Wulkuraka maintenance centre component of the service concession was accepted by the department and recognised as a finance lease. There have been no train sets recognised in these financial statements. The train sets will be recognised as part of the finance lease as they are accepted by the department. Refer to Note 17 and Note 24.

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

	2017 $'000	2016 $'000
Minimum lease payable		
Not later than one year	24,605	21,814
Later than one year and not later than five years	98,476	87,308
Later than five years	611,307	563,792
Minimum future lease payable	734,388	672,914
Less: future finance charges	(533,645)	(495,687)
Total minimum future lease payable	**200,743**	**177,227**
Present value of minimum lease payable		
Not later than one year	762	583
Later than one year and not later than five years	4,127	3,162
Later than five years	195,854	173,482
Present value of total minimum future lease payable	**200,743**	**177,227**

Operating lease commitments are disclosed in Note 25.

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

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

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

24 Service concession arrangements

Gold Coast Light Rail – G:link

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

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

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

Stage two of the light rail system is expected to be operational by April 2018.

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

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

	2017 $'000	2016 $'000
Estimated cash flows		
Inflows:		
Not later than one year	23,267	22,353
Later than one year but not later than five years	118,483	108,304
Later than five years but not later than ten years	208,724	194,508
Later than ten years	100,552	148,213
Outflows: *		
Not later than one year	(110,056)	(102,127)
Later than one year but not later than five years	(603,038)	(599,569)
Later than five years but not later than ten years	(601,046)	(587,381)
Later than ten years	(268,406)	(395,598)
Estimated net cash flow	**(1,131,520)**	**(1,211,297)**

* Includes $523.513m in 2017 (2016: $549.248m) of finance lease commitments.

Comparatives have changed by ($208.772m) following the completion of financial modelling work on stage two of the Gold Coast Light Rail system.

New Generation Rollingstock (NGR)

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

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

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

In June 2016 the maintenance centre was accepted by the department and a lease asset and lease liability have been recognised. All trains are expected to be in service by June 2019. There have been no train sets recognised in these financial statements.

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

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

	2017 $'000	2016 $'000
Estimated cash flows		
Inflows:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
Outflows: *		
Not later than one year	(356,637)	(131,815)
Later than one year but not later than five years	(823,059)	(1,015,035)
Later than five years but not later than ten years	(694,902)	(688,822)
Later than ten years	(3,545,294)	(3,690,635)
Estimated net cash flow	**(5,419,892)**	**(5,526,307)**

* Includes $2.507b in 2017 (2016: $2.571b) of finance lease commitments.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

24 Service concession arrangements (continued)

Toowoomba Second Range Crossing

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

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

On commissioning of the toll road in late 2018, the department will recognise in accordance with AASB 117 *Leases* , a lease asset at fair value which will be depreciated over the life of the asset, and a corresponding lease liability, which will be reduced by the state contribution and monthly repayments. Maintenance payments will be expensed during the relevant year. Contributions made prior to the road commissioning are recognised as prepayments.

The Toowoomba Second Range Crossing will be a toll road. At the expiry of the concession period the department will retain ownership of the range crossing.

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

	2017 $'000	2016 $'000
Estimated cash flows		
Inflows:		
Not later than one year	-	-
Later than one year but not later than five years	-	-
Later than five years but not later than ten years	-	-
Later than ten years	-	-
*Outflows: **		
Not later than one year	(219,503)	(337,351)
Later than one year but not later than five years	(223,201)	(393,219)
Later than five years but not later than ten years	(265,286)	(260,184)
Later than ten years	(1,118,036)	(1,172,622)
Estimated net cash flow	**(1,826,026)**	**(2,163,376)**

* Includes $1.064b in 2017 (2016: $1.402b) of finance lease commitments.

Airportlink

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

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

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

Gateway and Logan motorways

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

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

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

Brisbane Airport Rail Link

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

25 Commitments for expenditure

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

(a) Finance lease liability commitments

Refer to Note 24 for finance lease liability commitments.

