Part B

Annual Report 2012–13 Financial Statements

Department of Science, Information Technology, Innovation and the Arts

For the period 1 July 2012 to 30 June 2013

Great state. Great opportunity.

Queensland Government

The Department of Science, Information Technology, Innovation and the Arts
Financial Statements
for the financial year ended 30 June 2013

Contents **Page No**

General Information

These financial statements cover the Department of Science, Information Technology, Innovation and the Arts and its controlled entities.

The Department of Science, Information Technology, Innovation and the Arts is a Queensland Government Department established under the *Public Service Act 2008*.

The department is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the department is:

Level 5
100 George Street
BRISBANE QLD 4000

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

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

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

Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	2013 $'000	2012* $'000
Income from continuing operations			
Departmental services revenue	2	322,385	95,649
User charges	3	416,866	84,987
Grants and other contributions	4	29,115	10,914
Other revenue	5	14,809	1,290
Gains	6	191	-
Total income from continuing operations		**783,366**	**192,840**
Expenses from continuing operations			
Employee expenses	7	326,367	60,591
Supplies and services	9	258,673	60,387
Grants and subsidies	10	104,335	49,236
Depreciation and amortisation	11	67,851	12,989
Impairment losses	12	23,631	19,643
Revaluation decrement	13	-	13,214
Finance/borrowing costs	14	1,528	297
Other expenses	15	19,864	10,332
Total expenses from continuing operations		**802,249**	**226,689**
Operating result from continuing operations before income tax		**(18,883)**	**(33,849)**
Income tax benefit/(expense)	35	(9,526)	-
Operating result from continuing operations after income tax		**(28,409)**	**(33,849)**
Other comprehensive income			
Items that will not be reclassified subsequently to operating result:			
Increase in asset revaluation surplus	28	-	10,150
Total other comprehensive income		**-**	**10,150**
Total comprehensive income		**(28,409)**	**(23,699)**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the Financial Accountability Act 2009.

The accompanying notes form part of these statements

Statement of Financial Position

as at 30 June 2013

	Notes	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	16	68,877	140,799
Receivables	17	105,308	67,854
Inventories	18	40	9
Other	20	12,646	15,172
Total current assets		**186,871**	**223,834**
Non-current assets			
Receivables	17	34,643	20,722
Deferred tax assets	19	683	10,209
Intangible assets	21	45,853	119,659
Property, plant and equipment	22	771,623	820,848
Other	20	1,123	1,851
Total non-current assets		**853,925**	**973,289**
Total assets		**1,040,796**	**1,197,123**
Current liabilities			
Payables	23	93,555	109,138
Other financial liabilities	24	12,274	19,166
Accrued employee benefits	25	8,247	8,684
Other	27	10,079	6,083
Total current liabilities		**124,155**	**143,071**
Non-current liabilities			
Other financial liabilities	24	9,357	15,467
Deferred tax liabilities	26	73	73
Total non-current liabilities		**9,430**	**15,540**
Total liabilities		**133,585**	**158,611**
Net assets		**907,211**	**1,038,512**
Equity			
Contributed equity		959,319	1,062,211
Accumulated surplus/(deficit)		(62,258)	(33,849)
Asset revaluation surplus	28	10,150	10,150
Total equity		**907,211**	**1,038,512**

The accompanying notes form part of these statements

Statement of Changes in Equity

for the year ended 30 June 2013

	Notes	2013 $'000	2012* $'000
Contributed equity			
Balance as at 1 July*		1,062,211	-
Transactions with owners as owners:			
Appropriated equity injections	2	26,516	15,664
Appropriated equity withdrawals	2	(84,541)	(16,330)
Non-appropriated equity injections		4,938	1,190
Non-appropriated equity withdrawals		(7,962)	(17,056)
Assets assumed		273	
Net assets transferred (transferred via machinery-of-government)	1(af)	(42,116)	1,078,743
Balance as at 30 June		**959,319**	**1,062,211**
Accumulated surplus/(deficit)			
Balance as at 1 July*		(33,849)	-
Operating result from continuing operations		(28,409)	(33,849)
Balance as at 30 June		**(62,258)**	**(33,849)**
Asset revaluation surplus			
Balance as at 1 July*		10,150	-
Other comprehensive income			
Increase on revaluation of:			
Land	28	-	9,919
Buildings	28	-	105
Infrastructure	28	-	126
Balance as at 30 June		**10,150**	**10,150**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the Financial Accountability Act 2009.

The accompanying notes form part of these statements

Statement of Cash Flows

for the year ended 30 June 2013

	Notes	2013 $'000	2012* $'000
Cash flows from operating activities			
Inflows:			
Departmental services receipts		290,789	91,893
User charges		410,558	115,675
Grants and other contributions		28,445	3,393
GST collected from customers		38,684	27,029
GST input tax credits from ATO		27,961	11,428
Interest receipts		636	66
Other		17,187	244
Outflows:			
Employee expenses		(327,585)	(57,219)
Supplies and services		(253,702)	(55,057)
Grants and subsidies		(88,711)	(11,241)
Finance/borrowing costs		(1,545)	(398)
Insurance premiums		(700)	(169)
GST paid to suppliers		(26,338)	(12,934)
GST remitted to ATO		(43,485)	(25,624)
Other		(3,919)	(13,944)
Net cash provided by/(used in) operating activities		**68,275**	**73,142**
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment		1,663	600
Loans and advances redeemed		12,627	-
Outflows:			
Payments for property, plant and equipment		(7,107)	(4,801)
Loans and advances provided		(49,540)	
Payments for intangible assets		(7,188)	(100)
Net cash provided by/(used in) investing activities		**(49,545)**	**(4,301)**
Cash flows from financing activities			
Inflows:			
Borrowings		11,000	2,179
Equity injections		27,465	24,993
Transfer of cash and cash equivalents as a result of MOG changes		-	74,155
Outflows:			
Borrowing redemptions		(23,310)	(5,700)
Equity withdrawals		(105,807)	(23,669)
Net cash provided by/(used in) financing activities		**(90,652)**	**71,958**
Net increase/(decrease) in cash and cash equivalents		**(71,922)**	**140,799**
Cash and cash equivalents at beginning of financial year*		140,799	-
Cash and cash equivalents at end of financial year	16	**68,877**	**140,799**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the Financial Accountability Act 2009.

The accompanying notes form part of these statements

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

for the year ended 30 June 2013

	Corporate Administration Agency		Arts Queensland		CITEC	
	2013 $'000	2012* $'000	2013 $'000	2012* $'000	2013 $'000	2012* $'000
Income from continuing operations						
Revenue						
Departmental services revenue	-	-	100,637	22,602	-	-
User charges	9,607	1,749	19,415	2,851	170,014	33,335
Grants and other contributions	183	31	2,556	2,380	-	-
Other revenue	65	6	2,158	121	6,748	316
Gains	-	-	-	-	182	-
Total income from continuing operations	**9,855**	**1,786**	**124,766**	**27,954**	**176,944**	**33,651**
Expenses from continuing operations						
Employee expenses	6,678	1,165	13,407	2,763	64,567	11,794
Supplies and services	2,678	417	33,982	6,819	106,168	21,436
Grants and subsidies	-	-	39,899	11,202	-	-
Depreciation and amortisation	242	41	36,583	6,991	11,459	2,767
Impairment losses	-	-	-	-	140	19,782
Revaluation decrement	-	-	-	13,214	-	-
Finance/borrowing costs	-	-	331	78	1,158	219
Other expenses	257	72	530	95	1,324	69
Total expenses from continuing operations	**9,855**	**1,695**	**124,732**	**41,162**	**184,816**	**56,067**
Operating result from continuing operations before tax	-	91	34	(13,208)	(7,872)	(22,416)
Income tax benefit/(expense)	-	-	-	-	(9,526)	-
Operating result from continuing operations after tax	**-**	**91**	34	**(13,208)**	(17,398)	**(22,416)**
Other comprehensive income						
Increase in asset revaluation surplus	-	-	-	9,919	-	
Total other comprehensive income	**-**	**-**	-	**(9,919)**	-	**-**
Total comprehensive income	**-**	**91**	**34**	**(3,289)**	**(17,398)**	**(22,416)**

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

for the year ended 30 June 2013

	Queensland Government Chief Information Office		Queensland Chief Scientist		Science Delivery Services	
	2013 $'000	2012* $'000	2013 $'000	2012* $'000	2013 $'000	2012* $'000
Income from continuing operations						
Revenue						
Departmental services revenue	26,579	7,781	1,256	477	51,714	10,812
User charges	(1)	74	-	-	6,404	381
Grants and other contributions	-	335	-	-	13,444	1,824
Other revenue	91	8	-	-	467	24
Gains	-	-	-	-	-	-
Total income from continuing operations	**26,669**	**8,198**	**1,256**	**477**	**72,029**	**13,041**
Expenses from continuing operations						
Employee expenses	9,376	2,134	1,020	171	38,516	6,785
Supplies and services	16,818	5,309	179	17	20,425	4,007
Grants and subsidies	-	336	-	-	806	549
Depreciation and amortisation	147	25	2	-	5,745	1,148
Impairment losses	-	-	-	-	(35)	28
Revaluation decrement	-	-	-	-	-	-
Finance/borrowing costs	-	-	-	-	39	-
Other expenses	85	5	-	3	389	111
Total expenses from continuing operations	**26,426**	**7,809**	**1,201**	**191**	**65,885**	**12,628**
Operating result from continuing operations before tax	**243**	389	55	286	6,144	413
Income tax benefit/(expense)	-	-	-	-	-	-
Operating result from continuing operations after tax	**243**	**389**	**55**	**286**	**6,144**	**413**
Other comprehensive income						
Increase in asset revaluation surplus	-	-	-	-	-	231
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**231**
Total comprehensive income	**243**	**389**	**55**	**286**	**6,144**	**644**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the Financial Accountability Act 2009.