	2017 $'000	2016 $'000
(b) Non-cancellable operating lease commitments		
Not later than one year	40,452	53,861
Later than one year and not later than five years	111,973	90,200
Later than five years	51,950	45,883
Total	**204,375**	**189,944**

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

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

	2017 $'000	2016 $'000
(c) Property, plant and equipment commitments		
Not later than one year	349,784	1,049,606
Later than one year and not later than five years	1,146,892	238,677
Later than five years	-	-
Total	**1,496,676**	**1,288,283**
(d) Grants and subsidies commitments		
Not later than one year	385,980	429,393
Later than one year and not later than five years	790,779	890,795
Later than five years	-	-
Total	**1,176,759**	**1,320,188**
(e) Other commitments		
Not later than one year	1,673,896	2,760,574
Later than one year and not later than five years	842,642	981,943
Later than five years	3,748,669	3,783,648
Total	**6,265,207**	**7,526,165**

26 Contingencies

Contingent liabilities

At balance date the department has been named as defendant in six cases and 51 other claims not yet subject to court action. The department's legal advisers and management believe it would be misleading to estimate the final amounts payable for litigation filed in the courts.

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

27 Controlled entities

Transmax Pty Ltd

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

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

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

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

28 Financial instruments

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

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

(a) Categorisation of financial instruments

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

	Note	2017 $'000	2016 $'000
Financial assets			
Cash		364,335	191,807
Receivables	12	191,997	323,209
Other financial assets	27	601	601
Total		**556,933**	**515,617**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	16	560,413	433,823
Interest bearing liabilities	17	1,238,561	1,313,002
Accrued employee benefits	19	41,525	38,033
Total		**1,840,499**	**1,784,858**

(b) Financial risk management

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

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

(c) Credit risk exposure

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

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

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

(d) Liquidity risk

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

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

Financial liabilities	**Note**	**Payable in**			
		<1 year $'000	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
2017					
Payables	16	560,413	-	-	**560,413**
Interest bearing liabilities		232,789	488,399	631,713	**1,352,901**
Accrued employee benefits	19	36,123	5,402	-	**41,525**
Total		**829,325**	**493,801**	**631,713**	**1,954,839**
2016					
Payables	16	433,823	-	-	**433,823**
Interest bearing liabilities		404,944	413,155	604,629	**1,422,728**
Accrued employee benefits	19	32,778	5,255	-	**38,033**
Total		**871,545**	**418,410**	**604,629**	**1,894,584**

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

28 Financial instruments (continued)

(e) Market risk

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

(f) Interest rate sensitivity analysis

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

(g) Fair value

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

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

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

29 Schedule of administered items

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

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

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

	2017 $'000	2016 $'000
Administered income		
User charges, fees and fines *	2,389,153	2,351,362
Other	7,892	7,492
Total	**2,397,045**	**2,358,854**
Administered expenses		
Impairment losses on trade receivables	21	9
Other	1,089	198
Transfers of administered revenue to government	2,397,015	2,358,647
Total	**2,398,125**	**2,358,854**
Operating result for the year	**(1,080)**	**-**
* User charges, fees and fines includes:		
Fines and forfeiture	150,318	183,043
Motor vehicle registration	1,689,973	1,641,345
Transport and traffic fees	399,824	382,506
Other registration	78,402	76,693
Other regulatory fees	68,976	65,793
Other	1,660	1,982
Total	**2,389,153**	**2,351,362**
Administered assets		
Current		
Cash	56,347	12,052
Receivables	35,763	35,767
Total	**92,110**	**47,819**
Non-current		
Land	268,335	261,311
Total	**268,335**	**261,311**
Total assets	**360,445**	**309,130**

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

29 Schedule of administered items (continued)

	2017 $'000	2016 $'000
Administered liabilities		
Current		
Payables	86,204	42,032
Unearned revenue	5,672	5,553
Total liabilities	**91,876**	**47,585**
Net administered assets	**268,569**	**261,545**
Administered equity		
Contributed equity	38,691	38,691
Accumulated surplus/(deficit)	(1,102)	(22)
Asset revaluation surplus	230,980	222,876
Total administered equity	**268,569**	**261,545**