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

for the year ended 30 June 2013

	Queensland State Archives		Queensland Shared Services		Innovation and Science Development Services	
	2013 $'000	2012* $'000	2013 $'000	2012* $'000	2013 $'000	2012* $'000
Income from continuing operations						
Revenue						
Departmental services revenue	14,361	2,872	-	-	88,486	44,134
User charges	102	19	211,136	47,093	11	1
Grants and other contributions	-	2,395	12,825	258	-	237
Other revenue	25	-	3,356	(140)	1,530	954
Gains	2	-	7	-	-	-
Total income from continuing operations	**14,490**	**5,286**	**227,324**	**47,211**	**90,027**	**45,326**
Expenses from continuing operations						
Employee expenses	6,568	1,263	127,081	24,875	12,968	2,224
Supplies and services	7,755	1,504	80,306	21,620	2,012	1,250
Grants and subsidies	-	-	-	-	61,864	37,023
Depreciation and amortisation	122	35	9,035	1,842	113	1
Impairment losses	-	-	23,539	(167)	-	1
Revaluation decrement	-	-	-	-	-	-
Finance/borrowing costs	-	-	-	-	-	-
Other expenses	45	2,384	3,038	107	14,477	7,452
Total expenses from continuing operations	**14,490**	**5,186**	**242,999**	**48,277**	**91,434**	**47,951**
Operating result from continuing operations before tax	**-**	**100**	**(15,675)**	**(1,066)**	**(1,407)**	**(2,625)**
Income tax benefit/(expense)	-	-	-	-	-	-
Operating result from continuing operations after tax	**-**	**100**	**(15,675)**	**(1,066)**	**(1,407)**	**(2,625)**
Other comprehensive income						
Increase in asset revaluation surplus	-	-		-	-	-
Total other comprehensive income	-	-		-	-	-
Total comprehensive income	**-**	**100**	**(15,675)**	**(1,066)**	**(1,407)**	**(2,625)**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the Financial Accountability Act 2009.

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

for the year ended 30 June 2013

	Smart Service Queensland		General – Not attributed		Inter-departmental service eliminations		TOTAL	
	2013 $'000	2012* $'000	2013 $'000	2012* $'000	2013 $'000	2012* $'000	2013 $'000	2012* $'000
Income from continuing operations								
Revenue								
Departmental services revenue	38,899	7,278	453	(307)	-	-	322,385	95,649
User charges	28,615	4,894	-	-	(28,437)	(5,410)	416,866	84,987
Grants and other contributions	207	3,454	83	-	(183)	-	29,115	10,914
Other revenue	17	1	6,762	528	(6,410)	(528)	14,809	1,290
Gains	-	-	-	-	-	-	191	-
Total income from continuing operations	**67,738**	**15,627**	**7,298**	**221**	**(35,030)**	**(5,938)**	**783,366**	**192,840**
Expenses from continuing operations								
Employee expenses	42,675	7,158	3,650	259	(139)	-	326,367	60,591
Supplies and services	20,213	3,564	2,170	373	(34,033)	(5,929)	258,673	60,387
Grants and subsidies	1,357	126	409	-	-	-	104,335	49,236
Depreciation and amortisation	4,394	139	8	-		-	67,851	12,989
Impairment losses	(13)	(1)	-	-		-	23,631	19,643
Revaluation decrement	-	-	-	-		-	-	13,214
Finance/borrowing costs	-	-	-	-		-	1,528	297
Other expenses	306	13	271	30	(858)	(9)	19,864	10,332
Total expenses from continuing operations	**68,932**	**10,999**	**6,508**	**662**	**(35,030)**	**(5,938)**	**802,249**	**226,689**
Operating result from continuing operations before tax	**(1,194)**	**4,628**	**790**	**(441)**	**-**	**-**	**(18,883)**	**(33,849)**
Income tax benefit/(expense)	-	-	-	-	-	-	(9,526)	-
Operating result from continuing operations after tax	**(1,194)**	**4,628**	**790**	**(441)**	**-**	**-**	**(28,409)**	**(33,849)**
Other comprehensive income								
Increase in asset revaluation surplus	-	-		-	-	-	-	10,150
Total other comprehensive income	**-**	**-**		**-**	**-**	**-**	**-**	**10,150**
Total comprehensive income	**(1,194)**	**4,628**	790	**(441)**	**-**	**-**	**(28,409)**	**(23,699)**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the Financial Accountability Act 2009.

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

as at 30 June 2013

	Corporate Administration Agency		Arts Queensland		CITEC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets						
Cash and cash equivalents	3,690	2,752	3,848	8,238	1,670	8,147
Receivables	847	949	9,557	11,687	22,064	22,287
Inventories	-	-	28	9	13	-
Other	378	464	30	75	4,309	4,956
Total current assets	**4,915**	**4,165**	**13,463**	**20,009**	**28,056**	**35,390**
Non-current assets						
Receivables	-	-	932	100	-	-
Deferred tax assets	-	-	-	-	683	10,209
Intangible assets	130	310	-	-	10,212	11,116
Property, plant and equipment	575	584	671,295	707,965	24,477	32,264
Other		-		-	1,123	1,851
Total non-current assets	**705**	**894**	**672,227**	**708,065**	**36,495**	**55,440**
Total assets	**5,620**	**5,059**	**685,690**	**728,074**	**64,551**	**90,830**
Current liabilities						
Payables	787	234	4,265	2,766	9,596	12,929
Other financial liabilities	-	-	5,501	8,682	6,774	9,796
Accrued employee benefits	202	217	352	394	1,852	2,005
Other	23	-	-	-	3,336	4,117
Total current liabilities	**1,012**	**451**	**10,118**	**11,842**	**21,558**	**28,847**
Non-current liabilities						
Other financial liabilities	-	-	882	461	8,475	15,006
Deferred tax liabilities	-	-	-	-	73	73
Total non-current liabilities	-	-	882	461	8,548	15,079
Total liabilities	**1,012**	**451**	**11,000**	**12,303**	**30,106**	**43,926**
Net assets	**4,608**	**4,608**	**674,690**	**715,771**	**34,445**	**46,904**

Please note that the Department has systems in place to allocate assets and liabilities by Departmental services, CBU's and SSP's.

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

as at 30 June 2013

	Queensland Government Chief Information Office		Queensland Chief Scientist		Science Delivery Services	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets						
Cash and cash equivalents	439	-	493	-	-	1,632
Receivables	2,163	3,913	24	477	5,539	13,784
Inventories	-	-	-	-	-	-
Other	5,893	6,917		-	3	31
Total current assets	**8,495**	**10,830**	**517**	**477**	**5,542**	**15,447**
Non-current assets						
Receivables	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
Intangible assets	690	626	-	-	1,873	1,865
Property, plant and equipment	90	77	2	4	62,187	65,097
Other		-		-		-
Total non-current assets	**780**	**703**	**2**	**4**	**64,060**	**66,962**
Total assets	**9,275**	**11,533**	**519**	**481**	**69,602**	**82,409**
Current liabilities						
Payables	1,967	2,983	431	190	11,444	1,655
Other financial liabilities		-	-	-	-	688
Accrued employee benefits	262	-	28	-	931	1,057
Other	17	6,893	-	-	-	79
Total current liabilities	**2,246**	**9,876**	**459**	**190**	**12,375**	**3,479**
Non-current liabilities						
Other financial liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Total non-current liabilities	-	-	**-**	-	**-**	-
Total liabilities	**2,246**	**9,876**	**459**	**190**	**12,375**	**3,479**
Net assets	**7,029**	**1,657**	**60**	**291**	**57,227**	**78,930**

Please note that the Department has systems in place to allocate assets and liabilities by Departmental services, CBU's and SSP's.

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

as at 30 June 2013

	Queensland State Archives		Queensland Shared Services		Innovation and Science Development Services	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets						
Cash and cash equivalents	2	2	46,394	41,316	-	2,131
Receivables	101	1,915	25,085	26,404	2,259	64,994
Inventories	-	-	-	-	-	-
Other	12	30	961	2,307	39	13
Total current assets	**115**	**1,947**	**72,440**	**70,027**	**2,298**	**67,138**
Non-current assets						
Receivables	-	-	-	-	33,713	20,622
Deferred tax assets	-	-	-	-	-	-
Intangible assets	73	87	24,369	95,460	-	-
Property, plant and equipment	618	566	3,702	4,909	2,598	1,588
Other	-	-	-	-	-	-
Total non-current assets	**691**	**653**	**28,071**	**100,369**	**36,310**	**22,210**
Total assets	**806**	**2,600**	**100,511**	**170,396**	**38,608**	**89,348**
Current liabilities						
Payables	5,938	1,664	10,314	18,227	47,609	69,025
Other financial liabilities	-	-	-	-	-	-
Accrued employee benefits	-	-	3,101	3,715	251	(11)
Other	-	-	4,297	-	2,340	1,408
Total current liabilities	**5,938**	**1,664**	**17,712**	**21,942**	**50,200**	**70,422**
Non-current liabilities						
Other financial liabilities	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**5,938**	**1,664**	**17,712**	**21,942**	**50,200**	**70,422**
Net assets	**(5,132)**	**936**	**82,799**	**148,454**	**(11,592)**	**18,926**

Please note that the Department has systems in place to allocate assets and liabilities by Departmental services, CBU's and SSP's.

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

as at 30 June 2013

	Smart Service Queensland		General – Not attributed		Inter-departmental service eliminations		TOTAL	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets								
Cash and cash equivalents	331	1,600	12,010	74,981		-	68,877	140,799
Receivables	6,015	9,421	37,671	270	(6,017)	(88,247)	105,308	67,854
Inventories	-	-		-		-	40	9
Other	770	379	250	-		-	12,646	15,172
Total current assets	**7,116**	**11,400**	**49,931**	**75,251**	**(6,017)**	**(88,247)**	**186,871**	**223,834**
Non-current assets								
Receivables	-	-	-	-		-	34,643	20,722
Deferred tax assets	-	-	-	-		-	683	10,209
Intangible assets	8,504	10,195	-	-		-	45,853	119,659
Property, plant and equipment	6,074	7,793	5	-		-	771,623	820,848
Other		-	-	-		-	1,123	1,851
Total non-current assets	**14,578**	**17,988**	**5**	**-**	-	**-**	**853,925**	**973,289**
Total assets	**21,694**	**29,388**	**49,936**	**75,251**	(6,017)	**(88,247)**	**1,040,796**	**1,197,123**
Current liabilities								
Payables	2,000	5,573	4,371	75,246	(5,168)	(81,354)	93,555	109,138
Other financial liabilities	-	-	-	-		-	12,274	19,166
Accrued employee benefits	1,267	1,307	-	-		-	8,247	8,684
Other	66	34	-	445		(6,893)	10,079	6,083
Total current liabilities	**3,333**	**6,914**	**4,371**	**75,691**	**(5,168)**	**(88,247)**	**124,155**	**143,071**
Non-current liabilities								
Other financial liabilities	-	-	-	-	-	-	9,357	15,467
Deferred tax liabilities	-	-	-	-	-	-	73	73
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**9,430**	**15,540**
Total liabilities	**3,333**	**6,914**	**4,371**	**75,691**	**(5,168)**	**(88,247)**	**133,585**	**158,611**
Net assets	**18,361**	**22,474**	**45,565**	**(440)**	**(849)**	**-**	**907,211**	**1,038,512**

Please note that the Department has systems in place to allocate assets and liabilities by Departmental services, CBU's and SSP's.

Notes to and forming part of the financial statements 2012–13

Objectives and principal activities of the department

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

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

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

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

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

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

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

1. Summary of significant accounting policies

a) Statement of compliance

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

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 30 June 2013, and other authoritative pronouncements.

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

Except where stated, the historical cost convention is used.

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

b) The reporting entity

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

The Department of Science, Information Technology, Innovation and the Arts as an economic entity consists of major departmental services, together with corporate and executive services, a commercialised business unit, shared service providers and controlled companies.

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

Major Departmental Services:

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

Commercialised Business Units:

- CITEC

Shared Service Providers:

- Corporate Administration Agency
- Queensland Shared Services

The major departmental services undertaken by the department and activities of department's commercialised business unit and shared service providers are disclosed in paragraph 1(af).

Controlled companies:

- Aboriginal Centre for the Performing Arts Pty Ltd
- Queensland Music Festival Pty Ltd
- Screen Queensland Pty Ltd (formerly Pacific Film and Television Pty Ltd)
- Biopharmaceuticals Australia (Network) Pty Ltd

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

The transactions and balances in respect of the controlled companies are not considered material and have not been consolidated into the financial statements. Each controlled company is a reporting entity in its own right and the audited financial statements are included in their respective annual reports. Details of the department's controlled entities and entities over which the department has significant influence are disclosed in note 33.

c) Administered transactions and balances

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

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

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

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

d) Trust and agency transactions and balances

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

The department, through the Smart Service Queensland service acts in an agency capacity by processing payments in respect to government services and information and provides the primary point of contact for Queenslanders to access government services through multiple delivery channels.

The transactions and balances related to these agency arrangements for the period 1 July 2012 to 30 June 2013 are identified separately in note 38 and are not included in these financial statements because the department acts only in a custodial role.

e) Departmental services appropriation/Administered appropriation

Appropriations provided under the *Appropriation Act 2012* are recognised as revenue or equity when received or when a service rendered is recognised after approval from Queensland Treasury and Trade.

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

f) User charges

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

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

g) Grants and contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them (control is generally obtained at time of receipt). Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding agreements.

Contributed assets are recognised at their fair value. The accounting treatment for contributions of services is explained in note 1z.

h) Special payments

Special payments include ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2009,* the department maintains a register setting out the details of all special payments greater than $5,000. The total of all special payments (including those of $5,000 or less) is disclosed separately within other expenses (note 15). However, descriptions of the nature of special payments are only provided for special payments greater than $5,000.

i) Cash and cash equivalents

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

j) Receivables

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

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June. Increases in the allowance for impairment are based on loss events as disclosed in note 12.

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

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

k) Inventories

Inventories held for sale including third party re-sales are valued at the lower of cost and net realisable value and represent purchases made on behalf of clients for which full cost is recoverable from clients.

Inventories held relating to supplies and consumables are held at cost.

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition, except for training costs which are expensed as incurred.

Net realisable value is determined on the basis of the department's normal selling pattern.

Expenses associated with marketing, selling and distribution are deducted to determine net realisable value.

l) Work in progress

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

m) Acquisitions of assets

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

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

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

n) Property, plant and equipment

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

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

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

Land improvements undertaken by the department are included with buildings.

o) Revaluations of non-current physical and intangible assets

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

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

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

Non-current physical assets measured at fair value are revalued by appraisals undertaken by an independent professional valuer or internal expert at least once every five years, with interim valuations using appropriate indices being otherwise performed on an annual basis where there has been a material change in the index. However, if a class of asset experiences significant and volatile changes in fair value (ie where indicators suggest that the value of the class of asset may have changed by 20% or more from one reporting period to the next), it is subject to such revaluations in the reporting period, where practicable, regardless of the timing of previous such method of revaluation.

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

Where indices are used in the revaluation process the department ensures that the application of such indices would result in a valid estimation of the asset's fair value at reporting date. State Valuation Service (SVS) supplies the indices and provides assurance of their robustness, validity and appropriateness for application to the relevant assets. At year end, management assess the relevance and suitability of indices provided by SVS based upon the department's own particular circumstances.

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

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

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

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

The revaluation process undertaken by the department during the period 1 July 2012 to 30 June 2013 is outlined in note 22.

p) Intangible assets

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

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

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

Purchased software:

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

Internally generated software:

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

Costs associated with the development of computer software have been capitalised and are amortised on a straight line basis over the period of the expected benefit to the department, generally five years. However, where appropriate, the useful lives of certain assets have been determined on an individual basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Class	Rates
Land:	nil
Buildings:	Determined on an individual basis in accordance with useful life – range 2% to 10%
Infrastructure assets:	From 2% to 33% in accordance with useful life of components
Heritage and cultural assets:	nil
Plant and equipment:	2%-50%
Intangible assets	
Software purchased:	4.3% to 67%
Software internally generated:	6.3% to 33%

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

r) Impairment of non-current assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also note 12.

s) Leases

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

Leases of non current assets where the department, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The intangible assets acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the department will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the department as lessee are classified as operating leases.

s) Leases (continued)

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the department is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

t) Payables

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

u) Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

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

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

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

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

v) Employee benefits

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

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

Wages, salaries and sick leave

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

v) Employee benefits (continued)

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

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

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

Annual leave

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

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

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

Long service leave

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

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

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

Superannuation

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

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

v) Employee benefits (continued)

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

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

Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade. Refer to note 8 for the disclosures on key executive management personnel and remuneration.

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

w) Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1997* and is exempt from all forms of Commonwealth taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Department. GST credits receivable from, and GST payable to the Australian Taxation Office are recognised and accrued (refer note 23).

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

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

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

The controlled companies of the department are exempt from income tax under Section 50 of the *Income Tax Assessment Act 1997*.

x) Finance/borrowing costs

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

Finance costs include:

- Interest on bank overdrafts and short term and long term borrowings
- Finance lease charges
- Amortisation of discounts or premiums relating to borrowings
- Ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

y) Insurance

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

z) Services received free of charge or for nominal value

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

aa) Contributed equity

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

ab) Issuance of financial statements

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

ac) Accounting estimates and judgements

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

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

- Valuation of property, plant and equipment note 22
- Contingencies note 32
- Impairment notes 12, 17, 21 and 22

The Australian Government passed its *Clean Energy Act* in November 2011 which resulted in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

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

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

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

ad) Rounding and comparatives

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

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period (refer note 39).

ae) New and Revised Accounting Standards

The department did not voluntarily change any of its accounting policies during 2012-13. Australian Accounting Standard changes applicable for the first time for 2012-13 have had minimal effect on the department's financial statements, as explained below.

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

The department is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the department has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The department applies standards and interpretations in accordance with their respective commencement dates.

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

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

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

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

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

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

ae) New and Revised Accounting Standards (continued)

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

Details of which disclosures in standards and interpretations are not required under Tier 2 reporting are set out in amending standards AASB 2010-2, AASB 2011-2, AASB 2011-6, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade's Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the department may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of the department, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting by all Queensland Government departments (including Department of Science, Information Technology, Innovation and the Arts) and statutory bodies that are consolidated into the whole-of-government financial statements. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the department.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014 –

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

The AASB is planning to amend AASB 10. Such amendments are expected to clarify how the IASB's principles about control of entities should be applied by not-for-profit entities in an Australian context. Hence, the department is not yet in a position to reliably determine the future implications of these new and revised standards for the department's financial statements.

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

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit amendments to be made to AASB 11, the department will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. If a joint arrangement does exist, the department will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. From that date, based on what is currently published in the Queensland Government's Budgetary Service Delivery Statements, this means the department will need to include in these financial statements the original budgeted statements for the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and Statement of Cash Flows. These budgeted statements will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial statement.

ae) New and Revised Accounting Standards (continued)

In addition, based on what is currently published in the Queensland Government's Service Delivery Statements, the department will need to include in these financial statements the original budgeted information for major classes of administered income and expenses, and major classes of administered assets and liabilities. This budgeted information will need to be presented consistently with the corresponding (actuals) administered information, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial information.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128,131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] become effective from reporting periods beginning on or after 1 January 2015. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement and disclosures associated with the department's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, it is not expected that any of the department's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2015-16 financial statements, all of the department's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(u) and).The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

The most significant impact of the new measurement requirements on the department is that loan receivables described in note j and currently recognised at amortised cost will need to be measured at fair value. All loan receivables are initially recognised by the department at fair value and therefore the carrying amount is expected to be a reasonable approximation of fair value. Consequently material adjustments are not expected as a result of the classification and measurement requirements of the new AASB 9 from the 2015-16 financial statements.

The department will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2015-16. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2015-16 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the department enters into, the most significant ongoing disclosure impacts are expected to relate to financial assets held at amortised cost.

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

af) Major department services of the department

The identity and purpose of the major departmental services undertaken by the department during the year are as follows:

Science Delivery Services provides a scientific evidence-base to underpin legislative responsibilities across several Queensland Government departments. This scientific evidence-base contributes to Queensland Government policy and planning related to legislation, ensuring that government decision-making is founded on sound, practical science.

In accordance with the Government's commitment, the **Chief Scientist** is to be properly in charge of science policy for the State. Therefore, the Chief Scientist provides leadership in science policy development and implementation, supported by the department, and provides high level, strategic advice to the Queensland Government on the role of science, research and innovation in meeting Queensland's economic challenges.

Innovation and Science Development Services connects business, innovation, science and technology to improve Queensland's productivity growth and create jobs.

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

- CITEC’s core business is to deliver consolidated ICT infrastructure services for the Queensland Government, covering data centre, network and infrastructure services and solution integration services. CITEC also delivers information brokerage services through CITEC Confirm.
- Smart Service Queensland’s core business is to be the ‘one-stop-shop’ for Queenslanders to access government agencies and services 24/7/365 via phone, in person or online.
- Queensland State Archives is established under section 21 of the *Public Records Act 2002* as the state’s archives and records management authority and is the custodian of the state’s largest and most significant documentary heritage collection.
- The ICT Strategic Procurement unit was established to become the Queensland Government Centre of Excellence in ICT procurement matters. The group is responsible for the preparation and management of contracts, and other arrangements that support the implementation of ICT strategies.

Assets, liabilities, revenue and expenses reliably attributed to ICT Strategic Procurement for the period from 1 July 2012 to 30 June 2013 are not separately disclosed within the Statement of Comprehensive Income by Major Departmental Services and Statement of Assets and Liabilities by Major Departmental Services as the balances are not considered material. These balances are included within the Queensland Government Chief Information Office Major Departmental Services disclosure.