30 Budgetary reporting

Statement of comprehensive income	Original budget 2017 $'000	Actual result 2017 $'000	Variance $'000
Income from continuing operations			
Appropriation revenue	5,218,430	4,771,712	(446,718)
User charges and fees	728,778	732,173	3,395
Grants and other contributions	174,528	232,607	58,079
Other revenue	26,926	35,808	8,882
Total revenue	**6,148,662**	**5,772,300**	**(376,362)**
Gains on disposal and revaluation of assets	3,013	3,859	846
Total income from continuing operations	**6,151,675**	**5,776,159**	**(375,516)**
Expenses from continuing operations			
Employee expenses	501,547	536,993	35,446
Supplies and services	3,404,859	3,223,836	(181,023)
Grants and subsidies	569,581	608,718	39,137
Depreciation and amortisation	1,276,881	1,004,108	(272,773)
Decommissioned and disposed assets expense	144,722	-	(144,722)
Finance and borrowing costs	122,139	97,367	(24,772)
Impairment losses	1,720	2,277	557
Other expenses	13,493	109,083	95,590
Total expenses from continuing operations	**6,034,942**	**5,582,382**	**(452,560)**
Operating result from continuing operations before income tax equivalent expense	**116,733**	**193,777**	**77,044**
Income tax equivalent expense	4,780	14,343	9,563
Operating result for the year	**111,953**	**179,434**	**67,481**
Items not reclassified to operating result			
Increase/(decrease) in asset revaluation surplus	-	(3,411,991)	(3,411,991)
Total other comprehensive income	**-**	**(3,411,991)**	**(3,411,991)**
Total comprehensive income	**111,953**	**(3,232,557)**	**(3,344,510)**

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

30 Budgetary reporting (continued)

Statement of comprehensive income (continued)

Explanation of major variances

Appropriation revenue

Variance of ($446.718m) is mainly a reflection of the net variations in expenditure indicated below for depreciation and amortisation ($272.773m), supplies and services ($181.023m), finance and borrowing costs ($24.772m) and other expenses $95.590m.

Grants and other contributions

Variance of $58.079m reflects:

• $42.245m in infrastructure assets donated from local governments and other parties for which a budget could not be reliably allocated

• $16.818m higher than budget due to the timing of a contribution from QIC Limited for the Gateway Upgrade North project. While a construction milestone was reached by 30 June 2016, payment of $8.6m from QIC Limited did not occur until 2016–17. In addition $8.2m higher than budget was received for work completed during 2016–17.

Employee expenses

Variance of $35.446m reflects:

• $6.036m for additional temporary employees for planning for the Commonwealth Games

• $11.201m due to the filling of vacancies

• $15.498m for employee costs for the Transport System Planning program transferred from capital, the budget for which was included in supplies and services.

Supplies and services

Variance of ($181.023m) mainly reflects works that were brought forward from 2016–17 into 2015–16 ($161.774m).

Depreciation and amortisation

Variance of ($272.773m) is due mainly to changes to useful lives for road infrastructure asset components. The impact of the changes was not budgeted for due to the unavailability of reliable measures at the time of budget development.

Decommissioned and disposed assets expense

The approach for recognising an expense related to decommissioned road infrastructure assets was discontinued after the time of budget development. The affected assets are now fully depreciated at the time of their replacement meaning a decommissioned road infrastructure asset expense is no longer reported.

Finance and borrowing costs

Variance of ($24.772m) is due to reduced finance lease interest costs of ($19.672m) for the New Generation Rollingstock as a result of the delay in delivery of the train sets and reduced interest of ($5.221m) on refinanced loans.

Other expenses

Variance of $95.590m is mainly due to payments of $90.450m made to payment coordination authorities as part of the Personalised Transport Reforms Industry Adjustment Assistance Package. The Government had not approved funding for the package at the time of budget preparation.

Increase/(decrease) in asset revaluation surplus

Variance of ($3.412b) includes a revaluation decrement of ($3.559b) for infrastructure assets following the application of the revised valuation methodology in 2016–17. A budget was not allocated due the unavailability of reliable measures for future movement in replacement costs of existing and new road infrastructure assets.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

30 Budgetary reporting (continued)

Statement of financial position	Original budget 2017	Actual result 2017	Variance
Assets	**$'000**	**$'000**	**$'000**
Current assets			
Cash	474,670	364,335	(110,335)
Receivables	130,937	191,997	61,060
Inventories	15,145	10,556	(4,589)
Prepayments	428,245	27,871	(400,374)
Non-current assets classified as held for sale	15,000	15,492	492
Total current assets	**1,063,997**	**610,251**	**(453,746)**
Non-current assets			
Prepayments	1,808	344,587	342,779
Other financial assets	601	601	-
Intangible assets	93,534	94,744	1,210
Property, plant and equipment	56,465,142	66,673,596	10,208,454
Deferred tax assets	6,638	7,571	933
Total non-current assets	**56,567,723**	**67,121,099**	**10,553,376**
Total assets	**57,631,720**	**67,731,350**	**10,099,630**
Liabilities			
Current liabilities			
Payables	503,681	560,413	56,732
Interest bearing liabilities	89,425	82,294	(7,131)
Provisions	200,172	187,794	(12,378)
Accrued employee benefits	37,283	36,123	(1,160)
Unearned revenue	45,591	45,418	(173)
Current tax liabilities	(1,073)	3,519	4,592
Other	28,093	35,970	7,877
Total current liabilities	**903,172**	**951,531**	**48,359**
Non-current liabilities			
Interest bearing liabilities	1,420,585	1,156,267	(264,318)
Provisions	80,939	78,164	(2,775)
Accrued employee benefits	4,982	5,402	420
Other	51	51	-
Total non-current liabilities	**1,506,557**	**1,239,884**	**(266,673)**
Total liabilities	**2,409,729**	**2,191,415**	**(218,314)**
Net assets	**55,221,991**	**65,539,935**	**10,317,944**
Equity			
Total equity	**55,221,991**	**65,539,935**	**10,317,944**

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

30 Budgetary reporting (continued)

Statement of financial position (continued)

Explanation of major variances

Cash

Variance of ($110.335m) reflects a lower than anticipated opening balance of ($210.660m) due to bringing forward works from 2016–17 into the 2015–16 financial year, and revenue anticipated to be received in 2015–16 being received in 2016–17, offset by an increase in cash of $117.017m as illustrated in the Statement of cash flows.

Receivables

Variance of $61.060m reflects a contribution to be received from QIC Limited for the Gateway Upgrade North project of $56.575m. While the construction milestone was reached, payment by QIC Limited to clear the receivable was not received by 30 June 2017, as it was dependent on payment by the Commonwealth of its share of the project cost.

Prepayments - Current assets

Variance of ($400.374m) comprises:

• ($343.398m) being a reclassification of capital contributions for the Toowoomba Second Range Crossing project from current to non-current prepayments

• a reduction of ($20.947m) in capital contribution payments for the Gold Coast Light Rail Stage 2 project due to the reclassification of expenditure as state returned works.

Prepayments - Non-current assets

Variance of $342.779m is due to a reclassification of the capital contributions of $343.398m for the Toowoomba Second Range Crossing project from current to non-current prepayments.

Property, plant and equipment

The variance is mainly due to road infrastructure asset revaluations which were not budgeted for due to the unavailability of reliable measures.

Payables

Variance of $56.732m is due to a higher amount of accrued expenditure than anticipated due to increased emergent and restoration works as a result of damage from Tropical Cyclone Debbie and projects being delivered under the Accelerated Works Program.

Non-current Interest bearing liabilities

Variance of ($264.318m) mainly reflects the delay in the delivery of New Generation Rollingstock train sets ($252.448m).