Queensland Shared Services (QSS) as the rest-of-Government shared service provider facilitates a range of corporate services.

These services include finance, procurement, human resource (HR) management, facilities management and mail support services to the majority of Queensland Government agencies (excluding Queensland Health (QH) and the Department of Education, Training and Employment (DETE)) and statutory authorities.

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

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

The **Queensland Government Chief Information Office (QGCIO)** provides unbiased, independent quality advice to the Minister for Science, Information Technology, Innovation and the Arts on Information and Communication Technology (ICT) issues from a whole-of-government perspective. As at 30 June 2013 the Director-General is acting in the role of the Queensland Government Chief Information Officer.

af) Major department services of the department (continued)

Machinery-of-government changes

Queensland Health business applications were transferred from the Department of Science, Information Technology, Innovation and the Arts to Queensland Health as a consequence of a machinery-of-government change with effect 17 December 2012 as detailed in the Departmental Arrangements Notice (No. 4) 2012.

As a result of this change, assets to the value of $42.115 million, comprising intangible software assets valued at $41.248 million, property plant and equipment of $0.014 million and cash assets of $0.853 million were transferred to Queensland Health.

No liabilities were transferred.

The decrease in assets of $42.115 million has been accounted for as a decrease in contributed equity as disclosed in the Statement of Changes in Equity

	2013 $'000	2012 $'000
2. Reconciliation of payments from consolidated fund to departmental services revenue recognised in Statement of Comprehensive Income		
Budgeted department service appropriation	382,639	-
Transfers from/(to) other departments – redistribution of public business		
Former Department of Employment, Economic Development and Innovation	-	94,252
Former Department of Public Works	-	13,254
Former Department of Environment and Resource Management	-	15,688
Department of the Premier and Cabinet	-	37,911
Transfers from/(to) other headings – Variation in headings	-	(31,286)
Less: Lapsed appropriations	(91,850)	(39,768)
Total departmental services receipts	**290,789**	**90,051**
Plus: Opening balance of departmental services revenue payable	(2,980)	2,618
Plus: Opening balance of departmental services revenue receivable	34,576	2,980
Departmental services revenue recognised in Statement of Comprehensive Income	**322,385**	**95,649**
Reconciliation of payments from consolidated fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	(67,740)	-
Transfers from/(to) other departments – redistribution of public business		
Former Department of Employment, Economic Development and Innovation	-	(10,471)
Former Department of Public Works	-	2,537
Department of the Premier and Cabinet	-	(8,875)
Transfers from/(to) other headings – Variation in headings	-	32,473
Less: Lapsed equity adjustment	(7,261)	-
Equity adjustment receipts	**(75,001)**	**15,664**
Less: Closing balance of equity payable	-	(16,330)
Plus: Closing balance of equity payable	16,330	-
Plus: Closing balance of equity receivable	646	-
Equity adjustment recognised in contributed equity	**(58,025)**	**(666)**

3. User charges

	2013 $'000	2012 $'000
Information, communication and technology services	175,170	33,420
Services rendered by shared service providers	215,856	48,263
Other	25,840	3,304
Total	**416,866**	**84,987**

4. Grants and other contributions

Queensland Government grants and contributions*	21,443	2,850
Commonwealth grants and contributions*	2,355	1,075
Industry grants and contributions*	3,715	578
Assets received at below fair value	556	3,636
Services received at below fair value	200	2,395
Other	846	380
Total	**29,115**	**10,914**

*Included in the grants and contributions are non-reciprocal grants funded by the Commonwealth and State Government, and other external bodies for a range of grant purposes. These monies have been recognised as revenue in their entirety upon receipt as the agreements do not specify sufficient conditions to qualify as reciprocal. As at 30 June 2013, $16.849 million of all grant funding received by the department since establishment 1 May 2012 to 30 June 2013 remained unspent, although the department expects to fully comply with the conditions of the grant, and so does not expect to recognise a liability in the future.

5. Other revenue

Interest revenue	2,086	1,127
Procurement commissions	605	202
Insurance compensation from loss of property	5	-
Funding for voluntary redundancy payments	8,240	-
Reversal of impairment loss*	188	-
Recognition of prior period assets	9	-
Miscellaneous revenue	3,676	(39)
Total	**14,809**	**1,290**

*Impairment expenditure recognised during the 2012 Financial Year of $0.188 million in respect to intangible assets has been reversed following the redeployment and sale of assets previously determined as impaired during the 2013 Financial Year.

6. Gains

Gain on sale of property, plant and equipment	191	-
Total	**191**	**-**

Refer also note 22.

7. Employee expenses

	2013 $'000	2012 $'000
Employee benefits		
Wages and salaries	232,375	45,970
Annual leave levy *	22,838	4,403
Employer superannuation contributions *	31,109	5,543
Long service leave levy *	5,110	1,023
Voluntary redundancy payments**	17,576	-
Voluntary separation payments***	-	151
Other employee benefits	-	22
Total employee benefits	**309,008**	**57,112**
Employee related expenses:		
Workers' compensation premium *	1,038	221
Payroll tax *	14,345	2,719
Other employee related expenses	1,976	539
Total employee related expenses	17,359	3,479
Total employee expenses	**326,367**	**60,591**

* Refer to note 1(v).

**A voluntary redundancy program was implemented within the Department during 2012-2013. 251 employees received redundancy packages and total severance and incentive payments made under this program was $17,575,539. The obligations under this program will be settled by 27 September 2013 and all severance and incentive components of these redundancy packages were funded by the Queensland Government.

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

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2013	2012
Number of employees:	**3,065**	**3,659**

8. Key management personnel and remuneration

a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2012-13. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

		Current Incumbents	
Position	**Responsibilities**	**Contract classification and appointment authority**	**Date appointed to position (Date resigned from position)**
Director-General	The Director-General is responsible for the efficient, effective and economic administration of the department.	CEO3.3 Chief Executive Contract (s92 *Public Service Act 2008*)	3 April 2012 to 12 April 2013
		CEO3.3 Common Law Contract (s94 *Public Service Act 2008*)	Acting from 15 April 2013
Queensland Government Chief Information Officer*	The Queensland Government Chief Information Officer is responsible for ICT governance, investment assurance, information systems and information technology strategy, policy and standards, and the Queensland Government Enterprise Architecture.	CEO3.6 Section 122 Contract (s119-s122 *Public Service Act 2008*)	3 April 2012 to 20 May 2013
Queensland Chief Scientist	The Queensland Chief Scientist is responsible for providing high-level, strategic advice to the Queensland Government on the role of science, research and innovation in achieving the Government's priorities.	CEO1 Section 122 Contract (s119-s122 *Public Service Act 2008*)	3 April 2012
Deputy Director-General, Government ICT Division	The Deputy Director-General, Government ICT Division is responsible for information and communication technology service delivery within the Queensland Government.	SES4.2 Section 122 Contract (s119-s122 *Public Service Act 2008*)	3 April 2012
Assistant Director-General, Corporate and Shared Services Division	The Assistant Director-General, Shared Services Division is responsible for ensuring high quality, integrated service delivery to Government in corporate service and procurement.	SES3.5 Senior Executive Contract (s110 *Public Service Act 2008)*	1 July 2012

		Current Incumbents	
Position	**Responsibilities**	**Contract classification and appointment authority**	**Date appointed to position (Date resigned from position)**
Assistant Director-General, Science Delivery Division	The Assistant Director-General, Science Delivery Division is responsible for improving the use of science to inform policy and decision-making both within the department and elsewhere in Government and the community.	SES3.1 Senior Executive Contract (s110 *Public Service Act 2008)*	3 April 2012
Deputy Director-General, Innovation and Science Development Division	The Deputy Director-General, Innovation and Science Development Division is responsible for connecting business, innovation, science and technology to improve Queensland's productivity growth and job creation.	SES4.1 Senior Executive Contract (s110 *Public Service Act 2008)*	3 April 2012
Deputy Director-General, Arts Division	The Deputy Director-General, Arts Division is responsible for strengthening Queensland's arts and cultural sector by promoting a diverse and dynamic creative culture, supporting partnerships and collaboration, and capitalising on Queensland's unique strengths and characteristics.	SES4.1 Senior Executive Contract (s112 *Public Service Act 2008)*	Acting from 21 January 2013
Chief Finance Officer	The Chief Finance Officer is responsible for providing overall stewardship of the department's finances and assuring tight financial integration and accountability to enable the department to meet corporate governance and statutory compliance requirements.	SES2.5 Section 122 Contract (s119-s122 *Public Service Act 2008*)	Acting 1 July 2012
Portfolio Manager, One Network	The Portfolio Manager, One Network is responsible for establishing a single logical network across the Queensland Government, establishing cloud and identity management environments, implementing object-based security, and realigning workforce capability.	CEO3.6 Section 122 Contract (s119-s122 *Public Service Act 2008*)	21 May 2013

* The Director-General undertook the role of Queensland Government Chief Information Officer from 21 May 2013.

b) Remuneration

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 provide for the provision of other benefits including motor vehicles but do not provide for the provision of performance-related cash bonuses.

b) Remuneration (continued)

For the 2012-13 year, remuneration of key management personnel increased by 2.2% in accordance with government policy, other than for the Queensland Chief Scientist who received a $2,000 per annum superannuable salary increase as part of a contract variation. Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
  - Base - consisting of base salary, allowances and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include amounts expensed in respect of long service leave.
- Post-employment benefits include amounts expensed in respect of employer superannuation obligations.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.

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

1 July 2012 to 30 June 2013	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Total Remuneration
Position (date resigned or appointed if applicable)	Base $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	$'000
Director-General (1) (resigned 12 April 2013)	282	29	7	37	-	355
Director-General (2) (appointed 15 April 2013)	81	-	2	9	-	92
Queensland Government Chief Information Officer (resigned 20 May 2013)	301	-	9	36	-	346
Queensland Government Chief Scientist	298	-	7	34	-	339
Deputy Director-General, Government ICT Division	201	34	8	25	-	268
Assistant Director-General, Shared Services Division	186	30	7	23	-	246
Assistant Director-General, Science Delivery Division	166	24	4	19	-	213
Deputy Director-General, Innovation and Science Development Division	218	-	5	24	-	247

1 July 2012 to 30 June 2013	Short Term Employee Benefits		Long Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Total Remuneration
Position (date resigned or appointed if applicable)	**Base $'000**	**Non-Monetary Benefits $'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deputy Director-General, Arts Division (acting 21 January 2013 to 3 May 2013)	93	-	2	8	-	103
Chief Finance Officer	159	30	4	18	-	211
Portfolio Manager, One Network	40	-	-	5	-	45
Total Remuneration	**2,025**	**147**	**55**	**238**	**-**	**2,465**

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

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the *Financial Accountability Act 2009*.