Statement of cash flows	**Original budget 2017**	**Actual result 2017**	**Variance**
Cash flows from operating activities	**$'000**	**$'000**	**$'000**
Inflows:			
Service appropriation receipts	5,218,430	4,955,116	(263,314)
User charges and fees	727,478	736,981	9,503
Grants and other contributions	174,528	133,752	(40,776)
GST input tax credits from ATO	634,921	688,282	53,361
GST collected from customers	107,309	65,227	(42,082)
Other	26,926	35,856	8,930
Outflows:			
Employee expenses	(584,808)	(533,129)	51,679
Supplies and services	(3,319,561)	(3,161,242)	158,319
Grants and subsidies	(569,581)	(588,434)	(18,853)
Finance and borrowing costs	(100,941)	(76,047)	24,894
GST paid to suppliers	(637,132)	(689,405)	(52,273)
GST remitted to ATO	(101,344)	(64,317)	37,027
Income tax equivalent paid	(5,325)	(12,213)	(6,888)
Other	(13,493)	(104,603)	(91,110)
Net cash provided by/(used in) operating activities	**1,557,407**	**1,385,824**	**(171,583)**

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

30 Budgetary reporting (continued)

Statement of cash flows (continued)

	Original budget 2017 $'000	Actual result 2017 $'000	Variance $'000
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment	62,118	53,255	(8,863)
Outflows:			
Payments for property, plant and equipment	(2,419,654)	(2,311,142)	108,512
Payments for intangibles	(17,754)	(19,810)	(2,056)
Net cash provided by/(used in) investing activities	**(2,375,290)**	**(2,277,697)**	**97,593**
Cash flows from financing activities			
Inflows:			
Equity injections	2,232,442	2,338,718	106,276
Borrowings	22,000	-	(22,000)
Outflows:			
Equity withdrawals	(817,761)	(821,166)	(3,405)
Borrowing redemptions	(86,195)	(83,434)	2,761
Finance lease payments	(475,594)	(368,219)	107,375
Machinery-of-Government transfers	(1,498)	(1,498)	-
Net cash provided by/(used in) financing activities	**873,394**	**1,064,401**	**191,007**
Net increase/(decrease) in cash	55,511	172,528	117,017
Cash at beginning of financial year	419,159	191,807	(227,352)
Cash at end of financial year	**474,670**	**364,335**	**(110,335)**

Explanation of major variances

Grants and other contributions
Variance of $40.776m is due to a timing difference in the payment of contributions by QIC Limited for the Gateway Upgrade North project.

GST input tax credits from ATO and GST collected from customers
Variance is due to variability of the timing, value and payment of invoices issued to external parties.

Finance and borrowing costs
Variance of $24.894m is due to reduced finance lease interest costs of $19.672m for the New Generation Rollingstock as a result of the delay in delivery of the train sets and reduced interest of $5.221m on refinanced loans.

GST paid to suppliers and GST remitted to ATO
Variance is due to variability of the timing, value and payment of invoices received from external parties.

Other expenses
Variance of $91.110m is mainly due to payments of $90.450m made to payment coordination authorities as part of the Personalised Transport Reforms Industry Adjustment Assistance Package. The Government had not approved funding for the package at the time of budget preparation.

Borrowings
Variance of ($22.0m) reflects a change to the Economic Development Queensland funding agreement for the Beaudesert Town Bypass project after the budget had been published. The project will now be funded from the Queensland Transport and Roads Investment Program.

Finance lease payments
Variance of $107.374m reflects:
- $91.561m for a decrease in finance lease payments for the New Generation Rollingstock project due to the delay in delivery of the train sets
- $20.947m for a decrease in the capital contribution payment under the finance lease arrangement for the Gold Coast Light Rail Stage 2 project due to an increase in the value of state returned works completed as part of the project.

Department of Transport and Main Roads

Notes to and forming part of the financial statements 2016–17 (continued)

30 Budgetary reporting (continued)

Schedule of administered items	Original budget 2017 $'000	Actual result 2017 $'000	Variance $'000
Administered income			
User charges, fees and fines	2,419,174	2,389,153	(30,021)
Other	7,873	7,892	19
Total	**2,427,047**	**2,397,045**	**(30,002)**
Administered expenses			
Impairment losses on trade receivables	-	21	21
Other	-	1,089	1,089
Transfers of administered revenue to government	2,427,047	2,397,015	(30,032)
Total	**2,427,047**	**2,398,125**	**(28,922)**
Operating result for the year	**-**	**(1,080)**	**(1,080)**
Administered assets			
Current			
Cash	20,888	56,347	35,459
Receivables	34,114	35,763	1,649
Total	**55,002**	**92,110**	**37,108**
Non-current			
Land	261,311	268,335	7,024
Total	**261,311**	**268,335**	**7,024**
Total assets	**316,313**	**360,445**	**44,132**
Administered liabilities			
Current			
Payables	48,958	86,204	37,246
Unearned revenue	5,811	5,672	(139)
Total liabilities	**54,769**	**91,876**	**37,107**
Net administered assets	**261,544**	**268,569**	**7,025**
Administered equity			
Total administered equity	**261,544**	**268,569**	**7,025**