	2013 $'000	2012 $'000

9. Supplies and services

	2013 $'000	2012 $'000
Information, communication and technology service delivery expense	138,307	29,212
Arts and culture service delivery expense	31,892	6,469
Science and innovation related service delivery expense	22,616	5,268
Shared service provider delivery expense	57,477	17,502
Bank fees and charges	559	75
Other	7,822	1,861
Total	**258,673**	**60,387**

10. Grants and subsidies

	2013 $'000	2012 $'000
Arts and culture	39,899	11,202
Science and innovation	62,670	37,262
Information, communication and technology	1,357	462
Other grants	409	310
Total	**104,335**	**49,236**

11. Depreciation and amortisation

	2013 $'000	2012 $'000
Depreciation and amortisation were incurred in respect of:		
Buildings	37,093	6,381
Infrastructure assets	270	50
Plant and equipment	16,827	3,559
Software purchased	798	177
Software internally generated	12,863	2,822
Total	**67,851**	**12,989**

Depreciation expense on buildings decreased by $0.594 million during the 2013 financial year as a result of revaluations as at the end of the previous reporting period. The approximate decrease in depreciation and amortisation expense as a result of the re-assessment of the useful lives of depreciable assets during the reporting period was:

	2013 $'000	2012 $'000
Intangibles	665	504
Plant and equipment	169	1,653

12. Impairment losses

	2013 $'000	2012 $'000
Intangible assets	23,851	19,079
Property, Plant and Equipment	14	-
Impairment losses on prepaid assets	-	205
Impairment losses on trade receivables	(234)	359
Total	**23,631**	**19,643**

Refer to notes 17,21 and 22 for details of the recognised impairment loss.

	2013 $'000	2012 $'000

13. Revaluation decrement

	2013 $'000	2012 $'000
Buildings	-	13,214
Total	**-**	**13,214**

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value. The decrement, not being a reversal of a previous revaluation increment in respect of the same class of assets, has been recognised as an expense in the Statement of Comprehensive Income. Refer Note 22.

14. Finance/borrowing costs

	2013 $'000	2012 $'000
Interest expense	1,380	284
Finance charges relating to finance leases	11	9
Finance charges relating to promissory note	38	-
Administration charges	99	4
Total	**1,528**	**297**

The department does not capitalise finance/borrowing costs. Refer to note 1(x) for further information.
Interest expense and finance charges relate to the Department's borrowing, finance lease and promissory notes facilities, refer note 24.

15. Other expenses

	2013 $'000	2012 $'000
Loan – fair value adjustment *	14,474	7,441
Insurance premiums – QGIF	1,008	92
Insurance premiums – Other **	419	83
Bad debts written off	179	13
External audit fees ***	2,465	40
Losses from disposal of non-current assets	1,317	47
Write-down of assets	-	90
Write-down of inventory	-	35
Losses:		
Public moneys	-	4
Donation/gift	1	-
Performance penalties	-	39
Services received free of charge	-	2,395
Other	1	53
Total	**19,864**	**10,332**

* The department provides loans to universities and research institutions under the Innovation Building Fund. These loans have been adjusted to fair value as calculated by Queensland Treasury Corporation as at 30 June 2013.

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

*** Total audit fees paid to the Queensland Audit Office relating to the 2012-13 financial statements are estimated to be $1,585,000 (1 May 2012 to 30 June 2012: $170,000). There are no non-audit services included in this amount.

	2013 $'000	2012 $'000

16. Cash and cash equivalents

	2013 $'000	2012 $'000
Imprest accounts	40	50
Cash at bank	68,837	140,749
Total	**68,877**	**140,799**

CITEC continues to earn interest on its deposits with the Commonwealth Bank. Interest earned on cash held with the Commonwealth Bank earned between 2.54% to 2.05% in 2012-13 (3.26% between 1 May 2012 and 30 June 2012).

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

17. Receivables

	2013 $'000	2012 $'000
Current		
Trade debtors	37,025	34,190
Less: Allowance for impairment loss*	(127)	(802)
Net trade debtors	**36,898**	**33,388**
Advances	229	243
Less: Allowance for impairment loss*	(200)	(200)
Net advances	**29**	**43**
GST receivable	4,058	-
GST payable	(2,981)	-
Net GST	**1,077**	**-**
Annual leave reimbursements	5,356	5,080
Long service leave reimbursements	2,034	526
Departmental services revenue receivable	34,576	2,980
Equity injection receivable	646	-
Accrued revenue	11,900	15,102
Interest receivable	76	156
Loans receivable	5,526	8,413
Other	7,190	2,166
Total	**105,308**	**67,854**
Non-current		
Loan receivable**	34,643	20,722
Total	**34,643**	**20,722**

*Refer to Note 34 Financial instruments (Credit risk exposure) for an analysis of movements in the allowance for impairment loss.

**This amount includes loans of $33.712 million (2012: $20.622 million) at fair value provided under the Innovation Building Fund with a face value of $114.975 million ($76.007 million).

	2013 $'000	2012 $'000
18. Inventories		
Work in progress	13	-
Supplies and consumables – at cost	27	9
Total	**40**	**9**

19. Tax Assets

Non-current		
Deferred tax asset	683	10,209
Total	**683**	**10,209**

20. Other assets

Current		
Prepayments	12,646	15,377
Less: Allowance for impairment loss	-	(205)
Total	**12,646**	**15,172**
Non-current		
Prepayments	1,123	1,851
Total	**1,123**	**1,851**

21. Intangible assets

Software purchased:		
At cost	63,288	147,753
Less: Accumulated amortisation	(61,656)	(141,102)
Less: Accumulated impairment losses	(120)	(4,342)
Total	**1,512**	**2,309**
Software internally generated:		
At cost	179,864	258,242
Less: Accumulated amortisation	(92,143)	(108,063)
Less: Accumulated impairment losses	(45,629)	(36,634)
Total	**42,092**	**113,545**
Intangible assets under development (work-in-progress)		
At cost	2,249	3,805
Total	**45,853**	**119,659**

21. Intangible assets (continued)

Reconciliations

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

Intangible assets reconciliation	Software purchased 2013 $'000	Software purchased 2012* $'000	Software internally generated 2013 $'000	Software internally generated 2012* $'000
Carrying value at 1 July*	2,309	-	113,545	-
Acquisitions	166	693	484	-
Acquisitions through internal development	-	-	-	273
Acquisitions through restructuring	-	6,135	-	130,912
Disposals	(233)	-	(148)	(311)
Disposal through restructuring	-	-	(41,246)	-
Impairment losses recognised in operating surplus/(deficit)**	(120)	(4,342)	(23,731)	(14,736)
Impairment losses reversed in operating surplus/(deficit)**	187	-	-	-
Transfers between classes	-	-	6,051	229
Amortisation***	(797)	(177)	(12,863)	(2,822)
Carrying amount at 30 June	**1,512**	**2,309**	**42,092**	**113,545**

Intangible assets reconciliation	Intangibles under development at cost 2013 $'000	Intangibles under development at cost 2012* $'000	Total 2013 $'000	Total 2012* $'000
Carrying value at 1 July*	3,805	-	119,659	-
Acquisitions	-	-	650	693
Acquisitions through internal development	4,501	321	4,501	594
Acquisitions through restructuring	-	3,713	-	140,760
Disposals	-	-	(381)	(311)
Disposals through restructuring	-	-	(41,246)	-
Impairment losses recognised in operating surplus/(deficit)**	-	-	(23,851)	(19,078)
Impairment losses reversed in operating surplus/(deficit)**	-	-	187	-
Transfers between classes	(6,057)	(229)	(6)	-
Amortisation***	-	-	(13,660)	(2,999)
Carrying amount at 30 June	**2,249**	**3,805**	**45,853**	**119,659**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the *Financial Accountability Act 2009*.

**Impairment losses are shown as separate line items in the Statement of Comprehensive Income.
***Amortisation of intangible assets is included in the line item "Depreciation and Amortisation in the Statement of Comprehensive Income"

21. Intangible assets (continued)

The original cost of fully amortised intangible assets still in use with a written down value of nil is $57.778 million. The majority of these assets relate to legacy computer software held by Queensland Shared Services pending review or replacement.

Impairment losses of $23.610 million were recognised during the 2012-13 Financial Year as a result of the transition of the former Department of Housing from the Queensland Shared Services ECC5 HR System and the transition expected to occur by September 2013 of the Department of Education, Training and Employment (DETE) from the Queensland Shared Services ECC5 Finance System to a purpose built DETE financial system. The carrying value of the ICT system assets has been reduced and an equal impairment loss recognised, to reflect declining demand associated with the use of these systems and reduction in economic benefits expected to be recovered by the department through the continuing use of the systems over their remaining useful life.

In respect to the comparative year, the recognised impairment loss is $19.078 million. The impairment loss is due mainly to the discontinuation of the Identity, Directory and Email Service (IDES) within CITEC and the associated impairment of the IDES related capital asset base. A further impairment loss of $0.119 million has been recognised during the 2012-13 financial year following final technical evaluation of the remaining IDES asset base and the determination that the carrying value of those remaining assets is unlikely to be recovered through use or sale.

On 20 December 2012, the Governor in Council approved the transfer of responsibility for the Queensland Health business applications from the Department to Queensland Health effective 17 December 2012, as detailed in Departmental Arrangements Notice (No 4) 2012. ICT Software assets with a carrying value of $41.248 million were transferred from the Department to Queensland Health under this arrangement during the 2012-2013 Financial Year. Refer note 1(af).