Explanation of major variances

Operating surplus/(deficit)
Variance reflects parcels of land that were transferred from the department's administered entity to it's controlled entity. The land was originally acquired for the Moreton Bay Rail Link project but has since been deemed to be surplus to requirements which was not known at the time of budget preparation.

Cash
Variance of $35.459m reflects the timing of the Compulsory Third Party insurance premiums collected which are yet to be remitted to the insurers.

Payables
Variance of $37.246m reflects the timing of the Compulsory Third Party insurance premiums collected which are yet to be remitted to the insurers.

Department of Transport and Main Roads
Notes to and forming part of the financial statements 2016–17 (continued)

31 Significant restated balances and changes in estimates

Road infrastructure asset valuation

The following significant items have impacted Note 15 Property, plant and equipment:

- In 2016–17 further improvements were made to the road infrastructure asset valuation methodology which involved redeveloping valuation work breakdown structures for stereotypes which align to the physical environment and provide a more accurate estimate of current replacement cost.

  These new replacement stereotypes better represent the cost of replacing the service potential in road corridors with extensive road infrastructure as they incorporate constrained environments such as urban or high volume rural corridors, and recognise the significant costs involved in working with existing infrastructure while in use in these areas.

  Correspondingly the construction work breakdown schedules were redeveloped to clearly align with the range of stereotypes. This involved the use of new construction schedules to reflect construction conditions with minimal constraints from traffic, development and utility services, and reconstruction schedules to reflect construction conditions with significant constraints from these factors. The most significant effect on the road infrastructure valuation from these changes has been a change in the degree to which pavement and formation components are depreciated.

  The change to the road infrastructure asset valuation methodology has been recognised as a change in estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and has resulted in a decrease in gross value and net book value/net revaluation decrement of $5.8b and $3.6b respectively in 2017.

- A review of the unit rate other construction inputs to the road asset valuation has identified an incorrect assignment in 2016 of market rates for formation earthworks in new construction projects. Accordingly the value of road infrastructure in 2016 has been reduced by $3.330b with a corresponding adjustment to the asset revaluation surplus. These adjustments have been recorded as prior period corrections in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

- In 2016–17 the estimated useful lives of formation earthworks were comprehensively reviewed. This review assessed the likely replacement program due to the available fiscal provision and considered this against the optimal replacement program. As a result the estimated useful life of a range of formation earthworks components has been revised to ensure the useful life to the department reflects a replacement timeframe which considers fiscal capacity, and which is informed by the department's published infrastructure plans and forecasts, as well as the prior history of funding allocations.

  The extended useful lives of formation earthworks components have been recognised as a change in estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and has resulted in a reduction in accumulated depreciation and a corresponding increase to the asset revaluation surplus of $927m.

Moreton Bay Rail Link - expenditure on third party assets

During 2017 the department undertook an assessment of the expenditure incurred on the Moreton Bay Rail Link (MBRL) Project following the commencement of operations of the rail link in October 2016. This analysis included a detailed cost breakdown to calculate the value of the respective assets of the Department of Transport and Main Roads, Queensland Rail, and Moreton Bay Regional Council.

As a result of the assessment it was determined that $43.312m of expenditure on Queensland Rail assets, and $268.424m on Moreton Bay Regional Council assets, had been reported in 2016 as property, plant and equipment (capital work in progress), and should instead have been reported as an expense in the Statement of comprehensive income.

In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* the department has restated property, plant and equipment in 2016 by ($311.736m), supplies and services by $43.312m, and grants and subsidies by $268.424m.

Decommissioned assets expense

In 2015–16 the department comprehensively reviewed the useful lives of road infrastructure surface and pavement components and where necessary adjusted the useful lives to reflect a replacement timeframe which considers fiscal availability.