22. Property, plant and equipment

	2013 $'000	2012 $'000
Land:		
At fair value	212,895	212,891
Total	**212,895**	**212,891**
Buildings:		
At fair value	917,398	912,275
Less: Accumulated depreciation	(445,642)	(408,672)
Total	**471,756**	**503,603**
Heritage and cultural assets:		
At fair value	98	98
Less: Accumulated depreciation	-	-
Total	**98**	**98**

22. Property, plant and equipment (continued)

	2013 $'000	2012 $'000
Plant and equipment:		
At cost	164,039	167,986
Less: Accumulated depreciation	(93,150)	(84,267)
Less: Accumulated impairment loss	(14)	-
Total	**70,875**	**83,719**
Infrastructure:		
At fair value	13,295	13,624
Less: Accumulated depreciation	(3,856)	(3,738)
Total	**9,439**	**9,886**
Capital work-in-progress:		
At cost	6,560	10,651
Total	**771,623**	**820,848**

22. Property, plant and equipment (continued)

Reconciliations

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

	Land		Buildings		Heritage and cultural assets	
Property, plant and equipment reconciliation	**2013 $'000**	**2012* $'000**	**2013 $'000**	**2012* $'000**	**2013 $'000**	**2012* $'000**
Carrying amount at 1 July*	212,891	-	503,603	-	98	-
Acquisitions through restructuring	-	202,972	-	511,254	-	98
Revaluation increments/(decrements)	-	9,919	-	(13,111)	-	-
Acquisitions	4	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers between classes	-	-	5,245	11,840	-	
Depreciation**	-	-	(37,092)	(6,381)	-	
Carrying amount at 30 June	**212,895**	**212,891**	**471,756**	**503,603**	**98**	**98**

	Infrastructure Assets		Plant and equipment		Capital works in progress		TOTAL	
Property, plant and equipment reconciliation	**2013 $'000**	**2012* $'000**	**2013 $'000**	**2012* $'000**	**2013 $'000**	**2012* $'000**	**2013 $'000**	**2012* $'000**
Carrying amount at 1 July*	9,886		83,719	-	10,651	-	820,848	-
Acquisitions through restructuring	-	9,878	248	78,042	2,062	23,755	773	825,998
Donations received	-	-	552	-	-	-	552	-
Revaluation increments/(decrements)	-	127	-	-	-	-	-	(3,065)
Acquisitions	-	-	4,012	6,306	673	2,255	6,226	8,561
Disposals	-	-	(1,120)	(647)	(1,464)	-	(2,584)	(646)
Transfers between classes	(177)	(69)	300	3,577	(5,362)	(15,359)	6	(10)
Impairment loss recognised	-	-	(14)	-	-	-	(14)	-
Depreciation**	(270)	(50)	(16,827)	(3,559)	-	-	(54,189)	(9,990)
Other	-	-	5	-	-	-	5	-
Carrying amount at 30 June	**9,439**	**9,886**	**70,875**	**83,719**	**6,560**	**10,651**	**771,623**	**820,848**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the *Financial Accountability Act 2009*.

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

22. Property, plant and equipment (continued)

The original cost of fully depreciated property, plant and equipment still in use with a written down value of nil is $22.680 million. The majority of these assets relate to computer hardware held by Queensland Shared Services and CITEC and scientific and related equipment held by Science Delivery Services. This equipment is still being used in the provision of services.

Re-valuation of property, plant and equipment process

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

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

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

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

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

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

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

Land

Independent valuations of land are undertaken at the same time as when the related buildings revaluations are performed.

Land controlled by Arts Queensland was due to be officially re-valued at 30 June 2011, but due to the January flood, which caused extensive damage at the Queensland Cultural Precinct, this revaluation was postponed until 30 June 2012. The flood in January 2011 impacted on the ability to perform a market revaluation as there was insufficient market data to ensure an accurate market valuation could be performed.

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

Land controlled by Science Delivery Services was previously subject to an independent valuation by the State Valuation Service in October 2010.

Heritage and Cultural Assets

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

Buildings

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

22. Property, plant and equipment (continued)

Buildings controlled by Arts Queensland, including the Queensland Cultural Centre were due to be officially re-valued at 30 June 2011, but due to the January flood, which caused extensive damage at the Queensland Cultural Precinct, this revaluation was postponed until 30 June 2012. The flood in January 2011 impacted on the ability to perform a market revaluation as there was insufficient market data to ensure an accurate market valuation could be performed.

Arts Queensland appointed the Australian Valuation Office to complete the revaluations for 30 June 2012. Buildings are valued on a written down basis, reflecting current replacement cost, current conditions rating and remaining effective life. The result of the 30 June 2012 revaluation of buildings was a revaluation decrement of $10.9 million, which has been reflected in the Department's Statement of Comprehensive Income, as there are no prior year revaluations reserves available against which to record the decrement.

Buildings controlled by Science Delivery Services were previously subject to an independent valuation by the State Valuation Service in October 2010.

Infrastructure

Infrastructure controlled by Science Delivery Services includes the Tweed River Entrance Sand Bypassing Project (TRESBP) infrastructure assets. These assets were subject to an independent valuation as at 30 June 2012 by the New South Wales Public Works Department.

Interim valuations

The values of these asset classes have since been indexed annually, and revalued where the movement in the indexation rate is material, to ensure such values materially reflect fair value as at each reporting date Management has assessed the indices provided by the State Valuation Service as appropriate for the department and has endorsed the use of the indices.

23. Payables

	2013 $'000	2012 $'000
Current		
Trade creditors and accruals	91,785	106,900
Grants and subsidies payable	245	796
Payroll tax	805	953
GST payable	-	4,231
Less: GST receivable	-	(4,166)
Net GST payable	-	65
Other	720	424
Total	**93,555**	**109,138**

	2013 $'000	2012 $'000

24. Other financial liabilities

	2013 $'000	2012 $'000
Current		
Finance lease liability	-	1,073
Promissory note	-	688
Queensland Treasury Corporation borrowings	12,274	17,405
Total	**12,274**	**19,166**
Non-Current		
Queensland Treasury Corporation borrowings	9,357	15,467
Total	**9,357**	**15,467**

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. No assets have been pledged as security for the borrowings.

All borrowings are in $AUD denominated amounts and no interest has been capitalised during the current or comparative reporting period. There have been no defaults or breaches of the loan agreement during the period.

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

Interest on finance leases is recognised as an expense as it accrues. No interest has been capitalised during the current or comparative reporting period.

The fair value of the department's borrowings at 30 June, as notified by Queensland Treasury Corporation was $15.249 million (2012: $23.729 million). This represents the value of the debt if the department repaid the debt at balance date. As it is the intention of the department to hold its borrowings for their full term, no adjustment provision is made to these accounts.

At 30 June 2013, overdraft facilities with the Commonwealth Bank with limits ranging from nil to $10 million were in place under the Queensland Treasury and Trade’s cash management incentives regime. The facility remained undrawn as at 30 June 2013 and is available for use in the next reporting period. The department’s commercialised business unit, CITEC has an overdraft facility with the Queensland Treasury with an approved credit limit of $5 million. The facility remains undrawn as at 30 June 2013. The current overdraft rate is 6.05% (2012: 7.26%).

25. Accrued employee benefits

	2013 $'000	2012 $'000
Current		
Annual leave levy payable	6,591	6,731
Long service leave levy payable	1,264	1,415
Salaries, wages and other related expenses outstanding	252	515
Other	140	23
Total	**8,247**	**8,684**

	2013 $'000	2012 $'000

26. Tax liabilities

	2013 $'000	2012 $'000
Non-current		
Deferred tax liability	73	73
Total	**73**	**73**

27. Other liabilities

	2013 $'000	2012 $'000
Current		
Unearned revenue	7,041	2,504
Advances	2,130	2,130
Prepaid deposits	908	912
Other	-	537
Total	**10,079**	**6,083**

28. Asset revaluation surplus by class

	2013 $'000	2012 $'000
Balance at 1 July	10,150	-
Increment on revaluation of:		
Land	-	9,919
Buildings	-	105
Infrastructure	-	126
Balance at 30 June *	**10,150**	**10,150**
* Closing balance of asset revaluation surplus by class:		
Land	9,919	9,919
Buildings	105	105
Infrastructure	126	126
Total	**10,150**	**10,150**

The asset revaluation surplus represents the net effect of upwards revaluations of assets to fair value. Refer note 22 for further information relating to the departments asset revaluation process.

	2013 $'000	2012 $'000

29. Reconciliation of operating surplus to net cash from operating activities

a) Reconciliation of cash

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

	2013 $'000	2012 $'000
Cash and cash equivalents – refer note 16	**68,877**	**140,799**

(b) Reconciliation of operating surplus to net cash from operating activities

	2013 $'000	2012 $'000
Operating result from continuing operations before income tax	**(18,883)**	**(33,849)**
Less: Income tax benefit/(expense)	(9,526)	-
	(28,409)	**(33,849)**
Non-cash items:		
Depreciation and amortisation expense	67,851	12,989
Contributed assets	(14)	(3,454)
Doubtful debts written off or provided for	182	153
Loss on sale or disposal of non-current assets	1,317	47
Gain on sale or disposal of non-current assets	(187)	-
Debt forgiveness on loans	15,487	6,391
Market realisation charge on loan	(4)	-
Fair value and notional interest adjustment on loans	12,944	7,205
Assets and liabilities assumed/relinquished	(133)	(258)
Assets transferred to expense	-	14
Revaluation decrement	-	13,214
Impairment losses	23,678	19,284
Change in assets and liabilities:		
(Increase)/decrease in net receivables	(32,078)	(91,279)
(Increase)/decrease in inventory	(9)	37
(Increase)/decrease in interest receivable	80	(108)
(Increase)/decrease in prepayments	3,135	(4,938)
(Increase)/decrease in deferred tax assets	9,526	-
(Increase)/decrease in other assets	(1,259)	(433)
Increase/(decrease) in unearned revenue	3,798	(791)
Increase/(decrease) in accrued employee benefits	1,044	472
Increase/(decrease) in accounts payable	1,129	148,423
Increase/(decrease) in interest payable	(30)	(99)
Increase/(decrease) in other liabilities	(7,425)	2,360
Increase/(decrease) in GST input tax credits receivable	(1,383)	(2,699)
Increase/(decrease) in GST payable	(965)	461
Net cash from operating activities	**68,275**	**73,142**

30. Non-cash financing and investing activities

Assets and liabilities received or donated/transferred by the department and recognised as revenues and expenses as a result of non-reciprocal transfers are recognised in note 4 - Grants and other contributions.

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

31. Commitments for expenditure

	2013 $'000	2012 $'000
a) Finance lease liabilities		
Lease liabilities recognised in the Statement of Financial Position		
Total current	-	1,073
Total	**-**	**1,073**
Commitments under finance leases at reporting date are inclusive of anticipated GST and are payable as follows:		
Not later than one year	-	1,207
Less: Anticipated input tax credits	-	(110)
Less: Future finance charges	-	(24)
Total	**-**	**1,073**

b) Non-cancellable operating lease commitments

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

	2013 $'000	2012 $'000
Not later than one year	45,301	33,062
Later than one year and not later than five years	45,434	62,345
Later than five years	6,291	16,497
Total	**97,026**	**111,904**

Finance leases are entered into as a means of funding the acquisition of certain plant and equipment. Lease payments are fixed.

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

c) Capital expenditure commitments

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

	2013 $'000	2012 $'000
Payable:		
Not later than one year	18,338	16,978
Later than one year and not later than five years	12,643	1,928
Later than five years	20	19
Total	**31,001**	**18,925**

31. Commitments for expenditure (continued)

d) Grants and subsidies commitments

	2013 $'000	2012 $'000
Grants and subsidies commitments inclusive of anticipated GST, committed to provide at reporting date, but not recognised in the accounts as payable are as follows:		
Payable:		
Not later than one year	49,245	66,665
Later than one year and not later than five years	44,208	41,117
Later than five years	-	-
Total	**93,453**	**107,782**

e) Other expenditure commitments

Other expenditure commitments inclusive of anticipated GST but not recognised in the accounts are as follows:

Payable:		
Not later than one year	40,840	72,544
Later than one year and not later than five years	53,130	5,921
Later than five years	-	-
Total	**93,970**	**78,465**

32. Contingencies

a) Financial guarantees

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

Australian Securities and Investment Commission	550	550
State of Victoria	235	242
State of New South Wales	830	850
State of Western Australia	300	328
Sydney Water Corporation	100	100
Insolvency and Trustee Service Australia	127	127
Total	**2,142**	**2,197**

The State of Queensland acting through the Department of Science, Information, Technology and the Arts has provided a guarantee to Translational Research Institute Pty Ltd with respect to the performance of the tenant, DSM Biologics (Australia) Pty Ltd (DSM) under the sublease of the Biopharmaceutical Australia Research facility. The maximum liability under this guarantee is $12.850 million over the 15 year term of the sublease. The liability is mitigated by the guarantee that the parent company of DSM, Koninklijke N.V has provided to the State of Queensland guaranteeing the performance of DSM as tenant of the facility.

No defaults have occurred and the department does not expect that the guarantees will be called upon. The guarantees are not recognised on the Statement of financial Position as the probability of default is remote.

As financial guarantee contracts are measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the department has disclosed the details of the guarantee in this note, in addition to note 34, for full transparency purposes.

32. Contingencies (continued)

b) Litigation in progress

As at 30 June 2013 there were no claims against the department filed in the courts. The department has received notification of two other matters relating to claims for personal injuries that are not yet subject to court action. These matters may or may not result in subsequent litigation. It is not possible to make a reliable estimate of any costs that may or may not arise from these matters at this time.

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

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

33. Controlled entities

The following entities were 100 per cent controlled by the department during 2012-13 financial year:

Name of Controlled Entity	Audit Arrangements
Aboriginal Centre for the Performing Arts Pty Ltd	Auditor-General of Queensland
Queensland Music Festival Pty Ltd	Auditor-General of Queensland
Screen Queensland Pty Ltd	Auditor-General of Queensland
Biopharmaceuticals Australia (Network) Pty Ltd	Auditor-General of Queensland

a) Aboriginal Centre for Performing Arts Pty Ltd

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

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

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

Audited financial statements are yet to be completed in respect of ACPA for the year ended 30 June 2013.

b) Queensland Music Festival Pty Ltd

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

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

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

Audited financial statements are yet to be completed in respect of QMF for the year ended 30 June 2013.

33. Controlled entities (continued)

c) Screen Queensland Pty Ltd

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

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

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

Audited financial statements are yet to be completed in respect of SQ for the year ended 30 June 2013.

d) Biopharmaceuticals Australia (Network) Pty Ltd

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

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

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

A summary of the latest audited financial transactions and balances is shown on page 56.

e) Major Brisbane Festivals Pty Ltd

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

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

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

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

Audited financial statements are yet to be completed in respect of MBF for the year ended 30 June 2013.

33. Controlled entities (continued)

f) Summary financial transasctions and balances

Summary of latest audited financial statements	2013 $'000 BPA	2012* $'000 BPA
Revenue	1,065	845
Expenses	(940)	(300)
Net surplus/(deficit)	**125**	**545**
Assets	4,465	4,780
Liabilities	(2,012)	(2,453)
Net assets	**2,453**	**2,327**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the *Financial Accountability Act 2009*.

34. Financial instruments

a) Categorisation of financial instruments	Notes	2013 $'000	2012 $'000
The department has the following categories of financial assets and financial liabilities.			
Financial assets			
Cash and cash equivalents	16	68,877	140,799
Receivables	17	139,953	88,576
Total		**208,830**	**229,375**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	23	93,555	109,138
Promissory note	24	-	688
Financial liabilities – finance lease liability	24	-	1,073
Financial liabilities – Queensland Treasury Corporation borrowings	24	21,631	32,872
Total		**115,186**	**143,771**

b) Financial risk management

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

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

34. Financial instruments (continued)

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

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

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

c) Credit risk exposure

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

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment. The maximum exposure to credit risk in relation to guarantees is disclosed in note 32.

The carrying amount of receivables represents the maximum exposure to credit risk.

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

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

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

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

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor/group of debtors. If the department determines that an amount owing by such a debtor does become uncollectable (after appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables.

A reversal against Impairment loss expense for the current year regarding the department's receivables was $0.234 million. This is net decrease of $0.593 million compared to the impairment loss expense recognised of $0.358 million recognised in 2012. The decrease is due to the collection of a range of debts during the 2013 financial year previously determined as being impaired as at 30 June 2012.

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

34. Financial instruments (continued)

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

	2013 $'000	2012 $'000
Financial assets past due but not impaired		
Receivables		
Less than 30 days	1,435	15,019
Overdue 31-60 days	4,850	1,236
Overdue 61-90 days	553	671
Overdue more than 90 days	408	765
Total	**7,246**	**17,691**
Individually impaired financial assets		
Receivables		
Not overdue	-	100
Less than 30 days	-	396
Overdue 31-60 days	-	-
Overdue 61-90 days	-	1
Overdue more than 90 days	327	505
Total	**327**	**1,002**
Movements in the allowance for impairment loss		
Balance at 1 July	(1,002)	-
Transfer of balance as at 1 May due to machinery-of-government changes	-	(657)
Amounts written off during the year	499	13
Amounts recovered during the year	13	1
(Increase)/decrease in allowance recognised in the operating result	163	(359)
Balance at 30 June	**(327)**	**(1,002)**

Financial liabilities

The guarantee's given by the department referred to in note 32 meet the definition of a financial guarantee contract under AASB 139, the maximum exposure to the department is $14.992 million.

The department assesses on an annual basis the fair value of the financial guarantee's as at 30 June. It has been determined that the fair value is nil at 30 June due to the probability of default being remote with respect to the financial guarantees held by the department.

d) Liquidity risk

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

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

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

34. Financial instruments (continued)

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

	2013 $'000	2012 $'000
Financial Liabilities		
Payables		
Less than1 year	93,555	109,138
Total	**93,555**	**109,138**
Queensland Treasury Corporation Borrowings		
Less than 1 year	12,274	17,405
1 to 5 years	9,357	15,467
Total	**21,631**	**32,872**
Promissory notes		
Less than 1 year	-	688
Total	**-**	**688**
Lease liability		
Less than 1 year	-	1,073
Total	**-**	**1,073**
Total financial liabilities		
Less than 1 year	105,829	128,304
1 to 5 years	9,357	15,467
Total	**115,186**	**143,771**

e) Market Risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation and cash deposited in interest bearing accounts. The department does not undertake any hedging in relation to risk and manages its risk as per the department's liquidity risk management strategy articulated in the department's Financial Management Practice Manual.

f) Interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that provided to management, depicting the outcome on net income if interest rates would change by +/-1% from the year end rates applicable to the department's financial assets and liabilities. With all other variables held constant, the department would have a surplus and equity increase of $135,784 (2012: $155,821). This is attributable to the interest earned on cash deposits by CITEC exceeding the department's exposure to variable interest rates on its borrowings from Queensland Treasury Corporation.

The impact of interest rate movement on the department's profit and equity has reduced in the current period due the reduction in cash assets held by CITEC.

34. Financial instruments (continued)

	2013 $'000	2012 $'000
Financial instruments		
Cash	1,670	8,147
Carrying amount*		
Interest rate risk:	(16)	(81)
-1% Profit	(16)	(81)
-1% Equity	16	81
+1% Profit	16	81
+1% Equity		
QTC Borrowings	15,249	23,729
Carrying amount**		
Interest rate risk:	152	237
-1% Profit	152	237
-1% Equity	(152)	(237)
+1% Profit	(152)	(237)
+1% Equity		
Overall effect on profit and equity		
Interest rate risk:		
-1% Profit	136	156
-1% Equity	136	156
+1% Profit	(136)	(156)
+1% Profit	(136)	(156)

Note:

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

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

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

g) 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.

34. Financial instruments (continued)

The fair value of borrowings is notified by the Queensland Treasury Corporation. It is calculated using discounted cash flow analysis and the effective interest rate (refer note 24) and is disclosed below:

	2013 $'000		2012 $'000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Financial liabilities at amortised cost:				
QTC borrowings	21,630	21,906	32,872	33,498
Promissory notes	-	-	688	714
Total	**21,630**	**21,906**	**33,560**	**34,212**

35. Taxation equivalents

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

	2013 $'000	2012 $'000
Balance Sheet approach		
Major components of income tax expense for the period ended 30 June 2013:		
Income tax expense		
Current income tax		
Current income tax expense	-	-
(Under)/over provision in prior years	-	-
Deferred income tax		
(Decrease)/increase in deferred tax asset (Refer AA below)	9,526	-
Under/(over) provision in prior years	-	-
Decrease/(increase) in deferred tax liability (Refer BB below)	-	-
Income tax expense reported in Statement of Comprehensive Income	**9,526**	**-**
Reconciliation of income tax expense to prima facie tax payable for the year ended 30 June 2013 is as follows:		
Operating result from continuing operations before income tax of commercialised business units subject to Tax Equivalents Regime:	(7,872)	(22,416)
Indicative tax expense at 30%	(2,362)	(6,725)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Effect of unused tax losses & deductible temporary differences not recognised	2,362	6,725
De-recognition of prior year tax losses	9,526	-
Income tax equivalent expense reported in Statement of Comprehensive Income	**9,526**	**-**
AA – Deferred tax asset		
The balance comprises temporary differences attributable to:		
Amounts recognised in Statement of Comprehensive Income		
Receivables	4	4
Payables	1	1
Property, plant and equipment	676	676
Accrued employee benefits	2	2
Tax losses carried forward	-	9,526
Deferred tax assets taken to account	**683**	**10,209**

35. Taxation equivalents (continued)

	2013 $'000	2012 $'000
BB – Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in Statement of Comprehensive Income		
Interest receivables	73	73
Deferred tax liabilities taken to account	**73**	**73**
Deferred tax assets/ (deferred tax liabilities) not recognised		
Income tax losses	26,337	7,444
Assets & other	(1,525)	5,505
Interest receivable	50	-
Total	**24,862**	**12,949**

During the year, CITEC reduced the carrying amount of the deferred tax asset by derecognising $9.526 million of carry forward tax losses available for offset against future taxable income. Following the Queensland Commission of Audit's recommendations on CITEC and a review of budget estimates for CITEC, it is no longer probable that sufficient taxable profit will be available to allow these tax losses to be fully utilised.