Components which were replaced in 2016 had their useful lives adjusted to align with their intended replacement dates, which meant that these components had been fully depreciated at 30 June 2016.

In 2016 the department had recorded a decommissioned infrastructure assets expense of $156.306m representing the remaining written down value of road surfaces and pavements at the time of their replacement. However as these components were fully depreciated in 2015–16, the decommissioned infrastructure asset expense was overstated.

Accordingly the 2016 decommissioned infrastructure assets expense and asset revaluation surplus have been restated by $156.306m in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

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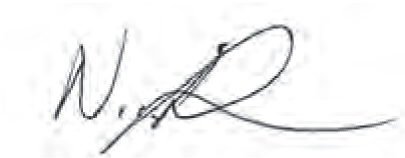
Management Certificate of the Department of Transport and Main Roads

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

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Transport and Main Roads for the financial year ended 30 June 2017 and of the financial position of the department at the end of that year; and

c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Nick Shaw FCPA
Chief Finance Officer

28 August 2017

Neil Scales OBE
Director-General

28 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of Department of Transport and Main Roads

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the department's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

The financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Key audit matters

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

Infrastructure asset valuation ($57.889 billion) and depreciation expense ($878.598 million)

Refer to note 15 in the financial report.

Key audit matter	How my audit addressed the key audit matter
The Department's accounting policy was to value infrastructure as defined in AASB 13 *Fair Value Measurement* using the cost approach. Under the AASB13 fair value hierarchy the valuation was classified as level 3 due to significant inputs that require estimation and that were not based on	My procedures included, but were not limited to: ***Gross replacement cost*** Assessing the adequacy of management's review of the valuation process including:

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>observable market data. To derive current replacement cost (fair value) the Department adjusted gross replacement cost for accumulated depreciation.

A valuation model was used to estimate the gross replacement cost for road infrastructure assets.
The model involved significant judgement for:
• the categorisation of the road network, features of a modern equivalent asset, and current economic and market conditions affecting costs for road construction.
• componentisation of the road assets and identifying the significant parts of the road infrastructure assets that have different replacement costs per unit.
• categorising road stereotypes (such as road type, region, soil type, terrain, climatic and environmental conditions, and project type such as reseal, rehabilitation, reconstruction or new construction.
• assigning road segments to a road stereotype.
• establishing unit rates for the full replacement and renewal of components.

In measuring accumulated depreciation, the Department used significant judgement estimating remaining useful life of road infrastructure components including:
• past experience to determine when an appropriate works intervention will occur.
• consideration of planned replacement programs as a result of observation of road use deterioration and environmental factors such as traffic volume, rutting, cracking, roughness, safety and number of years in use.</td>
<td>• Obtaining an understanding of the methodology, assessing its design, integrity and appropriateness of the valuation model.
• Analysing key assumptions used in the model and corroborating these to supporting evidence and my knowledge of the entity and industry.
• Verifying the mathematical accuracy of the model through recalculation.

Unit rates
Assessing the reasonableness of unit rates by evaluating the methods used in determining the movement in unit rates, including:
• Examining a sample of unit rates to assess consistency in calculations and reasonableness in application from the underlying inputs obtained from the Department’s external consultant.
• Reviewing the 2017 Unit Rate Expert Panel’s process into unit rate movements and approval of final rates.
• Verifying a sample of approved unit rates applied in the final calculation of gross replacement value.
• Comparing a sample of the movement of unit rates against other publicly available information.

Useful lives
Assessing the reasonableness of infrastructure assets useful lives by:
• Reviewing management’s annual assessment of useful lives against evidence supporting current condition and planned replacement programs.
• Reviewing evidence of planned use of assets, with a focus on assets that are planned to be used for longer or shorter than standard engineering estimates.
• Assessing the consistency between asset management plans and useful lives assigned to infrastructure assets.</td></tr>
</table>

Other information

Other information comprises the information included in the Department’s annual report for the year ended 30 June 2017, but does not include the financial report and my auditor’s report thereon. Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the department for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

QUEENSLAND
31 AUG 2017
AUDIT OFFICE

D Adams
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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