The income tax losses and temporary differences of $2.362 million in 2012/13 were not brought to account as the utilisation of the 2012/13 tax losses is not assured based on the aforementioned.

As at 30 June 2013, temporary differences and tax losses for which deferred tax assets and tax liabilities are not recognised in the statement of financial position amounts to $24.862 million (2012: $12.949 million).

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

36. Schedule of administered items (continued)

	2013 $'000	2012 $'000
Administered revenues		
Administered item appropriation	162,351	40,691
Other	3,068	749
Total administered revenue	**165,419**	**41,440**
Administered expenses		
Employee expenses	-	3,533
Supplies and services	13,287	1,945
Grants and subsidies	147,445	32,658
Finance/borrowing costs	646	166
Total administered expense	**161,378**	**38,302**
Total administered operating result	**4,041**	**3,138**
Administered current assets		
Cash and cash equivalents	10,108	3,281
Receivables	184	1,100
Loan receivables	-	3,163
Total administered current assets	**10,292**	**7,544**
Administered non-current assets		
Loan receivables*	57,968	54,377
Total administered non-current assets	**57,968**	**54,377**
Total administered assets	**68,260**	**61,921**
Administered current liabilities		
Payables	6,289	719
QTC Borrowings	-	3,163
Total administered current liabilities	**6,289**	**3,882**
Administered net assets	**61,971**	**58,039**
Administered equity		
Contributed equity	54,792	54,901
Accumulated surplus	7,179	3,138
Total administered equity	**61,971**	**58,039**

*Loans are provided under the Smart State Research Facility Fund and the University of Queensland Brain Institute with a cost value of $182.780 million at 30 June 2013 (2012: $182.780 million).

	2013 $'000	2012 $'000

36. Schedule of administered items (continued)

Administered grants and subsidies

	2013 $'000	2012 $'000
Queensland Art Gallery	31,281	8,387
Queensland Museum	21,215	5,071
State Library of Queensland	54,221	13,429
Queensland Performing Arts Trust	8,006	2,676
Queensland Theatre Company	2,600	650
Screen Queensland	9,781	2,445
Queensland Shared Services	14,794	-
CITEC	5,547	-
Total	**147,445**	**32,658**

Administered loans

	2013 $'000	2012 $'000
University of Queensland Brain Institute	4,941	4,659
Smart State Research Facility Fund	48,077	45,319
Queensland Centre for Advanced Technologies	4,950	4,399
Screen Queensland	-	3,163
Total	**57,968**	**57,540**

37. Reconciliation of payments from consolidated fund to administered revenue

	2013 $'000	2012 $'000
Transfers from/(to) other departments		
Former Department of Public Works	-	8,871
Department of Premier and Cabinet	-	32,550
Transfers from/(to) other headings	-	(730)
Budgeted departmental services appropriation	155,625	-
Lapsed departmental services appropriation	7,092	-
Less: Closing balance of departmental services appropriation receivable	(366)	-
Total administered revenue recognised in note 36	**162,351**	**40,691**

38. Agency transactions and balances

The department acts as an agent for collection and payment processing services and undertakes certain transactions on behalf of Queensland Government departments and its clients. For further information refer to note 1(d).

a) CITEC

	2013 $'000	2012 $'000
Balance at 1 July	19,310	2,952
Collections during the period	2,299,235	493,289
Distributions according to clients instructions during the period	(2,299,122)	(476,931)
Balance at 30 June	**19,423**	**19,310**

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

38. Agency transaction (continued)

b) Smart Service Queensland

	2013 $'000	2012 $'000
Balance at 1 July	-	2
Collections during the period	97,013	49
Distributions to principals during reporting period	(97,013)	(51)
Balance at 30 June	**-**	**-**

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

39. Correction of error/comparative information restated

Revised machinery-of-government

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

The net assets and liabilities transferred with respect to this machinery-of-government change were revised and agreed in August 2013. Comparisons between the net assets transferred as reported in the financial statements for the period 1 May to 30 June 2012 and the restated comparatives to the financial statements as they relate to the revised machinery-of-government transfer for the financial year end 30 June 2013 are detailed below.

Transfer of Innovation and Science Development Services	Original 2012 $'000	Adjustments 2012 $'000	Revised 2012 $'000
Current assets			
Cash and cash equivalents	-	2,131	2,131
Receivables	-	11	11
Other	-	13	13
Total current assets	**-**	**2,155**	**2,155**
Non-current assets			
Receivables	15,044	-	15,044
Property, plant and equipment	-	1,588	1,588
Total non-current assets	**15,044**	**1,588**	**16,632**
Total assets	**15,044**	**3,743**	**18,787**
Current liabilities			
Payables	-	361	361
Advances	-	2,130	2,130
Accrued employee benefits	-	(11)	(11)
Other	-	(722)	(722)
Total current liabilities	**-**	**1,758**	**1,758**
Net assets	**15,044**	**1,985**	**17,029**

39. Correction of error/comparative information restated (continued)

Revaluation error

A comprehensive independent revaluation of the Cultural Centre land and building assets, including the Queensland Performing Arts Centre and the Playhouse was completed in June 2012 by the Australian Valuation Office. During 2013, valuations for both the Queensland Performing Arts Centre and the Playhouse were found to be in error. The Australian Valuation Office has revised the valuations, as a result an additional revaluation decrement expense and reduction in the carrying value of building assets of $2.301 million has been recorded and corrected through the restatement of prior year comparatives.

Additional disclosure requirements

Bank charges of have been disclosed separately within Supplies and services expense during the 2013 financial year in accordance with AASB 7 *Financial Instruments: Disclosures*. To ensure consistency between comparative disclosures, bank charges for the period 1 May 2012 to 30 June 2012 have been restated separately within Supplies and services.

39. Correction of error/comparative information restated (continued)

The impact of the above adjustments between the departments consolidated financial statements for the period 1 May to 30 June 2012 and the restated comparatives as disclosed in the financial statements for the period ended 30 June 2013 are as follows:

	Original 2012* $'000	Adjustments 2012 $'000	Revised 2012* $'000
Statement of comprehensive income (extract)			
Revaluation decrement	10,913	2,301	13,214
Supplies and services	60,312	75	60,387
Other expenses	10,407	(75)	10,332
Total expenses from continuing operations	224,388	2,301	226,689
Operating result from continuing operations before income tax	(31,548)	(2,301)	(33,849)
Operating result from continuing operations after income tax	(31,548)	(2,301)	(33,849)
Total comprehensive income	(21,398)	(2,301)	(23,699)
Statement of financial position (extract)			
Current assets			
Cash and cash equivalents	138,668	2,131	140,799
Receivables	67,843	11	67,854
Other	15,159	13	15,172
Total current assets	**221,679**	**2,155**	**223,834**
Non-current assets			
Property, plant and equipment	821,561	(713)	820,848
Total non-current assets	**974,002**	**(713)**	**973,289**
Total assets	**1,195,681**	**1,442**	**1,197,123**
Current liabilities			
Payables	108,777	361	109,138
Other current liabilities	4,675	1,408	6,083
Accrued employee benefits	8,695	(11)	8,684
Total current liabilities	**141,313**	**1,758**	**143,071**
Contributed equity	**1,060,226**	**1,985**	**1,062,211**
Accumulated surplus/(deficit)	**(31,548)**	**(2,130)**	**(33,849)**
Statement of cash flows			
Transfer of cash and cash equivalents as a result of machinery-of-Government changes	**72,024**	**2,131**	**74,155**
Net cash provided by/(used in) financing activities	**69,827**	**2,131**	**71,958**

*The Department of Science, Information Technology, Innovation and the Arts was created on 3 April 2012, these financial statements include comparative transactions from 1 May 2012 to 30 June 2012 pursuant to section 80(2) of the *Financial Accountability Act 2009*.

40. Events occurring after balance date

Queensland Commission of Audit Report

The recommendations within and the Queensland Government's response to the Commission of Audit's (COA) report has implications to the future operations of the department. The following COA recommendations specifically impact the future operations of the department's business units, Queensland Shared Services (QSS) and CITEC.

Commission of Audit Recommendation 149

"The Government discontinue the role of CITEC as a centralised provider of ICT services within Government, and initiate a process to divest the CITEC Business within two years"

Commission of Audit Recommendation 143

"The Government discontinue the mandated use of centralised corporate services functions through Queensland Shared Services"

Commission of Audit Recommendation 144

The Government introduce an open, contestable market for the delivery of all corporate services by public or private providers, based on value for money considerations.

Commission of Audit Recommendation 145

Queensland Shared Services be empowered to offer services to agencies on a contestable basis in a competitive market environment while it remains viable to do so.

While the Government has accepted these recommendations it has noted that detailed implementation plans which first and foremost establish an orderly process to manage the implications of these recommendations is needed.

The department is currently developing detailed implementation plans to deliver upon the Government's response. At the time of issuing the financial statements, the department has not yet completed all detailed implementation plans and therefore it is not possible to provide detailed information with respect to the financial impacts to the department.

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

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

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

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

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Science, Information Technology, Innovation and the Arts for the year ended 30 June 2013 and of the financial position of the department at the end of that year.

Rita McLucas

Rita McLucas CA
Chief Finance Officer
29 August 2013

Andrew Garner CA
Director-General
29 August 2013

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Report

I have audited the accompanying financial report of Department of Science, Information Technology, Innovation and the Arts which comprises the statement of financial position and statement of assets and liabilities by major departmental services, CBUs and SSPs as at 30 June 2013 the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services, CBUs and SSPs for the year then ended 30 June 2013, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Director-General and Chief Finance Officer.

The Accountable Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Independence

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

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

Opinion

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

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

(i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Science, Information Technology, Innovation and the Arts for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

A M GREAVES FCA FCPA
Auditor-General of Queensland

AUDITOR GENERAL
30 AUG 2013
OF QUEENSLAND
Queensland Audit Office
Brisbane